

MEETING 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 12.30 pm on
Wednesday 23rd September 2020 per videoconference due to Covid-19 restrictions.**

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

APOLOGIES None

IN ATTENDANCE Michael Broderick, Chief Commercial Officer, HBFI.
Sean Alger, Head of Credit and Risk, HBFI.
Paula Flinter, Head of Legal, HBFI (items 10-14)
Denise Donovan, Head of Operations and Finance (items 10 &11).
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 Act and the Constitution of the Company, 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.

Andrew O’Flanagan advised the Board that as a member of the NTMA Executive Management Team he had considered whether he was conflicted in respect of item 11 but was satisfied that no conflict existed. The CEO expressed her view that no conflict existed given the contents of that item.

5. MEETING MINUTES AND MATTERS ARISING

It was resolved that the minutes of the Board meeting held on 3rd September 2020 be approved as presented.

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.

7. CEO UPDATE

The CEO provided the following update to the Board, for Noting:

- i. Approval for the additional €100m for the Momentum Fund had been received from the Minister, and the relevant changes to the ISIF facility are in train.
- ii. Engagement with the Department of Finance in relation to the Ministerial review, to occur post 2 years of operation has commenced.
- iii. There have been no further loan approvals in September, however the pipeline continues to grow, with an increase of 18 EOIs since the last update to the Board.
- iv. The mid-year update was well received by key stakeholders. Thus far media coverage has been positive. Engagement with key stakeholders continues.
- v. In relation to Covid-19, the number of employees attending the office is still restricted.
- vi. It is proposed to return for the remainder of the year to the 2020 planned schedule of Board meetings and if possible, credit decisions meetings will be scheduled for the same day.
- vii. Further workshops on employee engagement have taken place with all HBFi employees facilitated by NTMA HR.
- viii. A link would be sent to the Board of a video the Chairperson recorded that is being distributed to all NTMA employees.

The Board queried changes on the wider market and availability of finance from mainstream and alternative lenders.

The CEO noted that the landscape is indeed smaller now than pre Covid-19, with some

alternative lenders no longer supporting new transactions. She said that in relation to the pillar banks, there was noticeable nervousness due to Covid-19 in May, June and July, but in recent weeks they seem more active in certain schemes.

8. ANNUAL PRESENTATION FROM THE HEAD OF CREDIT.

The HoCR's presentation which was pre-circulated to the Board was taken as read and the Chair asks that he focus on the high-level issues and changes since his last update. The HoCR gave the following update:

- i. He confirmed the independence of the Credit & Risk Team, who have a dotted reporting line to the Audit and Risk Committee and to the Board of HBFI.
- ii. He referred to a previous request by the Board to have increased access to the Credit Team and confirmed that further team members would come to Board to present as appropriate.
- iii. In relation to headcount, there is currently a recruitment process underway to hire a new member of the Credit Team to replace a current resource who is on a 6-month contract.
- iv. As the loan book grows, the workload in monitoring and reviewing existing facilities will increase.
- v. The loan application process includes an independent review of all loan proposals by the Credit and Risk Team.
- vi. Since the inception of HBFI, 59 policies and procedures have been put in place by the HBFI Team and reviewed and approved by the Board and EMT.
- vii. All active sites are visited by HBFI Viability and Monitoring quarterly, and by the Monitoring Surveyor each month.
- viii. There were no high rated findings from either the C&AG or the internal audit of the lending process, both of which were 'satisfactory'.
- ix. In relation to risk appetite he summarised the continued challenge of balancing the need to support the industry and meet HBFI's objectives and lending risk.
- x. As regards the risk profile the concentration risk has changed due to the approval of the 2 large momentum fund transactions. He also highlighted to the Board that the quality of new applications has improved which is positive from a risk perspective.
- xi. As regards Covid -19, initial signs appear to indicate that values and demand are holding up, albeit it is early days still.

He concluded his presentation by summarising that a strong risk framework and risk culture exists within the HBFI Team.

The Board noted this comprehensive update and had a general query on how given the change in profile of borrowers with momentum fund were handled among the team. The HoCR advised that he looks at all high value proposals and the two Credit Managers look at the smaller cases. He said that the current volumes still permit the HoCR to review all proposals at the initial assessment stage, but this remains under active review.

9. **AMENDED DELEGATED AUTHORITY (DA) POLICY
THIS ITEM HAS BEEN REDACTED IN PART.**

The Board had requested a review of the DA policy and the HoCR presented this proposed amended policy. He said that consideration was given to the equivalent levels in other lending institutions, and what is proposed, in his view, is appropriate for both the State sector and private sector.

The Chairman of the Audit and Risk Committee queried as to whether the HBFI(L) Credit Committee is required where there is a HBFI(L) Board and an EMT Credit Committee and where all HBFI(L) Board members are also members of the HBFI(L) Credit Committee.

It was agreed that a decision on the role, structure and membership of Committees be deferred until post the Board evaluation which is due to happen in October.

IT WAS RESOLVED to APPROVE the proposed amendment to the DA policy, per the tracked amendments presented to the Board, to be titled version 6.

The CEO confirmed monitoring of the DA levels will continue, including the volumes coming to each DA.

A follow-on conversation among the Board members took place in relation to how HBFI had safeguards in place to avoid the type of decision making that was taking place across other lending institutions pre the last financial crash. In response, the HoCR said that such safeguards include the dotted reporting line from Credit and Risk to the Audit and Risk Committee, and the private session held with the HoCR and the Audit and Risk Committee and overall risk aware culture.

10. **RISK UPDATE.**

Paula Flinter, Head of Legal HBFI (HoL) and Denise Donovan Head of Operations and Finance HBFI (HoOF) joined the meeting at that point.

The HoCR provided a verbal Risk update to the Board noting that a formal risk report was presented to the Board on 3rd September 2020. He reported no new emerging risks, except for the ongoing Covid-19 risk. He said he would present the next Risk update to the Board at the October Board meeting on the 22nd October, which will cover market information on mortgage approval levels and AHB activity in the market report on that date.

The Risk update was NOTED by the Board.

11. **ANNUAL REVIEW OF THE SLA WITH NTMA.
THIS ITEM HAS BEEN REDACTED IN PART.**

The HoOF presented this item, which is presented to the Board as the NTMA is a key service provider to HBFI. She said that Fexco is the other key service provider to HBI and a review of that engagement will be presented to the Board next month. Under the SLA, the services provided under the following functions are set out: Finance, HR, Procurement, BCP, ICT, Facilities, Compliance, Risk, Internal Audit and Communications.

She confirmed that the annual review of the SLA had been held between HBFI and the NTMA in July where the previous year and requirements going forward were covered.

A query was raised on how the cost for shared services are broken down between NTMA Agencies, and the HoOF advised that HBFI's charge is based on the estimated time requirements for each service as determined in the annual budgeting process.

The review of the NTMA SLA was Noted by the Board.

The Chairperson thanked the HoOF for attending, and the HoOF left the meeting.

12. DRAFT TERMS OF REFERENCE FOR THE BOARD OF HBFI.

The HoL presented this item and opening it by providing background to the requirement to have in place a Terms of Reference for both Boards. The functions and duties of the HBFI Board are set out in the HBFI Act, its Memorandum and Articles of Association and its reserved matters. In the recent KPMG audit, it was recommended to consolidate those various sources in a formal Terms of Reference. She confirmed that it was proposed to review the Terms of Reference annually.

A Board member asked if other NTMA entities, in particular the SCBI and NTMA had in place a Term of Reference. The HoL confirmed that HBFI had consulted NAMA and it has an equivalent 'Standing Orders', and that the HBFI draft Terms of Reference were drafted with reference to that document and the model Terms of Reference provided per Appendix A of the Code of Practice for the Governance of State Bodies. The HoL said she would make enquiries as to whether the SBCI and NTMA have Terms of Reference.

The Board requested the following amendments to the draft document:

- i. Part 4.1: Consider revised wording given proposed frequency of meetings in 2021.
- ii. Part 5.2: Location of Chair, reconsider this wording on the location of the Chair being the location for the meeting in light of current working from home environment.
- iii. Consider removing all references to facsimile in the document, which is outdated.
- iv. Part 11.1: Insert a qualification, consider revision so that only 'material' matters are referred to the Minister.

It was agreed to bring back the draft Terms of Reference to the Board in October, with the requested changes tracked.

13. REPORT FROM AUDIT AND RISK COMMITTEE ON RECENT AUDIT

The Chairman of the Audit and Risk Committee presented a report on the recent internal audit by KPMG of the lending process.

He said the report noted 5 low rated findings and an overall outcome of satisfactory with exceptions. The Chairman of the ARC said this was a very good overall outcome. He said it was key that Management had accepted and implemented what was necessary in respect of all findings.

The report of the audit findings was NOTED by the Board.

14. AOB

The following 3 matters were raised under AOB:

- i. A Board member suggested that an opportunity may exist for a communication in respect of sustainability, for example on the sustainability credentials of units being funded by HBFI. The CEO said she would talk to NTMA Communications in relation to this.
- ii. The Company Secretary advised that the draft 2021 Board Plan would be presented to the Board in shortly, which envisaged a return to the usual frequency of meetings.
- iii. The Company Secretary advised that the self-evaluation by the Board would take place in October and would be presented to the Board in November.

CLOSE

There being no further business the meeting then terminated.

Chairperson