

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Bond Framework

Prodigy Finance
2 July 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Social Bond Framework
Relevant standards	<ul style="list-style-type: none">▪ ICMA's Social Bonds Principles (June 2021 version)
Scope of verification	<ul style="list-style-type: none">▪ Prodigy Finance's Social Bond Framework (as of June 2021)▪ Prodigy Finance's Selection Criteria (as of June 2021)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ Until material changes are made to the Social Bonds Framework and Selection Criteria

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SCOPE OF WORK

Prodigy Finance (or “the Issuer”) commissioned ISS ESG to assist with its Social Bond Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. Social Bonds link to Prodigy Finance’s sustainability strategy – drawing on Prodigy Finance’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Prodigy Finance’s Social Bond Framework (June 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Social Bond Principles (SBPs).
3. The Selection Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO Section	SUMMARY	EVALUATION ¹
Part 1: Social Bonds link to Issuer's sustainability strategy	<p>Prodigy Finance offers student loans for a range of academic programs at schools in 15 countries. The company is based in the United Kingdom and has an office in South Africa as well teams in the United States of America and India.</p> <p>The Use of Proceeds financed through this Bond are consistent with the Issuer's sustainability strategy and material ESG topics for the Issuer's industry. The rationale for issuing Social Bonds is clearly described by the Issuer.</p>	Consistent with Issuer's sustainability strategy
Part 2: Alignment with ICMA SBPs	<p>The Issuer has defined a formal concept for its Social Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Social Bonds Principles.</p>	Aligned
Part 3: Sustainability quality of the Selection Criteria	<p>The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Social Bonds will (re-)finance eligible asset categories which include access to tertiary education.</p> <p>The use of proceeds categories have a limited contribution to SDG 4 'Quality Education' and SDG 10 'Reducing Inequalities'. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	Positive

¹ ISS ESG's evaluation is based on Prodigy's Social Bond Framework (June 2021 version), on the analysed selection criteria, and on the ISS ESG Indicative Corporate Rating applicable at the SPO delivery date.

ISS ESG SPO ASSESSMENT

PART I: SOCIAL BONDS LINK TO PRODIGY FINANCE'S SUSTAINABILITY STRATEGY

A. PRODIGY FINANCE'S INDICATIVE SUSTAINABILITY PROFILE

Methodological note: Please note that Prodigy Finance is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the Specialized Finance sector based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

Industry classification: Specialized Finance²

Key Issues of the industry

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Products and services with social and environmental benefits
- Labor standards and working conditions

Indicative ESG risk and performance assessment

Prodigy Finance offers student loans for a range of academic programs at schools in 15 countries. The company is based in the United Kingdom and has an office in South Africa as well teams in the United States of America and India.

As a Specialized Financial Services company, Prodigy Finance faces sustainability risks with respect to its own staff, sustainability impacts of the assets financed, but also risks from customer and product responsibility. With respect to its own staff, the company has various health and safety programs and workplace flexibility measures. An information security management system is in place, including measures with respect to customer and product responsibility. Regarding sustainability impacts from financed assets, overall risk is considered low due to the focus on student loans.

Indicative product portfolio assessment

Social impact of the product portfolio

The product portfolio of Prodigy Finance is entirely made up of student loans for academic programs, which is considered to contribute to the global sustainability objective of delivering education.

Environmental impact of the product portfolio

The company's product portfolio is composed entirely of education loans, which are considered to have a neutral environmental impact.

² As per ISS ESG industry classification.

Controversy Assessment

1. Company Screening

The analyst in charge of producing the report conducted a high-level controversy assessment, exclusively based on publicly available information. There is no indication of Prodigy Finance being involved in any of the below mentioned controversies.

2. Industry risks

Based on a review of controversies in the period of 1 January 2019 – 26 May 2021, the greatest risk reported against companies operating in the Specialized Finance industry relate to activities that may have adverse impact on the human rights and environment. This is closely followed by activities related to business malpractice. The top three issues that have been reported against companies within the industry are as follows: alleged failure to respect consumers' rights, failure to assess environmental impacts and deceptive misleading and fraudulent practices. This is closely followed by the alleged failure to mitigate climate change impacts, failure to respect the right to an adequate standard of living and failure to prevent bribery.

B. CONSISTENCY OF SOCIAL BONDS WITH PRODIGY FINANCE'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Prodigy Finance ("Prodigy") is a leading provider of postgraduate international student loan financing and was born out of the belief that access to finance should be borderless and merit-based. Tertiary education is instrumental in fostering long-term growth and boosting shared prosperity in low, middle, and high-income countries. Workers with tertiary education are more employable, earn higher wages and cope better with economic shocks.

Prodigy believes that talented young individuals across the globe should have access to financing to study at a top tier university of their choice and strive to achieve their full potential. Prodigy uses its unique origination model of lending based on an applicant's future earnings potential, rather than requiring collateral, a guarantor, or the borrower to have an existing credit history in their country of study.

Prodigy provides loan financing to residents of 186 countries and foreign territories for postgraduate courses at 800 highly ranked schools within the subjects of Business, Science, Technology, Engineering, Mathematics, Law, Public Affairs and Healthcare Sciences. To date, Prodigy has financed more than 22,500 students from across the world and more than 80% of these borrowers have come from low and middle-income countries.

Rationale for issuance

Prodigy's mission, of making postgraduate education affordable and accessible, is the driver of its employees and its business operations. To that end, Prodigy Finance has developed a Social Bond Framework (the "Framework"), which will enable the issuance of Social Asset-Backed Security Bonds

("Social Bonds"). These Bonds will be backed by international student loans originated by Prodigy Finance, in keeping with the target population and use of proceeds outlined in this Framework.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under these Social Bonds with the sustainability objectives defined by the Issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Specialized Finance sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Financing or Re-financing Student loan assets	✓	✓	Contribution to a material objective

Opinion: ISS ESG finds that the Use of Proceeds financed through this Bond are consistent with the Issuer's sustainability strategy and material ESG topics for the Issuer's industry. The rationale for issuing Social Bonds is clearly described by the Issuer.

PART II: ALIGNMENT WITH ICMA SOCIAL BOND PRINCIPLES

1. Use of Proceeds

An amount equivalent to the net proceeds of Prodigy's Social Bond(s) is allocated to finance or refinance a portion of Prodigy's portfolio of student loan assets ("Student Loan Portfolio"), which consists of eligible student loans. These eligible student loans are intended solely to finance student school fees, and in some cases living expenses, for eligible postgraduate courses. To that end, 100% of the proceeds of Prodigy's Social Bond goes towards financing postgraduate education, and therefore enabling access to affordable education services.

Each Bond issuance is backed by a segregated pool of eligible student loans and is issued by a newly established or an existing SPV, or by Prodigy Finance (each an "Issuer"). Under Prodigy's Social Bond Framework, the Issuer will finance the purchase of the pool of student loans via a securitisation of the underlying loan portfolio, involving the issuance of securitised Social Bonds to investors. The net proceeds of each Social Bond issued by the Issuer under this Framework will be exclusively applied to finance or refinance the Issuer's purchase of portfolios of loans originated by Prodigy and to pay certain expenses incurred in connection with the issuance of the Social Bonds. Social Bonds issued will not finance or refinance student loans originated prior to 2015.

ELIGIBLE CATEGORY			DESCRIPTION
Access to Essential Services			<ul style="list-style-type: none"> 100% of the loans in the pool relate to financing of postgraduate student loans.
Socioeconomic Empowerment	Advancement	and	<ul style="list-style-type: none"> Equitable access to financing and education for borrowers who are underserved by traditional lenders.

Prodigy's target population relates to individuals who are resident in any of the 186 eligible countries who are seeking to undertake international postgraduate education³ to study at one of the 800+ eligible schools and undertake one of the 4,100+ eligible courses.

Prodigy's borrowers are unable to afford international postgraduate education without student loan financing. The majority of borrowers who seek student loan financing from Prodigy have limited or no other alternative financing options available to them⁴. While high-income students will likely be able to pay for international postgraduate education services themselves, low and middle-income students will typically be unable to do so. Prodigy enables these students to access financial and education services.

³ Prodigy is able to lend to UK nationals attending a UK school as Prodigy is FCA regulated and US nationals in certain US states where Prodigy is regulated, but this is not Prodigy's focus and represents a very small proportion of total loans disbursed, 0.2%, in 2021 YTD.

⁴ In Prodigy's 10-year Impact Report (2018), 89% of students who responded to the survey indicated they had no other financing options.

Traditional student loan providers will not finance student loans for individuals seeking international postgraduate education for several possible reasons:

- The borrower has no guarantor able to guarantee the loan, and / or no collateral with which to back the loan.
- The borrower has no FICO score or credit history in the country in which they intend to study.
- Relative to domestic earnings, the value of the loan is too high.
- Concerns surrounding regulation and enforcement given the borrower will be studying internationally.
- The borrower is deemed a complex borrower since they are not earning in the currency with which they must pay their student fees.

Prodigy is able to lend to these borrowers as it requires no guarantor, collateral or FICO score. Prodigy can estimate a borrower's future earning potential using its model based on more than 10 years of existing data and can then lend against their predicted earnings potential. This model differentiates Prodigy, in that, it ensures equitable access to financing for students from all different socioeconomic backgrounds.

Furthermore, Prodigy focuses on financing postgraduate student loans for international borrowers. This is because it has a unique regulatory and enforcement framework which allows for lending in this capacity. Since Prodigy is a platform to match borrowers to funding for student loans rather than a bank itself, interest rates on the loans can on occasion be higher than those from domestic lenders, albeit those rates require collateral or guarantors.

Prodigy's Probability of Default⁵ and Future Earnings Models⁶ will decide the interest rate and lending amount based on a large number of variables and more than a decade of prior borrower and lender data. Prodigy reassesses its interest rates annually.

Prodigy will not finance loans for any purpose other than postgraduate degrees for international students in eligible courses at eligible schools⁷. Social Bonds issued will not finance or refinance student loans originated prior to 2015.

Opinion: ISS ESG considers the Use of Proceeds description and the eligible social categories provided by Prodigy Finance's Social Bond Framework as aligned with the ICMA Social Bonds Principles. Clear identification of the excluded categories reflects ICMA best practices.

⁵ The Probability of Default model is based on 13 years of loan portfolio performance data on more than 10,000 customers. This has enabled Prodigy to build a predictive model that can be used up front when a customer submits their application to assess the likelihood of the loan going into default. Prodigy uses this model to stop very high-risk customers from entering the portfolio by declining their application prior to Provisional Offer. This helps ensure Prodigy does not lend to clients who would then have debt repayment problems. The model is also used to assign margins to customers based on their risk profile. The model is a Statistical Random Forest model, using application features such as: macroeconomic factors of school and customer residence, school and course information, personal information, employment information, budget and financial information

⁶ The Future Earning Potential model is a predictive scorecard which allows the Issuer to make a decision on post-study affordability.

⁷ International postgraduate degree defined as a student traveling internationally to undertake their master's degree. See footnote 3 for UK/US exception

2. Process for Project Evaluation and Selection

The evaluation and selection process will ensure the proceeds of the Social Bond issued will go towards funding loans for international postgraduate education. Prodigy has a sophisticated origination system which has been in operation for more than 10 years. The system ensures that loans are only offered to borrowers who are looking to undertake postgraduate education courses within the subjects of Business, Science, Technology, Engineering, Mathematics, Law, Public Affairs and Healthcare Sciences, and from an eligible list of Schools. In doing so, the system ensures a borrower falls within the Eligible Social Project target population.

Prodigy will form a Social Bond Working Group comprised of individuals from various teams across the organization, including from the Capital Markets, Loan Origination and Risk teams.

Prodigy will be responsible for the assessment of applications, origination, underwriting of loans and servicing of the loan portfolio. As aforementioned, Prodigy has extensive experience in all fields given its history of originating postgraduate student loans for over a decade.

Aside from managing the social risks related to the student loans, Prodigy has an ESG report⁸ which highlights some of the initiatives that Prodigy undertakes, as well as targets to measure and report on going forward.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Prodigy Finance's Social Bond Framework as aligned with the ICMA Social Bonds Principles. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.

3. Management of Proceeds

Prodigy Finance is an established international student loan provider and has been originating and servicing student loans since 2007. Its internal accounting team will track, report and verify whether the net proceeds have been fully allocated to the Eligible Social Project.

At issuance, the Borrower will purchase a pool of loans, previously identified prior to the issuance date, which falls within the Eligible Social Project criteria.

If for any reason the aggregate amount in a Student Loan Portfolio is less than the total outstanding amount of Prodigy Finance Social Bonds issued during the associated reporting period, Prodigy will assign the unallocated balance to cash, cash equivalents and/or other liquid marketable instruments until the amount can be allocated towards the Student Loan Social Bond Asset Portfolio. Prodigy commits to allocate the proceeds within 2 years of the issuance.

Opinion: ISS ESG finds that Management of Proceeds proposed by Prodigy Finance's Social Bond Framework is well aligned with the ICMA Social Bonds Principles. Disclosure of intended types of temporary investment instruments for unallocated proceeds represents ICMA best practice.

⁸ <https://prodigyfinance.com/social-impact/invest/>

4. Reporting

Allocation Reporting

On an annual basis and on a timely basis, Prodigy Finance will prepare and make publicly available a report disclosing the amount of Social Bonds issued during the reporting period along with the outstanding balance of prior Social Bonds and the average loan size. Prodigy Finance will report annually until maturity or clean-up call of the notes. A 10% clean-up call of the notes is standard in ABS structures.

Impact Reporting

On an annual basis and on a timely basis, Prodigy Finance will prepare and make publicly available a report outlining the social impact metrics of the portfolio of loans.

The relevant metrics may include:

- Number of beneficiaries
- Number of women beneficiaries
- Number of beneficiaries from low and middle-income countries⁹
- Number of schools supported
- Number of courses supported
- Confirmation all loans are to eligible beneficiaries and being used to finance postgraduate education.

Opinion: ISS ESG finds that the reporting proposed by Prodigy Finance's Social Bond Framework is aligned with the ICMA Social Bonds Principles. Reporting of proceeds until maturity or clean-up call of notes represents ICMA best practice.

⁹ Based on World Bank classification

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SOCIAL BONDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Social Bond Framework and using a proprietary methodology, ISS ESG assessed the contribution of Prodigy Finance's Social Bonds to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on a 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Social Bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs¹⁰:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS		
(Re-)Financing Student Loans	Limited contribution		4 QUALITY EDUCATION 	10 REDUCED INEQUALITIES 

¹⁰ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

Financing Student Loans

As a Use of Proceeds category, student loans have a limited contribution to the SDG 4 “Quality Education” and SDG 10 “Reduced Inequalities”. The table below presents the findings of an ISS ESG assessment of the Selection Criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Data protection and security policy

- ✓ 100% of assets undergo multiple penetration tests annually and Prodigy has in place processes such as a vulnerability management system, monitoring and access control, and staff trainings.
- ✓ Prodigy Finance undertakes due diligence before contracting with a third party for data processing. Further, the Issuer has in place a vulnerability management programme which encompasses scanning the Amazon Web Services (AWS) for insecure configurations, routine checks of staff laptops for insecure configurations (firewall, OS version, etc.) and using Github’s dependency vulnerability alerting tool to manage third-party dependencies for all code.

Responsible Marketing and Sales practices

- ✓ 100% of the marketing material is balanced, and clear risk warnings are included into the promotions along with any explanation of the complexities of the product.
- ✓ The compliance department reviews and approves all financial promotions issued by Prodigy Finance to ensure that all communications are in compliance with section 21 of the Financial Services and Markets Act and Conduct of Business Sourcebook (COBS) 4.
- ✓ Prodigy has a policy on ‘Treating Customers Fairly’ and complaints monitoring.

Loan re-structuring and forbearance

- ✓ 100% of customers are eligible for loan modifications and payment re-structuring if they should experience any long-term financial difficulties.
- ✓ 100% of assets are covered under Prodigy’s forbearance policies and procedures which help customers who are experiencing difficulty in repaying their loans, including COVID 19 forbearance policy.

Ethical debt collection and foreclosures

- ✓ Prodigy Finance has a maximum Debt Service Ratio and Future Earnings Potential models that ensure that customers are not over in-debted.
- ✓ Prodigy Finance undertakes a number of pre-emptive actions before a client begins repayment and during the repayment period via its Servicing and Collections Teams such as educational webinars, entrance and exit counselling, providing grace period.
- ✓ Prodigy has in place a ‘Customers in Vulnerable Circumstances’ Policy which ensures that Prodigy Finance treats customers in vulnerable circumstances fairly and with due regard.

DISCLAIMER

1. Validity of the SPO: For Prodigy Finance's first issuance following the SPO release date or until material changes are made to the Selection Criteria and Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on Bonds based on data from the Issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the Issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a Bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Social KPIs

The ISS ESG Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Prodigy Finance’s Social Bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Prodigy Finance (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Prodigy Finance’s Social Bonds contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

Prodigy Finance commissioned ISS ESG to compile a Social Bonds SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the ICMA Social Bonds Principles and to assess the sustainability credentials of its Social Bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Social Bonds Principles
- ISS ESG KPI set: - Specialized student loans

ISSUER'S RESPONSIBILITY

Prodigy Finance's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the Social and social Bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Social Bonds to be issued by Prodigy Finance based on ISS ESG methodology and in line with the ICMA Social Bonds Principles.

The engagement with Prodigy Finance took place in June 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Social & Social) Bond Services, we provide support for companies and institutions issuing sustainable Bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Social / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the Bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/Social-Bond-services/>

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