



**KPMG Assurance and Consulting Services LLP**  
1st Floor, Block A-02,  
Godrej Business District,  
Pirojshahnagar, Vikhroli (W),  
Mumbai – 400 079, Maharashtra, INDIA

Telephone: +91 124 307 4000  
Fax: +91 124 254 9101  
Internet: [www.kpmg.com/in](http://www.kpmg.com/in)  
Email: [indiawebsite@kpmg.com](mailto:indiawebsite@kpmg.com)

## **Independent Limited Assurance Statement to NABARD on their Sustainable Bond Framework, to be used for the issuance of the Social Bond for the access to clean drinking water projects in 2023**

To

**The Management of NABARD,**

Plot C-24, G Block, Bandra Kurla Complex, BKC Road, Bandra East,  
Mumbai, Maharashtra – 400051.

### **Introduction**

We ('KPMG Assurance and Consulting Services LLP' or 'KPMG') have been engaged by NABARD ('Issuer') to undertake an independent limited assurance (pre-issuance) on their Sustainable Bond Framework – Version 1 ('the framework'), to be used for the issuance of the Social Bond ('the Bond') for the access to clean drinking water projects in 2023.

### **Issuer's Responsibilities**

The management at the Issuer is responsible for preparing the NABARD Sustainable Bond Framework that is free from material misstatement in accordance with the reporting criteria (Social Bond Principles, 2021 issued by the International Capital Markets Association (ICMA)) and for the information contained therein. This responsibility includes designing, implementing, and maintaining systems and processes relevant for the proper management of the proceeds from issuance of the social bonds.

The Management of the Issuer is also responsible for preventing and detecting fraud and for identifying and ensuring that Issuer complies with laws and regulations applicable to its activities.

### **Our Responsibilities**

Our responsibility is to provide "limited assurance" (pre-issuance) to NABARD on their Sustainable Bond Framework, to be used for issuance of the social bond for the nominated access to clean drinking water projects in 2023, in accordance with the requirements of the Social Bond Principles 2021 by ICMA. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB). The standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the framework complies with Social Bond Principles, 2021 by ICMA, in all material respects, as the basis for our limited assurance conclusion.

The firm applies International Standard on Quality Management 1, 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. We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The procedures selected depend on our understanding of the report and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In obtaining an understanding of the framework and other engagement circumstances, we have considered the process used to prepare the framework in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Issuer's process or internal control over the preparation and presentation of the report.

Our engagement also included: assessing the appropriateness of the framework, the suitability of the criteria used by the Issuer in preparing the framework in the circumstances of the engagement, evaluating the appropriateness of the methods, policies and procedures, and models used in the preparation of the framework and the reasonableness of estimates made by Issuer.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the financial disclosures nor of the underlying records or other sources from which the financial statements and information was extracted.

### **Assurance Procedures**

Our assurance process involves performing procedures to obtain evidence about the reliability of specified disclosures. The nature, timing and extent of procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the selected disclosures whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the preparation of the Report to design assurance procedures that are appropriate in the circumstances.

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary to obtain a meaningful level of assurance in relation to the above scope. The procedures we performed, which are set out in detail below, were based on our professional judgment and included, as appropriate, inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies and agreement or reconciliation with underlying records. We believe that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

To reach our conclusion we:

- Conducted interviews with management and key staff of Issuer responsible for the bond to obtain an understanding of the processes, systems and controls in place for management of bond proceeds,
- Reviewed in accordance with the Social Bond Principles, the Issuer's Sustainable Bond Framework, that includes processes, systems and controls in place for management of bond proceeds; investment areas for bond proceeds and intended types of temporary investment instruments for the management of unallocated proceeds; and,

- Reviewed the list of nominated projects which are proposed to be associated with the social bond and their conformance with the eligible social project categories specified in the Social Bond Principle, 2021 by ICMA.

### **Scope, Boundary, Characteristics and Limitations**

Our scope of the pre-issuance assurance included information on material aspects of the NABARD Sustainable Bond Framework – Version 1, to be used for issuance of the social bond for the nominated access to clean drinking water projects in 2023, based on the requirements of the Social Bond Principles, 2021 by ICMA, as listed below:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

The boundary of the assurance covers the nominated access to clean drinking water projects covered under the above-mentioned social bonds. The nominated projects are located- in the state of Telangana which include providing access to clean drinking water to the households through affordable basic infrastructure including water transmission works in Medak, Nizamabad, Rangareddy, Khammam and Nalgonda districts, and intra-village works, for providing clean drinking water to households, in Nalgonda, Adilabad and Karimnagar districts.

### **Limitations**

The assurance scope excludes following:

- Data related to Issuer's financial performance.
- Data outside the operations mentioned in the Assurance Boundary above unless and otherwise specifically mentioned in this report.
- The Issuer's statements that describe expression of opinion, belief, aspiration, expectation, aim to future intention provided by the Issuer and assertions related to Intellectual Property Rights and other competitive issues.
- Strategy and other related linkages expressed in the Report.
- Mapping of the Report with reporting frameworks other than those mentioned in reporting criteria above.
- Aspects of the Report other than those mentioned under the scope and boundary above.
- Review of legal compliances.

We will not, pursuant to this letter, perform any management function for you nor make any decision relating to the services provided by us in the terms of this letter. You are responsible for making management decisions, including accepting responsibility for the results of our services.

The management of the Issuer is responsible for designating a management-level individual or individuals responsible for overseeing the services provided, evaluating the adequacy of the services provided, evaluating any findings or recommendations, and monitoring ongoing activities.

Additionally, our scope and associated responsibility exclude for the avoidance of doubt, any form of review of the commercial merits, technical feasibility, accuracy, compliance with applicable legislation for the project, and accordingly we express no opinion thereon. We have also not verified any

likelihood, timing or effect of possible future oriented information and commercial risks associated with the Report, nor comment upon the possibility of any financial projections being achieved. We have relied on the data furnished by the Issuer and have not independently verified the information or efficacy and reliability of the Issuer's information technology systems, technology tools / platforms or data management systems.

### **Conclusion**

Based on the limited assurance procedures performed, the evidence obtained, and the scope of our assurance engagement described above, nothing has come to our attention to suggest that the NABARD Sustainable Bond Framework, to be used for issuance of the Social Bond for the nominated access to clean drinking water projects in 2023, by the Issuer, is not, in all material respects, in alignment with the requirements of the Social Bond Principles, 2021 by ICMA.

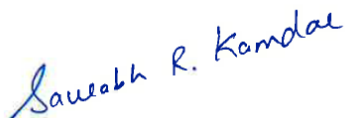
### **Independence**

The assurance was conducted by a multidisciplinary team including professionals with suitable skills and experience in auditing environmental, social, and economic information in as per requirements of ISAE 3000 (Revised).

Our work was performed in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants, which requires, among other requirements, that the members of the assurance team (practitioners) be independent of the assurance client, in relation to the scope of this assurance engagement, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. The firm applies ISQC-1, and the practitioner complies with the applicable independence and other ethical requirements of the IESBA code.

### **Restriction of Use of Our Report**

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Issuer for any purpose or in any context. Any party other than the Issuer who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. We accept or assume no responsibility and deny any liability to any party other than the Issuer for our work, for this independent limited assurance statement, or for the conclusions we have reached.



**Saurabh Kamdar**

Associate Partner

KPMG Assurance and Consulting Services LLP

11 September 2023