

Independent Reasonable Assurance Report to the Directors and Management of The National Housing Finance and Investment Corporation

Assurance conclusion

Based on our reasonable assurance procedures, as described in this statement as of 29 October 2020, in our opinion the National Housing Finance and Investment Corporation's ('NHFIC') post-issuance process ('Post-issuance Process') in relation to its First and Second Social Bonds meets the requirements of the criteria defined below, in all material aspects.

Subject Matter and Criteria

The subject matter of the Post-issuance Process and associated criteria are set out in the table below:

Subject Matter	Criteria
Post-issuance process for NHFIC's First and Second Social Bonds, as described in NHFIC's Sustainability Bond Framework, being the: <ul style="list-style-type: none"> ▶ Minimum criteria for eligible Community Housing Providers ▶ Use of proceeds ▶ Management of proceeds ▶ Reporting on the use of proceeds and allocation. 	<ul style="list-style-type: none"> ▶ International Capital Markets Association's Social Bond Principles ('SBPs') June 2018 ▶ Final Loan Agreements with Community Housing Providers (CHPs) ▶ NHFIC's internal policies and procedures, as documented in NHFIC's Sustainability Bond Framework

Management Responsibility

The management of NHFIC is responsible for the collection, preparation, and presentation of the Subject Matter in accordance with the Criteria and for maintaining adequate records and internal controls that are designed to support the Bond Issuance.

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion on the Subject Matter. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements ASAE 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ASAE 3000').

Level of Assurance

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing, and other evidence-gathering procedures that are sufficient for us to obtain a meaningful level of assurance as the basis for a positive form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our Approach

Assurance procedures performed included, but were not limited to:

- ▶ Reviewing the policies and procedures in NHFIC's Sustainability Bond Framework to assess whether they were aligned to the requirements of the SBPs
- ▶ Conducting enquiries with personnel to understand the business, processes, and systems for collecting, collating, and reporting information relating to the post-issuance
- ▶ Confirming the eligibility of assets in NHFIC's Social Bond against NHFIC's Sustainability Bond Framework and SBPs
- ▶ Reviewing the loan purpose and value set out in final loan agreements to CHPs to calculate the total value of eligible assets
- ▶ Reviewing the allocation and disbursement of net proceeds raised from the Social Bonds to eligible assets
- ▶ Obtaining representation from NHFIC Management.

Limitations

There are inherent limitations in performing assurance; for example, assurance engagements are based on selective testing of the information being examined and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ASAE 3000 and the SBPs is subjective and will be interpreted differently by different stakeholder groups. Our assurance was limited to NHFIC's First and Second Bond Post-issuance Process and did not include any procedures in relation to NHFIC's statutory financial statements. Our assurance is limited to policies and procedures in place as 29 October 2020.

Use of Report

Our responsibility in performing our assurance activities is to the Directors and Management of NHFIC only and in accordance with the terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on NHFIC's Post-issuance Process is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third-party purpose.

Our Independence and Assurance Team

In accordance with APES 110 *Code of Ethics for Assurance Practitioners*, the firm and all professional personnel involved in this engagement have met the requirements of Australian or International professional ethical requirements, including our independence. Our team has the required competencies and experience for this assurance engagement.



Dr Matthew Bell, Partner
Partner,
Brisbane, Australia
29 October 2020



Ernst & Young

Annex A

NHFIC's list of First and Second Social Bond eligible assets¹

Social Bond issuance	Eligible Asset	Value as at 29 October 2020 (AUDm)	State	Purpose
Social Bond 1 (March 2019)	Blue CHP Limited	70.0	NSW	Refinancing of core debt plus extra for development of more affordable housing, including the acquisition of new sites and assisting in disability housing
	Community Housing Limited	35.0	NSW/WA	Refinancing of existing debt plus extra to assist with further developments of affordable housing
	Compass Housing Services Co. Ltd	45.0	NSW	Savings on refinancing of debt will assist in funding maintenance and community services
	Evolve Housing Limited	70.0	NSW	Savings on refinancing of debt will assist in funding more development and community services
	Hume Community Housing Association Co Ltd	35.0	NSW	Funding to assist with portfolio maintenance, community programs including health education, transition housing, work readiness and potential future development sites.
	St George Community Housing Limited	15.0	NSW	Refinancing of existing debt for further developments of affordable housing.
	UnitingSA Housing Ltd	7.0	SA	Refinancing of existing debt plus extra for the development of new social and affordable townhouses.
	Unity Housing Company Limited	38.0	SA	To assist in the development of 109 dwellings
Social Bond 2 (November 2019)	Anglicare SA Housing Ltd	32.0	SA	Refinancing and repayment of existing debt plus extra to assist with further developments of affordable housing
	Bridge Housing Limited	51.0	NSW	Refinancing of existing debt plus extra to assist with further developments of affordable housing, including acquisitions, housing refurbishments, and potential future development of sites.
	Churches of Christ Housing Services Limited	4.9	QLD	Refinancing of existing debt to assist with further developments of affordable housing
	Foundation Housing Ltd	35.0	WA	Refinancing of existing debt
	Haven Home Safe	65.0	VIC	Refinancing and repayment of existing debt plus extra to assist with further developments of affordable housing
	Housing Choices Australia Limited	55.0	VIC	Refinancing of existing debt plus extra to assist with further developments of affordable housing
	HousingFirst Limited and Housing First ATF Port Philip Housing Trust	72.0	VIC	Refinancing of existing debt plus extra to assist with further developments of affordable housing, including acquisitions and housing refurbishments
	Total value of eligible assets	629.9		

¹ All eligible assets are loans to the named Community Housing Providers (see Table above), as indicated by the final loan agreements reviewed.