

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

### Assurance conclusion

Based on our reasonable procedures, as of 23 June 2022, and as described below, in our opinion The National Housing Finance and Investment Corporation's ("NHFIC") Pre-Issuance process, in relation to its additional tap to the 2036 Sustainable Bond, as described in NHFIC's Affordable Housing Bond Aggregator's ("AHBA") Sustainability Bond Framework, meets the criteria detailed below, in all material respects.

### Subject Matter and Criteria

The subject matter of the Sustainability Bond Issuance and associated criteria are set out in the table below:

Subject Matter	Criteria
<p>NHFIC's Sustainability Bond, issued under the NHFIC's Sustainability Bond Framework, including:</p> <ul style="list-style-type: none"> <li>▶ Policies and procedures related to the use of proceeds and management of proceeds raised from the Bond</li> <li>▶ Minimum criteria for eligible assets to be funded by the Bond, as noted in Draft Loan Facility Agreements and Draft Implementation Agreements with Community Housing providers.</li> <li>▶ Procedures for reporting on the use of proceeds and performance of the Bond</li> </ul>	<p>Sustainability Bond Criteria:</p> <ul style="list-style-type: none"> <li>▶ Social Bond Principles (SBP)</li> <li>▶ Green Bond Principles (GBP)</li> <li>▶ Sustainability Bond Guidelines (SBG)</li> <li>▶ NHFIC's internal policies and procedures, as documented in NHFIC's Sustainability Bond Framework</li> </ul>

### 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 Pre-Issuance process.

### Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the Subject Matter is presented in accordance with the criteria, in all material aspects. 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 sufficient 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 procedures were 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 opinion.

### Our Approach

Assurance procedures performed included, but were not limited to:

- ▶ Conducting enquiries with personnel to understand the business, processes, and systems for collecting, collating, and reporting information relating to the increase to Sustainable Bond Issuance.
- ▶ Reviewing the policies and procedures in the Framework to assess alignment to the requirements of the SBP, GBP and SBG.

- ▶ Confirming eligibility of assets for inclusion in NHFIC's Social, Green and Sustainability Bonds against the Framework and the SBP, GBP and the SBG, in particular for the GBP, ensuring that third party certifications are available.
- ▶ Reviewing the draft and finalised Loan Facility Agreements with the Community Housing Providers for loan purpose and calculate the total value of eligible assets.
- ▶ Agreeing the total value of eligible assets against the intended value of net proceeds to be raised through the issuance of the Sustainability Bond.
- ▶ Obtaining a Letter of 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 SBP is subjective and will be interpreted differently by different stakeholder groups. Our assurance was limited to NHFIC's Bond Issuance (pre-issuance) 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 at 23 June 2022.

### 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 Bond Issuance 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.

#### Observations on particular aspects of our engagement:

We provide selected observations aligning to the SBP and GBP core components, to provide the reader with further understanding on how NHFIC's Social, Green and Sustainability Bonds meet the criteria. These observations are not intended to detract from our conclusion provided above.

#### Use of Proceeds:

- ▶ Proceeds from the Social, Green and Sustainability Bonds will be used for financing and refinancing purposes.
- ▶ Proceeds of the Sustainability Bond increase will be used to fund social and affordable housing projects by way of Affordable Housing Bond Aggregator (AHBA) loans to CHPs that meet the following eligibility criteria which is aligned with both the SBP and the United Nations Sustainable Development Goals (UN SDGs):
  - ▶ Loans to registered CHPs funding not-for-profit community housing activities
  - ▶ Loans to registered funding "mixed tenure development" activities where all profits are applied to support affordable housing outcomes

Loans are used to:

- ▶ Acquire new housing stock
- ▶ Construct new housing stock
- ▶ Maintain existing housing stock
- ▶ Assist CHPs with working capital requirements, and/or for application towards their general corporate purposes (including by assisting CHPs to refinance existing indebtedness),

In each case, provided that the use of the loan finance can be demonstrated to improve housing outcomes for Australians.

- ▶ Proceeds of the Sustainability Bond will be used to fund Green Buildings by way of AHBA loans to CHPs that meet the following eligibility criteria which is aligned with the GBP and the UN SDGs:
  - ▶ Loans are used for new construction, design and development that have or will receive any one of the following certifications:
    - ▶ Department of Industry, Science, Energy and Resources – Nationwide House Energy Rating Scheme ("NatHERS") – minimum 6 Star or above for any individual apartment and / or minimum 7 Star average rating for the entire development/project; or

- ▶ Green Building Council of Australia (“GBCA”) Green Star (including Design and As Built) – minimum 5 Star or above ; or
- ▶ Any other equivalent ‘Green Building’ label, that is an equivalent standard as the above listed items.
- ▶ Loans used for refurbishment of residential building energy efficiency projects that reduce energy consumption by at least 30%.
- ▶ Loans used for construction, design, development, or ownership of property and/or infrastructure that provides for improved energy consumption outcomes.
- ▶ Loans used for facilities, systems and equipment that are used to reduce or remove the requirement for gas hot water systems or the collection, treatment, and recycling of waste
- ▶ Loans used for construction, design, development, or ownership of property and/or infrastructure that provides for clean transportation facilities or cost effective and environmentally sensitive share transportation facilities.
- ▶ Loans used for projects that incorporate water saving features or reduce use of potable water for non-potable uses.

#### **Process for Project Evaluation and Selection**

- ▶ NHFIC has developed a Sustainability Bond Framework that outlines the social and green objectives of its Social, Green and Sustainability Bonds, eligibility criteria for determining projects and the process for selection and evaluation.

#### **Management of Proceeds**

- ▶ NHFIC has implemented processes to manage funds received from its Social, Green and Sustainability Bonds and to monitor the on-going use of proceeds. These processes include:
  - ▶ Tracking the receipt and use of proceeds via internal reporting systems
  - ▶ A register which shows Social, Green and Sustainability Bonds issued, eligible assets allocated to each bond, aggregate amounts of Social, Green and Sustainability Bond proceeds allocated to eligible assets, any new eligible assets, any unallocated proceeds and relevant details for each of these items
  - ▶ A process for deploying any unallocated proceeds to other investment instruments or to temporarily reduce indebtedness
  - ▶ A monthly process for monitoring the on-going use of proceeds and value of eligible assets
- ▶ NHFIC intends to allocate proceeds of each Social, Green or Sustainability Bond to Eligible Assets between issuance and 36 months after issuance.

#### **Reporting**

- ▶ NHFIC will make the following information available to Sustainability Bond investors:
  - ▶ The NHFIC Sustainability Bond Framework
  - ▶ Assurance Statements for each Social and Sustainability Bond
  - ▶ Annual Social and Sustainability Bond Report in line with NHFIC’s financial year and statutory requirements. Reports will include a list of Social, Green and Sustainability Bonds, Eligible Assets, updates on unallocated proceeds, alignment with the UN SDGs, information and overview on any periodic assurance. NHFIC will also take reasonable endeavours to include impact reporting.



Ernst & Young



Emma Herd, Partner

Sydney, Australia

23 June 2022

## Annex A

### List of eligible assets for the NHFIC's Sustainability Bond<sup>1</sup>

Eligible Asset	Value as at 23 June 2022 (AUDm)	Fixed or floating rate	State	Purpose
City West Housing	\$15,700,000	Fixed	NSW	Funding to assist in the delivery of a 74-dwelling affordable housing complex on Bourke Street, Waterloo, NSW
Haven Home Safe	\$9,000,000	Fixed	VIC	Working capital funding to assist with the construction of 149 social dwellings across nine sites in regional and metropolitan Victoria.
Evolve Housing Limited	\$20,520,600	Fixed	NSW	Acquisition funding to acquire up to 200 social dwellings across Southern and Western Sydney to support the NSW Governments Community Housing Leasing Program.
Community Housing Queensland Limited	\$4,000,000	Fixed	QLD	Refinance of existing debt facility supporting Social and Affordable housing.
<b>Total value of eligible assets</b>	<b>\$49,220,600</b>			

<sup>1</sup> All eligible assets are planned loans to the named Community Housing Providers (see Table above), as indicated by the loan agreements reviewed. All loan agreements were finalised as at 23 June 2022.