

AFG

Sustainability Report

2024

Go far.
Go together.

Sustainability at AFG

I am pleased to deliver our report on the company's Environmental, Social and Governance practices.



Greg Medcraft
Chair



AFG Carbon Footprint



388

Tonnes of CO₂-e offsets voluntarily purchased through Greenfleet in FY24



4,000+

Trees planted through Carbon Positive Australia (since 2022)

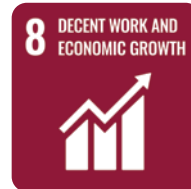
Principal Partner



The Foyer Foundation vision is that all young people experiencing disadvantage have a pathway to education, training and employment that is founded on access to stable and secure housing.

United Nations Sustainable Development Goals

SUSTAINABLE
DEVELOPMENT
GOALS



AFG Sustainability report FY24

AFG this year celebrates its 30-year birthday, this milestone being testimony to the foresight of our founders who helped create a new industry after seeing an opportunity for finance brokers to provide a better solution for Australian's finance needs.

Over the past three decades, AFG has supported many thousands of finance brokers in building robust, secure and successful businesses, in turn offering choice to borrowers through competition between lenders.

As we look to the decades ahead, AFG remains confident that we can continue to fulfill our purpose of creating a fairer financial future by championing Australian finance brokers – who now account for writing a record 74% of all home loans in Australia.¹

We bring our purpose to life by delivering upon our business strategy in a sustainable manner. This purpose-led strategy is underpinned by our core values – Integrity, Accountability, Customer-Centric and Team Player (**I ACT**) – which were refreshed during 2024.

The approach to our business strategy is also guided by the United Nations' Sustainable Development Goals - a set of 17 goals that identify global priorities and aspirations. AFG has identified eight goals where we believe we can make the highest impact.



¹ Between January and March 2024, 74.1% of all new home loans were written by mortgage brokers, according to the Mortgage and Finance Association of Australia quarterly report available at <https://www.mfaa.com.au/news/mortgage-brokers-remain-the-first-choice-for-homebuyers>

Governance



Our structure

The AFG board of directors (**Board**), which consists of a majority of independent directors, is responsible for oversight and strategic guidance as AFG delivers upon its purpose and strategy. The Board along with Management remain committed to ensuring good governance, transparency and accountability.

The Board is supported by four Board Committees: Audit, Remuneration and Nomination, Risk and Compliance, and Technology and Data. Management Committees include Risk and Compliance, and Sustainability. Other committees include Credit, Diversity, Equity and Inclusion, the Modern Slavery Working Group, and the Green Team.

More information on the Board Committees is available on page 31.

The AFG Management Sustainability Committee was established in 2021 to help strengthen the organisation's sustainable policies and practices, and reports to the Board. This Committee provides updates to the Board at least once per quarter, via the Chief Executive Officer.

The AFG Management Risk and Compliance Committee oversees our approach to climate risks, with this topic featuring as a standing item on the Committee's quarterly agenda.

Elsewhere, a staff Sustainability Committee, known as the Green Team takes a grassroots approach to embedding sustainability across the organisation and comprises of Committee members from each of AFG's state offices.

Our Diversity, Equity and Inclusion Committee ensures we continue to build an inclusive workplace, while our Modern Slavery Working Group is responsible for monitoring and reporting on human rights practices within our supply chain and produces our annual Board-endorsed Modern Slavery Statement.

Robust policies








AFG’s practices are consistent with the ASX Corporate Governance Council’s Principles and Recommendations (4th Edition) which lay solid foundations for meeting all regulatory obligations and legal requirements. As part of AFG’s commitment to good corporate governance practices, AFG offers a full suite of policies and processes which help underpin our culture and approach to how we do business.

The policies can be found on the AFG Investor Centre www.afgonline.com.au/investors/



Management of ESG risks

In addition to financial risks (credit, liquidity and market), AFG has taken steps to identify our environmental, social and governance risks and map these against mitigants.

This review and assessment was conducted jointly by subject matter experts in each area, the Sustainability Management Committee and Management Risk and Compliance Committee. The Board oversees the review and assessment of these risks and regularly receives reports from the Management Committees. These risks, mitigants and any gaps will be continuously reviewed and are likely to evolve over time.

ESG topic	Risk Type (ESG)	Associated risk/ consequence	Mitigating/managing actions
Regulatory and compliance  	G	Severe penalties and impact on reputation	<ul style="list-style-type: none"> Compliant with all applicable laws and regulations, overseen by internal legal and compliance functions Annual training for all employees to ensure awareness of key regulatory obligations Oversight of all material regulatory risks by Board Risk and Compliance Committee and Management Risk and Compliance Committee
Business ethics/conduct     	G, S	Conduct falls short of community and stakeholder expectations	<ul style="list-style-type: none"> Oversight of all material risks by Board Risk and Compliance Committee and Management Risk and Compliance Committee Risk Appetite Statement which is reviewed at least annually and clearly specifies risks to which AFG is intolerant Three lines of defence Risk Management framework Code of Conduct supporting company values and culture Full suite of policies including Anti Bribery and Corruption, Anti Money Laundering and Counter Terrorism Financing, Dealing in Securities, Continuous Disclosure, Whistleblower, annual Modern Slavery Statement, Supplier Code of Conduct, Risk Management, Work Health and Safety and Diversity Equity and Inclusion Dedicated complaints contact and resolution process Principal Partner of Foyer Foundation (youth homelessness support) and regular volunteering days at Tranby Engagement Hub in Perth Long term sponsor of the AFG Interschool Numero® Challenge (financial literacy program for children) AFG’s own lending arm, AFG Securities’ Plant-A-Tree program for every securitised loan settled

ESG topic	Risk Type (ESG)	Associated risk/ consequence	Mitigating/managing actions
Responsible mortgage lending practices   	G, S	Irresponsible mortgage provision by brokers Poor recognition of customer needs amongst underserved	<ul style="list-style-type: none"> Responsible Lending and Best Interests Duty Policies in place for mortgage and finance brokers Comprehensive compliance training requirements for mortgage and finance brokers Dedicated compliance function Legal review of any product marketing campaigns Suite of products (including low document mortgages) aimed at underserved borrowers including the self-employed, later-life lending, part-time and casual workers, and customers with credit impairments Use of Comprehensive Credit Reporting to enable a more precise measure of credit risk to improve assessment of underserved customers Active participation in Mortgage and Finance Association of Australia through a position on the Board of directors, chair of the compliance committee and membership of the Aggregator Forum
Climate risks in mortgage portfolio 	E	Increasing likelihood of floods and fires in some areas rendering properties uninsurable, increasing loan delinquency	<ul style="list-style-type: none"> Climate scenario risk modelling to help make informed lending choices and to ensure adequate insurance coverage on existing loans Each property in portfolio assessed for climate risk using actual weather events and ability of regions to recover from events. This is dynamically updated as new events unfold and is overlaid with Representative Concentration Pathways (RCP) data to provide a forecast of the current portfolio into 2030 & 2050
Own emissions' impact on climate 	E	Business operations contributing to warmer climate Reputational risk if fail to adapt	<ul style="list-style-type: none"> Board level oversight of climate risks through Board Risk and Compliance Committee Sustainability Management Committee and employee-led 'Green Team' Voluntary annual measurement of carbon emissions (that AFG has influence over) Minimising travel and voluntary purchase of offsets to cover unavoidable travel emissions Introduction of energy saving initiatives and recycling program in head office Transition to paperless documentation (still in progress) Employee volunteer tree planting days AFG Securities' Plant-A-Tree program for every securitised loan settled

ESG topic	Risk Type (ESG)	Associated risk/ consequence	Mitigating/managing actions
Privacy of data and cyber security 	G, S	Unauthorised disclosure of personal information, either deliberately or inadvertently. Cyber theft compromising data Cyber incident that disrupts business operations	<ul style="list-style-type: none"> • Board level oversight through Board Technology and Data Committee • Dedicated Data Governance Council • Third party obligations for privacy and security <p>Privacy:</p> <ul style="list-style-type: none"> • Privacy, Notifiable Data Breach and Responsible Use of Technology Policies <p>Security:</p> <ul style="list-style-type: none"> • Dedicated Cyber Steering Committee consisting of members from IT, Security Operations and Risk • Dedicated cyber security department • 24x7 security monitoring with extended detection and response capability • Continued investment in technology and capabilities • Structured systems user access management. identity protection and advanced email protection • Frequent audits and testing of systems • Regular education, training and phishing tests for employees • Consequence Management Framework for cyber threat resilience exercises • Multi Factor Authentication for employees and brokers • Cyber incident response plan • AFG Broker Cyber Hub, and dedicated broker training via webinars on cyber security issues
Technology 	G, S	Failure of technology and system downtime	<ul style="list-style-type: none"> • Board level oversight through Board Technology and Data Committee • Implementation and investment in delivering robust technology systems • Disaster recovery and business continuity plans in place • Constant monitoring of health of systems and regular testing

ESG topic	Risk Type (ESG)	Associated risk/ consequence	Mitigating/managing actions
Human capital/ employee wellbeing, diverse and inclusive workplace   	S	Failure to attract and retain quality employees Poor support for employee health, wellbeing and safety	<p>Attraction, retention and engagement:</p> <ul style="list-style-type: none"> Code of Conduct promoting company values Remuneration practices and people and culture initiatives overseen by Board and Management Policies and programmes including Flexible Working, Working from Home, Work Health and Safety, Education Assistance, and Family and Domestic Violence support Staff engagement pulse to monitor satisfaction, engagement Net Promoter Score (eNPS), wellbeing and gain employee feedback <p>Diversity, Equity and Inclusion (DEI):</p> <ul style="list-style-type: none"> DEI Policy and Workplace Discrimination, Harassment and Bullying Policy Ethnicity surveys to gain insights to help build a workforce that reflects the cultural diversity of the Australian population Combined employee and management committee focussed on Diversity, Equity and Inclusion Targets for gender diversity at Board and management level Program of employee events to help drive Diversity, Equity and Inclusion <p>Wellbeing:</p> <ul style="list-style-type: none"> Surveys and initiatives to promote employee wellbeing Mental Health, Family and Domestic Violence and Workplace Discrimination, Harassment and Bullying Policies Mental health first aid officers in each State Employee Assistance Program available to all employees and brokers Work Health and Safety policy, manual and targets in place

Privacy and cyber security

AFG is committed to safeguarding our customers' sensitive information.

The AFG Privacy Policy embeds all principles contained in the *Privacy Act (Cth) 1988*, where these apply to our practices. With evolving customer expectations and likely regulatory reforms to adapt to the changing digital age, we are aware of and are proactively preparing for anticipated changes to Australian privacy laws.

AFG remains vigilant against the growing threat of cybercrime and invests in ongoing protection of our systems and the refinement of our processes. Measures to help safeguard our customers' information – including from cyber criminals – form a core component of our Technology Strategy.

We regularly review our processes and controls.

Threat mitigation strategies – as outlined by the Australian Cyber Security Centre and Australian Signals Directorate – have been implemented, including Multifactor Authentication (MFA) for both employees and brokers who access AFG's systems.

As part of our internal education and awareness processes, all employees are required to undertake mandatory training in cyber security at onboarding, and on an ongoing basis. Regular phishing tests complement the training process, and our staff are held accountable for adhering to our policies.

We are committed to supporting our brokers to stay safe against cyber crime. In addition to introducing MFA to our brokers' interactions with AFG systems, AFG offers substantial training and awareness resources to our broker network through our Broker Cyber Hub.

Social



Our people

AFG's 30-year success story and our optimism about the future would not be possible without the knowledge, experience and energy of our highly-engaged employees, who support AFG in delivering upon its purpose-led strategy.

Our core values - Integrity, Accountability, Customer Centric and Team Player (**I ACT**) - shape how we fulfill our purpose and strategy.

We worked with our employees this year to refresh our values and ensure they are meaningful for all, and at the core of everything we do.

Guiding us in applying our values is AFG's Code of Conduct, which also sets out the standards of professional conduct we expect from our employees.

Our employees are expected to be familiar with the Code of Conduct and adhere to our values and standards. This is reinforced through a requirement that employees undertake annual refresher training on the Code of Conduct and other relevant Group policies, including those relating to compliance, risk, Responsible use of Technology, accepting gifts and entertainment, Anti-Bribery and Corruption, and our Whistleblower Policy and Procedure.

We believe the success of our organisation over the past financial year is a direct result of our talented and engaged workforce. In 2024 we changed how we measure engagement, replacing our annual survey with more regular pulse surveys - a "real time" opportunity for employees to provide feedback, including assessing our employees' perspective on Diversity, Equity, Inclusion and Belonging. This will help AFG better identify areas for improvement in real time, and better support the employee experience.

Our average FY24 employee engagement score is sitting at a pleasing 76%, with a positive employee Net Promoter Score of 12.

Other meaningful and encouraging data gathered from our employees includes 89% of employees strongly agreeing that their team's work is aligned with AFG's values, while 94% agree that the work they do has an impact on AFG's purpose.

To also support engagement, our employees are encouraged to have regular conversations with their managers. Quarterly check-ins provide the opportunity to regularly assess and reflect on their career goals, objectives and development opportunities.

Step up meetings are conducted with the manager of the employee's manager, providing greater access to senior leaders. This is further complemented by the fortnightly 'All Hands' meeting for all employees, hosted by the CEO or executives to share the latest developments across the business.

Monthly "Manager" awards and quarterly "Appreciate" awards recognise and celebrate those employees who have made an outstanding contribution during the period.

Interaction and collaboration between colleagues are considered essential and we hold regular Strategy Updates to ensure our employees know the direction the business is heading and their role in its success.

Regular social functions are offered across the business - including team-based volunteering opportunities during working hours, examples being our tree planting days or assisting with meals at a Perth crisis centre kitchen.

AFG also encourages and assists employees who wish to undertake an approved course of study relevant to AFG's objectives and the employee's current or future position, by operating an Education Assistance Policy, enabling reimbursement for approved courses and textbooks.

INTEGRITY

**We do
what's right.**

ACCOUNTABILITY

**We follow
through.**

CUSTOMER CENTRIC

**We walk in
their shoes.**

TEAM PLAYER

**Together we
make a difference.**

Diversity and inclusion

AFG wants every employee to feel valued, safe and included. We therefore strive to provide a diverse work environment and promote a culture of respect, as outlined in our Diversity, Equity and Inclusion Policy.

Opportunities are offered based on merit, allowing all employees to reach their full potential, regardless of gender, ethnicity, race, culture, sexual orientation, gender identity, age, disability status, religious beliefs or socio-economic background.

We promote a Flexible Working Policy to ensure employees with family and caring responsibilities also have access to opportunities within the organisation.

Efforts to ensure diversity and inclusion are driven by our DEI Committee, comprising of managers and employees from across our business. As part of this Committee, a Women in Technology working group has been established to support Women in Science, Technology, Engineering and Mathematics (**STEM**) careers.

Each year, with the assistance of the DEI Committee, the Board sets measurable objectives for achieving and improving our diversity. These objectives for FY24 and their results are outlined below:

DEI Object	Result/Status
1 Achieve a minimum of 45% women in management positions (including Key Management Personnel (KMP), Senior Managers and Other Managers) by 2025 with increased year on year representation	Not yet met. This target will remain in focus across FY25
2 Continue to develop cultural awareness across AFG ensuring our workforce reflects the diverse Australian population, demonstrated by a positive cultural diversity score of at least 80% in our annual employee survey	Met. 94% of our employee survey respondents agree AFG recognises and embraces employees of diverse cultural backgrounds
3 Maintain workplace diversity as one of the top three performing areas of our employee pulse surveys	Met. Workplace diversity remains the top performing area of our employee survey for the fourth consecutive year
4 Continue training and awareness programs to ensure employees maintain and uphold AFG's acceptable and expected behaviours and diversity and inclusion values in the workplace	Met. The Diversity, Equity and Inclusion Committee alongside our Human Resource team continues to deliver a range of programs and initiatives to meet this objective
5 Maintain no less than 30% of each gender in the composition of AFG's Board of Directors	Met. This objective continues to be met with two of our six directors (33%) being female

Female representation among employees¹

Position	Total	No of women	% of Women
Board	6	2	33%
Senior Executives	16	4	25%
Senior Managers	34	15	44%
Total workforce including Directors	317	149	47%

Senior Executive is defined as Key Management Personnel, Head of Businesses and other Executives/General Managers in our business. To provide an accurate reflection of the proportion of women across the whole organisation, the Company has excluded contractors and included part-time employees in the percentages above, which shows the proportion of women in the AFG group at 30 June 2024.

¹ Headcount as at 30 June 2024.



Working with our brokers to enhance and grow their businesses is the most rewarding part of my role at AFG. Seeing their success and being a part of their journey motivates me every day.

Christa
State Manager VIC/TAS

Cultural representation

Our annual employee ethnicity survey shows the strong cultural diversity of AFG’s workforce, with respondents coming from 23 different countries other than Australia. This data is used when planning important cultural events and acknowledgements throughout the year.

This year, we introduced a monthly Diversity, Engagement, Inclusion and Belonging (DEIB) pulse survey to supplement our new engagement pulse survey. This DEIB survey achieved an overall score of 78%, comprised of insights around how our employees view our commitment to nurturing a culture that values the perspectives and experiences of every individual, regardless of background.

We are also proud that 94% of employees believe that AFG is taking concrete actions to promote diversity and inclusion.

Wellbeing

Our Work, Health and Safety Policy reflects our commitment to ensuring the health and safety of our workers in the workplace. This policy sets out all reasonably practicable measures that AFG will take to eliminate or minimise risks to the health and safety of our workers, and anyone else who may be affected by our operations. This includes, but is not limited to, complying with applicable Work Health and Safety (WHS) legislation, completing external WHS audits, providing WHS training to our workers and ensuring that any incidents relating to WHS are recorded on our Risk Register.

Specific WHS objectives and targets aiming to improve monitoring and oversight of group WHS performance were implemented and tracked over FY24 – these objectives and targets are outlined in the table below including AFG’s performance against each for the 2024 financial year. In summary, all WHS objectives and targets for FY24 have been met, with no issues to report.

Our employees’ mental health and wellbeing is paramount. AFG operates a Mental Health and Wellbeing Policy and actively promotes the availability of qualified mental health first-aid officers in all of our offices, along with our Employee Assistance Program, which provides psychologist appointments in person or online to those who may need help. AFG also offers the EAP service to our member brokers who need assistance.

Our employees’ physical health is also supported via programs like free influenza vaccinations while fresh fruit and healthy snacks are available in the office.

We also operate a Family and Domestic Violence Policy, which includes workplace support for any employees affected by domestic and family violence, including a dedicated support officer/counsellor.

WHS Focus Area	KPI	Measurement	FY24 Achievement
Training and development	100% completion rate of WHS induction training and annual refresher training	% of WHS training overdue	All training complete
Workplace inspections/ compliance	100% of workplace inspections across all offices to be completed to schedule with corrective actions implemented in timely manner	Number of overdue inspections and corrective actions implemented	Quarterly inspections complete with no outstanding actions
	100% of WHS external WHS audits completed to schedule	Number of overdue inspections	All external WHS audits complete
Risk management	WHS items captured on risk register and reviewed on quarterly basis	% incidents arising from risks not on the risk register	No notifiable WHS incidents for FY24



Having a bike has allowed me to explore my area, run errands and commute to work without relying on the unpredictability of public transport. I'm also able to better my health and enjoy the outdoors.

Recipient of AFG Independence Fund grant: *Chrissy from the Glen Waverley Foyer*

Our community

Foyer Foundation - Principal Partner

AFG recognises the importance of a place to call home, and since 2021 AFG has been the Principal Partner of the Foyer Foundation – a national for-purpose organisation that unlocks thriving futures for young people, aged 16-24, experiencing or at risk of homelessness.

Young people experience the highest rates of homelessness among all age groups in Australia, and there are up to 40,000 young Australians across the country without a place to call home.

The Foyer Foundation tackles youth homelessness by ensuring safe and affordable self-contained accommodation at a "Youth Foyer" facility for up to two years, integrated with coaching and supports that enable the young person to pursue education or employment pathways and build fundamental life skills and confidence.

To help more young people at risk of homelessness, the Foyer Foundation is striving to grow the reach and impact of Youth Foyers and holds the vision of seeing 50 accredited Foyer facilities across Australia by 2030.

AFG shares the Foyer Foundation's confidence this can be achieved. Five new Youth Foyers have been accredited in the last year, bringing the total to 16 – enough to house 630 young people each night.

A further 16 Foyers are shovel ready, and other commitments are starting to flow through following the Foyer Foundation's national campaign to unlock Government grants and commitments to fund new Foyers.

Results of this campaign – supported by our funding - included a commitment from the Queensland Government to establish eight new Foyers, three of which will be built by 2027.

Our funding has also enabled the Foundation to work with 14 paid Youth Ambassadors to embed their lived experience across its strategy, governance, operations and advocacy efforts.

Other highlights this year include the Foundation's establishment of the Foyer Hub - a platform that will support the growing network of Youth Foyers to share knowledge, practice expertise and continue to improve their performance.

Approximately a third of AFG's sponsorship dollars are utilised within the AFG Independence Fund. This fund enables Foyer recipients to apply for one off grants, up to \$1,000, which can be used to purchase items to support their education, employment, wellbeing, or transition to independent living.

By the end of calendar year 2024, more than 400 Foyer residents would have received Independence Fund grants, enabling the purchase of important items including laptops, tools, driving lessons, work clothing, and furniture as they transition into independent living.

In addition to our \$800,000 commitment over four years, AFG fund raising efforts – including charity tennis days - have attracted further donations from AFG brokers into the AFG Independence Fund.

As well as unlocking thriving futures for individuals, support through the evidence-based Foyer system has positive impacts for the community and economy.

Independent modelling by Accenture in 2023 found that every dollar invested by governments in a Youth Foyer generated an additional \$6 in benefits and that a young person supported through a Foyer resulted in reduced lifetime costs to the government of \$172,417 per person.

AFG is proud to have partnered with the Foyer Foundation to support its role in changing the lives of so many young people for the better - and in making a positive social and economic impact in this important area.





Tranby Engagement Hub/Uniting WA

Continuing our support for the homeless, AFG staff members have been rolling up their sleeves to help make a difference at a major crisis centre in the City of Perth.

AFG has partnered with Uniting WA, which runs the Tranby Engagement Hub. Tranby relies heavily on volunteers for providing support such as meals, showers, counselling and referral services. Often up to 300 people are supported daily through this service.

Through the partnership, teams of up to 12 AFG employees take over the kitchen for a morning, supporting those in need by preparing, cooking and serving meals.

On each occasion AFG makes a financial contribution which Uniting WA puts toward food costs.

AFG also supported the Tranby Engagement Hub through its 2023 Christmas appeal in Perth, with goods donated by employees and the company being used to make hampers for people doing it tough.

Our industry

With a record 74.1%² of Australian mortgages sourced via a mortgage broker, our industry is a clear driver of competition and choice for Australian consumers – fulfilling our purpose of creating a fairer financial future.

Brokers in our network are at the core of our business. The AFG Group now has more than 4,000 brokers, who are equipped, with powerful tools, staunch support and passionate expertise.

AFG's brokers originate one in every 10 mortgages entered into in Australia, positioning us as one of the nation's biggest aggregators.

Our role as an industry advocate continues with AFG Chair Greg Medcraft and CEO David Bailey liaising with Government and regulators on issues affecting our industry. AFG General Manager Industry and Partnership, Mark Hewitt, also serves on the board of peak industry body the Mortgage and Finance Association of Australia (MFAA).

Our brokers share our commitment to do the right thing and are expected to abide by the AFG Broker Code of Practice, while we work hard to assist our brokers to protect their business practices and reputations by providing the right support to help them meet their compliance obligations.

AFG helps to foster and recognise excellence through our annual broker awards which include an award for brokers who have run either an individual or business-wide program that supports their community.

In recognition that many brokers are also keen to give back to the community, AFG has put in place a dedicated mechanism that enables them to also make donations to the Foyer Foundation, for which AFG is Principal Partner.

AFG's commitment to our brokers also extends to gender equality and wellbeing.

We support women to enter and continue their careers in mortgage broking and finance through our AFG Women on the Move Program.

Amidst a male dominated industry, this program aims to attract and retain female brokers by providing the right support within a safe and progressive environment, to build supportive relationships and develop business and personal skills. During FY24, 26% of our newly recruited brokers were female – a figure we still consider too low, but marginally above the industry wide average proportion of female brokers (25.4% according to the MFAA).

To assist with the wellbeing and provide mental health support to our brokers, AFG continues to offer its Employee Assistance Program to our broker network.

With brokers the bedrock of our industry, we are committed to the ongoing provision of our unwavering support as they continue to drive competition and provide choice for Australians.

² Between January and March 2024, 74.1% of all new home loans were written by mortgage brokers, according to the Mortgage and Finance Association of Australia quarterly report available at <https://www.mfaa.com.au/news/mortgage-brokers-remain-the-first-choice-for-homebuyers>.

Environmental

Risks from changing climate:

Climate risk is integrated into our risk management framework and is considered at all Management Risk and Compliance Committee meetings, held quarterly, and Board Risk and Compliance Committee meetings.

The main risks identified in FY24 relate to the lending portfolio under AFG Securities (**AFGS**). Adverse events resulting from climate change, in particular floods, fires and drought, would affect the ability of customers to repay loans, potentially leading to a higher rate of defaults.

Addressing risk in the AFGS lending portfolio:

To address risks, climate scenario risk modelling has been introduced into AFG Securities' lending portfolio to help make informed lending choices and to ensure adequate insurance coverage is in place for new loans.

Under this system, each property in the portfolio is assessed for climate risk using actual weather events and the ability of regions to recover from events.

This is dynamically updated as new events unfold and is overlaid with RCP data to provide a forecast of the current portfolio into 2030 and 2050.

Analysis is also done on the short-term impact of building insurance premiums, replicating that produced by the Actuaries Institute of Australia.

Output modelling is then fed into AFG's loan origination system to identify at-risk applications where stated building insurance may be less than is required for that property given climate risks.

This aims to deliver information which is used to raise awareness with prospective borrowers about rising premiums and to honour AFG's obligations under the Responsible Lending provisions of the National Consumer Credit Protection Act 2009 (Cth).

Risks to the broader AFG business

We are aware there is reputational risk to our business if we do not to adapt to climate change, and fail to meet stakeholder expectations.

Conversely, there are also opportunities if we proactively address the challenges. AFG will continue to highlight the sustainable partners it works with and will seek opportunities to work with organisations that are taking an active lead in addressing the challenges of climate change.

Our climate commitment

AFG recognises that addressing the threat posed by climate change requires immediate and urgent action. We are conscious that failing to address these risks will have catastrophic consequences for the environment and economy. AFG therefore supports the transition to net zero emissions by 2050 in alignment with the Paris Agreement³. AFG is on a journey to reduce its own emissions and will work with our employees, customers and communities to drive wider positive impact.

Fossil fuels

As a servicer and manager of residential home loans, AFG's securitised lending arm AFG Securities does not lend directly to the fossil fuels industry, including coal or coal products, natural or derived gas, crude oil, petroleum products and non-renewable wastes. Similarly, AFG Securities does not lend directly to companies involved with native forest logging. AFG has an interest in securitised lender Thinktank Group Pty Ltd, which also does not lend directly to these industries. While these companies do not lend directly to these industries, some of their loan customers may be employees or shareholders of such businesses.

³ The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 countries, including Australia, at the UN Climate Change Conference (**COP21**) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016.



Knowing that we are safeguarding our brokers' and clients' sensitive information is incredibly rewarding. At AFG, we prioritise security and continuously strive to enhance our measures to maintain trust and protect data.

Rob
Head of Information Security

Our own footprint:

To understand our impact on the climate, AFG measures its own Greenhouse Gas (GHG) emissions, using the services of an independent consultant. We have been voluntarily measuring our footprint since 2021.

In measuring our emissions, AFG's scope and organisational boundary were determined in accordance with the GHG Protocol Standard (World Business Council for Sustainable Development, World Resources Institute, 2004).

The boundary follows the operational control model and includes the aspects of AFG's supply chain that our organisation has influence over. GHG emissions from the AFG Group have been included and reported on where activity data was available and provided to the independent consultant.

AFG is still refining its data capture process, and not all Scope 3 emissions are able to be measured or reported at this stage.

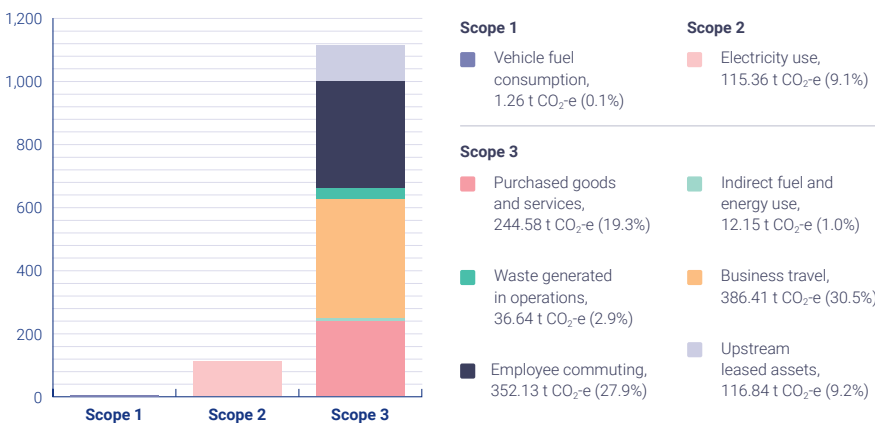
This year, the boundary of our GHG emissions inventory widened with inclusion of the facilities associated with BrokerEngine (100% owned by AFG since 31 August 2023) and Fintelligence (83% owned by AFG as at 30 June 2024). The FY24 measurement therefore took into consideration expanded activity, increased number of employees and additional offices.

This year's measurement determined we produced 1,265.37 tonnes of carbon dioxide equivalent (t CO₂-e) gross between 1 July 2023 and 30 June 2024. This was a decrease on the year before, when 1,484.1 t CO₂-e (gross) was disclosed in the FY23 annual report.

Emissions summary

GHG emissions scope	Emissions (t CO ₂ -e)	Percentage
Scope 1	1.26	0.1
Scope 2	115.36	9.1
Scope 3	1,148.75	90.8
Total	1,265.37	100

Summary of AFG's gross emissions by scope



Our main GHG emitting activities were associated with business travel and employee commuting. AFG looks to address employee commuting emissions through its hybrid work policy (AFG Group Work From Home Policy).

As a national organisation we face challenges with eliminating interstate travel, however we continue to take steps to reduce this where possible and have chosen to voluntarily purchase offsets to match emissions created through travel throughout the year.



The highlight of my day is collaborating with our brokers to create customised strategies that drive their success. Building strong, mutually beneficial partnerships is what makes our work truly impactful.

Lisa
Partnership Manager



Addressing our own emissions

AFG continues to seek ways to reduce its own emissions.

We actively aim to minimise our use of paper and office consumables, and have moved to paperless documentation across many of our activities.

A comprehensive recycling system was introduced in AFG's Perth head office in 2022 which has diverted a significant amount of waste from landfill.

Timed lights, carefully tuned air conditioning systems and new energy efficient printers across all our State offices, has also helped to reduce our energy requirements.

AFG continues to operate a hybrid working policy, which we expect to help lower our emissions by reducing the number of employees commuting to work each day.

Offsetting travel emissions

AFG works hard to reduce travel where possible, but as a national organisation there are still unavoidable flights and associated accommodation which produce greenhouse gas emissions.

For the second consecutive year, we have addressed those unavoidable emissions by voluntarily purchasing carbon offsets from environmental not-for-profit organisation, Greenfleet Australia.

AFG has purchased offsets to cover 388 tonnes of greenhouse gas emissions produced through our FY24 flights and accommodation. This includes travel for AFG employees associated with the events we hold to support our brokers across Australia.

Greenfleet will use the funds received from these offsets to plant native trees in its biodiverse forests across Australia and New Zealand. Legally protected for up to 100 years, these forests absorb carbon from the atmosphere, improve soil and water quality and restore critical ecosystems by providing vital habitat for native wildlife.

The FY24 purchase of carbon offsets is in addition to AFG's buying of carbon offsets in FY23 to cover 490 tonnes of GHGs. The carbon offsets purchased were allocated to Greenfleet's Lyrebird site in Victoria's Gippsland region.

Previously cleared for grazing, this property has been revegetated to deliver climate action and create habitat for species. These include koalas, the Swift Parrot, Gang-gang Cockatoo, and Greater Glider; an endangered species that has been heavily impacted by land clearing.

Greenfleet has a robust verification process in place for its carbon offsetting projects. The Full Carbon Accounting Model, developed by the Commonwealth Scientific and Industrial Research Organisation and approved by the Australian Government Department of Climate Change, Energy, the Environment and Water is used to measure each forest planted by Greenfleet. Greenfleet's carbon estate is also verified by a Federal Government accredited auditor annually, and Pitcher Partners independently audits Greenfleet's work.

Plant A Tree initiative:

AFG plants one tree for every securitised home loan written by AFG Securities, under a partnership with not-for-profit Carbon Positive Australia.

The native species trees are being planted on degraded sites - predominantly in Western Australia and New South Wales - providing corridors for native fauna and supporting biodiversity and ecosystem restoration. The initiative was introduced in July 2022 and has resulted in more than 4,000 trees being planted as a result.

AFG Green Team:

AFG established its Green Team in 2022, comprising passionate employees from across the business who are committed to making AFG a cleaner and greener company at a grass roots level.

The Green Team has been responsible for implementing a recycling program in our head office, donation of second hand electronic items to good causes, facilitating our annual tree planting events, putting a green lens on staff events, and raising general employee awareness about sustainability.



 afgonline.com.au

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A decorative graphic consisting of two thick, curved lines. One is a dark blue line that starts from the bottom left and curves towards the right. The other is a teal line that starts from the bottom left, crosses over the blue line, and curves upwards towards the right.

Australian Finance Group Ltd.

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