

Independent Reasonable Assurance Report to the Management and Directors of Housing Australia

Our Opinion:

Ernst & Young ('EY', 'we') were engaged by Housing Australia to undertake a reasonable assurance engagement as defined by Australian Auditing Standards, hereafter referred to as the assurance procedures, to report on the Subject Matter defined below. In our opinion, Housing Australia's Pre-Issuance process, in relation to the Social Bond 1, as described in Housing Australia's Affordable Housing Bond Aggregator's Sustainability Bond Framework, is presented, in all material respects, in accordance with the Criteria defined below.

What we assured (the Subject Matter)

We undertook reasonable assurance procedures on Housing Australia's proposed tap to Social Bond 1, issued under Housing Australia's Sustainability Bond Framework, including:

- ▶ Policies and procedures related to the use of proceeds and management of proceeds raised from the Bond
- ▶ Minimum criteria for eligible assets to be funded by the Bond tap, as noted in a Loan Facility Agreement and Draft Implementation Agreement with the Community Housing Provider
- ▶ Procedures for reporting on the use of proceeds and performance of the Bond

Other than as described in the preceding paragraphs, which set out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Independent Reasonable Assurance Report to the Management and Directors of Housing Australia ('the Report'), and accordingly, we do not express an opinion on this information.

Criteria applied by Housing Australia

In preparing the Subject Matter, Housing Australia applied the following Criteria:

- ▶ ICMA's Social Bond Principles (SBP)
- ▶ ICMA's Green Bond Principles (GBP)
- ▶ Housing Australia's internal policies and procedures, as documented in Housing Australia's Sustainability Bond Framework

Key responsibilities

Housing Australia's responsibility

Housing Australia's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibility and independence

Our responsibility is to express an opinion on the presentation of the Subject Matter based on the evidence we have obtained.

We have complied with the independence and relevant ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our approach to conducting the assurance procedures

We conducted our assurance procedures in accordance with the Australian Auditing and Assurance Standards Board's *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE3000') and the terms of reference for this engagement as agreed with Housing Australia on 16 May 2023. That standard requires that we plan and perform our engagement to obtain reasonable assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report.

Summary of assurance procedures performed

The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error. The procedures we 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 Social Bond tap
- ▶ Reviewing the policies and procedures in the Framework to assess alignment to the requirements of the SBP and GBP
- ▶ Confirming eligibility of assets for inclusion in Housing Australia's Social Bond tap against the Sustainability Bond framework
- ▶ Reviewing the draft and finalised Loan Facility Agreement with the Community Housing Provider for loan purpose and calculating 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 Social Bond tap
- ▶ Obtaining a Letter of Representation from Housing Australia's Management

We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Inherent limitations

While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

While our procedures performed for our reasonable assurance engagement are of a high level of assurance, due to the use of sampling techniques, it is not a guarantee that it will always detect material misstatements.

Other matters

Our report does not extend to any disclosures or assertions made by Housing Australia relating to future performance plans and/or strategies disclosed in Housing Australia's reporting and supporting disclosures online.

Use of our Assurance Report

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of Housing Australia, or for any purpose other than that for which it was prepared.

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 Housing Australia'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 Bond tap will be used for financing and refinancing purposes.

Proceeds of the Social Bond tap 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 CHPs funding “mixed tenure development” activities where all profits are applied to support affordable housing outcomes

Loans will be 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 Social Bond tap 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 must be 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 must be used for refurbishment of residential building energy efficiency projects that reduce energy consumption by at least 30%.
- ▶ Loans must be used for construction, design, development, or ownership of property and/or infrastructure that provides for improved energy consumption outcomes.
- ▶ Loans must be 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 must be 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 must be used for projects that incorporate water saving features or reduce use of potable water for non-potable uses.

Process for Project Evaluation and Selection

Housing Australia 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

Housing Australia 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

Housing Australia intends to allocate proceeds of each Social, Green or Sustainability Bond to Eligible Assets between issuance and 36 months after issuance.

Reporting

Housing Australia will make the following information available to Social Bond investors:

- ▶ The Housing Australia Sustainability Bond Framework
- ▶ Assurance Statements for each Social and Sustainability Bond
- ▶ Annual Social and Sustainability Bond Report in line with Housing Australia'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. Housing Australia will also take reasonable endeavours to include impact reporting.



Ernst & Young

Sydney, Australia

15 November 2023

Annex A

List of eligible assets for Housing Australia's Social Bond 1 tap¹

Eligible Asset	Value as at 15 November 2023 (AUDm)	Fixed or floating rate	State	Purpose
Evolve	\$32	Fixed	NSW	Funding for the construction of additional affordable and social housing units in NSW.
Total value of eligible assets	\$32			

¹ 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 are finalised.