

MEETING OF HOME BUILDING FINANCE IRELAND (THE “COMPANY”)

**MINUTES OF A MEETING OF
THE BOARD OF DIRECTORS OF THE
COMPANY (The “Board”)**

**DULY CONVENED, CONSTITUTED AND HELD AT 2pm on
Friday 10th June 2022 at Treasury Dock, North Wall Quay, Dublin 1.**

PRESENT Marie Collins (Chairperson)
Andrew O’Flanagan
Dara Deering (CEO)
Des Carville
Grainne Hennessy
Ken Slattery

APOLOGIES Claire Solon

IN ATTENDANCE Fergus Mangan, Head of Lending (items 8 and 9)
Sean Alger, Head of Credit and Risk (items 11, 12 and 13)
Denise Donovan, Head of Operations and Finance (item 17)
Deirbhile Brennan, Head of Compliance NTMA (item 17)
Caroline Ensor, Company Secretary

1. NOTICE AND QUORUM

It was noted that notice of the meeting and of the nature of the business to be conducted had been given to all directors entitled to attend the meeting and that a quorum, being four directors, was present in accordance with the Company’s Articles of Association (the “**Articles**”). It was further noted that all the directors present were, pursuant to the Articles, entitled to vote and be counted in the quorum. The meeting then proceeded to business.

2. LIMITATIONS TO THE NUMBER OF DIRECTORSHIPS AND RESIDENCY REQUIREMENTS UNDER THE COMPANIES ACT 2014

It was noted that pursuant to Section 137 of the Companies Act 2014 (as amended) (the “**Act**”), at least one of the directors of the Company is resident in a Member State of the European Economic Area and that no director present individually held more than twenty-five directorships for the purposes of Section 142 of the Act and was therefore eligible to vote on all board resolutions brought before the meeting.

3. DISQUALIFICATION AND RESTRICTION ORDERS AND UNDERTAKINGS

Those directors present each declared that they were not the subject of any declaration, order or deemed order for disqualification or restriction under the Act including Part 14, Chapters 3 and 4 and had not received any notice under that Part of the Act including any notice concerning a disqualification or restriction undertaking under Part 14, Chapter 5.

4. DECLARATIONS OF INTEREST

In accordance with section 231 of the Companies Act 2014, and the Constitution of the Company, and, for the purposes of Section 5.8 (ii) of the Code of Practice for the Governance of State Bodies 2016, there were no material interests declared by the directors present at the meeting in the business to be transacted at the meeting which would preclude them from participating in the meeting and forming part of the necessary quorum.

6. CONFIRMATION IN RELATION TO RESERVED MATTERS

The Company Secretary confirmed to the Board that the Executive Management Team of HBFI (“the **“EMT”**”) is satisfied that all reserved matters which require consideration by the Board have been brought to the Board’s attention.

5. MEETING MINUTES AND MATTERS ARISING

The Board NOTED that draft minutes of the meeting of the Board held on the 19th May 2022 had been circulated to the Board members in advance of the meeting and it WAS RESOLVED that the minutes of the meetings be APPROVED as presented.

7. CEO UPDATE

The CEO updated the Board as follows:

- **THIS ITEM HAS BEEN REDACTED**
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- Reflecting the ongoing market uncertainty, management have increased the level of monitoring on the portfolio.
- The Annual Report for 2021 has been published and is available in the Resource Centre on Diligent.

A Board member asked the CEO for an update on the recruitment process for the Head of Commercial position and the CEO provided same.

The CEO’s Update was NOTED by the Board.

8. MEOP REPORT

Fergus Mangan, Head of Lending (“**HoL**”) joined the meeting and the CEO presented the summary findings of the Market Economy Operator Principle (“**MEOP**”) Report advising the Board that the Report for 2022 has now been received from KPMG and that this concludes that the terms being offered by HBFI across its products are in line with the market. She advised that no actions are required on foot of same this year.

The Board NOTED the summary findings of the MEOP Report for 2022.

9. BUSINESS UPDATE

- The HoL provided the Business Update. **THIS ITEM HAS BEEN PARTIALLY REDACTED**

He advised that the Lending Team is staying close to existing borrowers both from a monitoring of costs perspective and in relation to business development. He advised the Board that he and the CEO are setting up meetings with existing customers over the coming months.

He brought the Board's attention to the new Appendix 4 in his presentation which provides details of paused transactions, this information having been requested by the Board. The HoL confirmed that in relation to the two paused facilities contained in the Report, the borrowers remain fully engaged with HBFI.

The Board discussed existing HBFI funded transactions which have a fixed price presale contract in place with raising construction cost.

The Business Update was NOTED by the Board.

The HoL left the meeting.

10. FINANCIAL PERFORMANCE

The CEO presented the Financial Performance Update. No queries were raised. The Financial Performance Update was NOTED by the Board.

Sean Alger, Head of Credit and Risk ("**HoCR**") joined the meeting.

11. RISK

The HoCR presented the following Risk Reports for Noting:

1. Risk Report including summary of the Risk Register.

The HoCR highlighted the changes to the Risk Register, including that supply chain risk is now a stand-alone risk and furthermore that the risk score for costs inflation had increased. He advised the Board that the ARC had reviewed the changes to the Risk Register at the ARC meeting held earlier that day.

2. Report on Costs and Sensitivity Analysis.

The HoCR introduced this report by advising that the report is based on an analysis carried out in April 2022. He outlined the assumptions and methodology used in the analysis and advised that the purpose of the assessment was to assist with portfolio management in conjunction with the RAG status report on costs and was not an impairment review.

The report prompted further discussion by the Board on costs, the facilities coded as amber in the RAG status report on costs, contingency levels and the need to balance HBFI's mandate with the risks in the current economic climate.

3. Portfolio Report.

THIS ITEM HAS BEEN PARTIALLY REDACTED

He advised that geographically Cork has now overtaken Dublin in terms of committed

facilities and finally, that most units released for sale to the market are either sale agreed/contracted or sold.

4. Credit Decisions Report.

The HoCR brought two matters to the Board's attention – namely a facility approved by the EMT Credit Committee where a further facility from that same borrower would be presented to the HBFI(L) Credit Committee later today due to the combined exposure, and two declined credit proposals.

5. Account Reviews.

The HoCR advised that all account reviews are up to date at end of May, and that one review due on the 22nd June will go to the next sitting of the HBFI Board.

6. Risk Appetite KPIs.

The HoCR confirmed no changes to this report, where all KPIs are green except for the larger loans, as previously reported.

The HoCR confirmed that there are no other emerging risks to report to the Board, and the Risk Reports were NOTED by the Board.

12. RISK POLICIES

The HoCR presented the annual review of the Risk Management Policy and Framework and the Risk Appetite Statement. He flagged certain key changes to the documents as tracked on the version presented. He advised that these two documents had been reviewed by the ARC at its meeting earlier in the day and the ARC had recommended both to the Board for Approval.

He advised the Board that commencing in June there would be a full EMT Meeting dedicated to Risk on a quarterly basis which would include first line risk reporting to EMT and that Risk would remain a standing item on all other monthly EMT meetings.

THIS ITEM HAS BEEN PARTIALLY REDACTED

It was RESOLVED to APPROVED the review of the Risk Management Policy and Framework and the Risk Appetite Statement.

13. ANNUAL PRESENTATION FROM THE HEAD OF CREDIT AND RISK.

The HoCR provided the Annual Presentation from the Credit and Risk Team and brought the Board's attention to the key points including key activities of the Viability and Monitoring Team and the Audit and Risk Manager. He advised that he will arrange for the Viability and Monitoring Team members to attend a Board Meeting later this year. This prompted a general discussion as to who on the HBFI Team remains to be introduced to the Board.

He summarised the recent audits carried out by KPMG in addition to periodic spot checks carried out by the Senior Audit Manager the results of which are reported to the EMT. The Board requested that a summary of these completed 'themed reviews' could be included in the risk report going forward.

The HoCR noted that the lending environment has become more challenging due to the

cost/supply chain issues and the potential for a softening of sales values/demand due to rising inflation, interest rate increases and potential for a change in buyer sentiment.

The Annual Presentation from the HoCR was NOTED by the Board and he left the meeting.

14. BOARD EVALUATION FOR 2021

Caroline Ensor, Company Secretary presented the results of the Board Evaluation for 2021. She confirmed that all Board members had completed the anonymous questionnaire and that the results, which were largely positive, had been discussed with the CEO and Chair.

The Board discussed the findings and comments received and were satisfied that given the nature of decisions made by the Board that there is healthy and constructive debate held prior to such decisions being made.

The Company Secretary confirmed that the next evaluation, being that for 2022, would be facilitated by an external reviewer, as is required under the Code of Practice for the Governance of State Bodies.

The Evaluation of the Board of HBFi for 2021 was NOTED by the Board.

15. REPORT FROM THE ARC MEETING.

Ken Slattery, Chair of the HBFi Audit and Risk Committee (“**ARC**”) provided the Board with a verbal update of the ARC Meeting held earlier that same day. He went through the Agenda items covered and confirmed the following to the Board:

- The Operations and Finance Team had presented to the ARC with a focus on Risk and that presentation has included both Cyber Risk (including a cyber risk posture) and Business Continuity Management.
- KPMG had attended the ARC meeting and advised the Board of the findings of the recent Lending Process including Product Pricing, Approvals and Due Diligence audit which is complete, **THIS ITEM HAS BEEN PARTIALLY REDACTED**
- He summarised the three matters presented by NTMA Compliance, and advised that 1 of these (the MLRO Report) would be presented to this meeting, and that the other 2 had been recommended to this Board for Approval and would be heard under item 17 at this meeting.
- He confirmed that in relation to the usual Standing Items presented to the ARC 1 exception to Procurement Policy **THIS ITEM HAS BEEN PARTIALLY REDACTED**

The Chair reported the positive comments from KPMG to the ARC in relation to co-operation and assistance received from the HBFi Team during audits, and that Management are always proactive in responding to audit recommendations and finding.

The Board NOTED the verbal update from the Audit and Risk Committee Meeting held on the 10th June 2022.

16. ARC EVALUATION FOR 2021.

The Company Secretary advised that the result of the ARC evaluation for 2021 was discussed by that Committee at its meeting earlier today, and it was agreed that no actions were

required on foot of same, which were positive. She advised that per section 4 of the Code of Practice for the Governance of State Bodies the Board should undertake a self-assessment annual evaluation of its own performance but also that of its Board committees, and therefore the results of the ARC's evaluation for 2021 were being presented to the Board to note.

The results of the ARC evaluation for 2021 were NOTED by the Board

17. (I) MLRO REPORT

Deirbhile Brennan, Head of Compliance, NTMA ("**HoC**") and Denise Donovan, Head of Operations and Finance ("**HoOF**") joined the meeting. The HoC presented the MLRO Report, as the MLRO was on leave and highlighted the following:

- The MLRO is working with HBFI on the preparation of a Central Bank of Ireland Risk Evaluation Questionnaire.
- Compliance have planned an AML review in H2, 2022, and furthermore assurances have been received from Fexco in relation to AML and regarding updating of its sanctions list.
- AML training has been completed by all HBFI staff.
- An additional resource is planned for the Compliance Team, who will work with HBFI and others on AML matters.

The MLRO Report was NOTED by the Board.

(II) AML/CFT POLICY AND AML/CTF BUSINESS WIDE RISK ASSESSMENT

The HoC together with the HoOF presented a high-level summary of the proposed minor updates to the AML Policy which had been recommended to the Board for approval by the ARC.

The HoCR presented the AML/CTF Business Wide Risk Assessment to the Board, advising there were no material changes proposed at this time and the overall risk rating of HBIL remains as low. He advised that this document had also been reviewed by the and recommended to the Board for Approval.

It was RESOLVED to APPROVE the Home Building Finance Ireland (Lending) D.A.C. Anti-Money Laundering/Counter Financing of Terrorism Policy and the Home Building Finance Ireland (Lending) D.A.C. Anti-Money Laundering and Counter Financing of Terrorism Business Risk Assessment as presented to the HBFI Board. The HoOF and HoC left the meeting.

18. WRITTEN RESOLUTIONS - AGM

Per the paper presented to the Board, the Company Secretary outlined that per last year, and as is usual practice in the case of a single member company and following legal advice and consultation and agreement with the Department of Finance, it is proposed that the approval for the business of the AGM be by written resolution in respect of its 2022 AGM obligations.

IT WAS RESOLVED that in accordance with section 175(3) of the Companies Act 2014 that the Company dispense with the requirement to hold a physical AGM and to pass the appropriate written resolutions in lieu thereof.

19. AOB

The Company Secretary advised the Board that the Letter of Shareholder Expectation for 2022 had been received from the Minister for Finance and that same was available to read in the Resource Centre on Diligent.

CLOSE

There being no further business the meeting was closed.

Chairperson