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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 described below, in our opinion The National Housing Finance and Investment Corporation's ("NHFIC") Pre-Issuance process, in relation to its 2021 10-year Floating Rate Social Bond and Fixed Rate Social Bond (together, the "Social Bonds"), as described in The 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 Series 5 and 6 Social Bond Issuance and associated criteria are set out in the table below:

Subject Matter	Criteria
<p>The NHFIC's Social Bond Pre-Issuance process, in relation to its Social Bonds as described in The NHFIC's AHBA's Sustainability Bond Framework, including:</p> <ul style="list-style-type: none"> ▶ The policies and procedures related to the use of proceeds and management of proceeds raised from the Bond ▶ Minimum criteria for eligible Community Housing Providers to be funded by the Bond ▶ Procedures for reporting on the use of proceeds and performance of the Bond. 	<p>Social Bond Criteria</p> <ul style="list-style-type: none"> ▶ International Capital Markets Association's Social Bond Principles (SBP) ▶ Implementation Agreement with Community Housing providers ▶ NHFIC's internal policies and procedures, as documented in The NHFIC's AHBA 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 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 Bond Issuance
- ▶ Reviewing the policies and procedures in the Framework to assess alignment to the requirements of the SBP
- ▶ Confirming eligibility of assets for inclusion in NHFIC's Social Bonds against the Framework and the SBPs
- ▶ Reviewing the draft and finalised Loan Facility Agreements with the Community Housing Providers for loan purpose and calculate the total value of eligible assets

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- ▶ Agreeing the total value of eligible assets against the intended value of net proceeds to be raised through the issuance of the Social Bonds
- ▶ Obtaining a signed 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 8 June 2021.

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 core components, to provide the reader with further understanding on how NHFIC’s Social Bonds meet the criteria. These observations are not intended to detract from our conclusion provided above.

Use of Proceeds:

- ▶ Proceeds from the Social Bonds will be used for financing and refinancing purposes.
- ▶ Proceeds of the Social Bonds will be used to fund social and affordable housing projects by way of 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.

Process for Project Evaluation and Selection

- ▶ NHFIC has developed a Sustainability Bond Framework that outlines the social objectives of its Social 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 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 Bonds issued, eligible assets allocated to each bond, aggregate amounts of Social 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 cash or cash equivalent investments, other investment instruments, or to temporarily reduce indebtedness



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- ▶ A monthly process for monitoring the on-going use of proceeds and value of eligible assets
- ▶ NHFIC intends to allocate proceeds of each Social Bond to Eligible Assets between issuance and 24 months after issuance.

Reporting

- ▶ NHFIC will make the following information available to Social Bond investors:
 - ▶ The NHFIC Sustainability Bond Framework
 - ▶ Assurance Statements for each Social Bond
 - ▶ Annual Social and Sustainability Bond Report in line with NHFIC's financial year and statutory requirements. Reports will include a list of Social 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
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Mathew Nelson, Partner
Melbourne, Australia
8 June 2021