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## AHF Credit Committee Terms of Reference

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### 1 Constitution

Affordable Housing Finance Plc (“AHF”) is a subsidiary company within the Housing Finance Corporation Limited (“THFC”) Group (together, “the Group”).

The AHF Credit Committee, (the “Committee”), is a committee of AHF’s Board and is chaired by a member of AHF’s Board. The Committee is empowered to act for AHF only.

### 2 Membership

The Committee members shall be appointed by the Board of AHF and shall comprise a minimum of four non-executive directors of AHF, together with the Group Chief Executive, the Group Treasurer and the Group Credit and Risk Director. The Board shall appoint one of the non-executive directors as Credit Committee Chair.

Mr Scott Bottles has been appointed Chair of Credit Committee.

### 3 Relevant Skills

In AHF’s overall risk review, credit risk is recognised as one of the highest-ranking risks. As a consequence, it is recommended that at least one member of the Credit Committee should have recent proven financial experience.

It is also desirable that the non-executive members of the Committee have a good knowledge of the housing association sector.

### 4 Meetings

The Committee shall meet quarterly with additional meetings called as necessary to review individual credits, or other urgent business.

Meetings may be held virtually with the approval of the Chair.

### 5 Quorum

As a minimum, two non-executive directors and one of the Chief Executive, the Group Treasurer or Credit and Risk Director shall constitute a quorum.

A member may attend (and be deemed present at) a meeting by telephone or any other electronic device.

If the Committee Chair is unable to attend, one of the other non-executive directors will be appointed Chair of the meeting. In exceptional circumstances, and if agreed by the non-executive directors present, the Group Chief Executive or Group Credit & Risk Director may chair the meeting.

### 6 Voting

The votes of both non-executive and executive members present (this includes those attending by telephone or any other electronic means) at any meeting will count in the quorum when voting on any decision of the Committee.

However, for a decision to be carried there must be a separate majority in favour of the decision from the non-executive members present and the executive members present.

Where appropriate the Chair will have a casting vote on any business of the meeting.

### 7 Attendance at Meetings

Attendees at the Committee meetings shall normally be any Relationship Manager presenting a paper to the Committee, together with the Group Company Secretary. Other directors may attend meetings and/or request papers.

Representatives from Homes England are permitted to attend Committee meetings as observers.

## **8 Responsibilities**

The Board is responsible for approving AHF's strategy and the overall level of acceptable risks. The Committee is primarily responsible for the assessment of individual credit propositions and reports periodically to the Board.

### *a. Loan approvals*

Following the cessation of new underwriting, the Committee's primary role is to review the performance of the portfolio and to consider any mergers, amendments or variation requests that require the approval of the Department of Levelling Up, Housing and Communities ("DLUHC"). It should be noted that DLUHC has delegated certain of its activities in conjunction with AHF to Homes England.

AHF has delegated authority to approve some mergers, acquisitions and subsidiary formations within a materiality threshold, as set out in the terms of the license.

The Committee has delegated authority to evaluate credit proposals and either to decline the proposal under notification to DLUHC, or where appropriate, make a positive recommendation to DLUHC.

In the event of a positive recommendation by the Committee, a proposal will be submitted to DLUHC and, if approved by DLUHC, any variation to documentation will be arranged in conjunction with the Department.

A Committee decision to either decline or recommend each proposal is signified by a separate majority vote of both the non-executive and executive members of the Committee present with all minutes and decisions advised to the Board for noting. Credit approvals are valid for a maximum period of 12 months. The Board retains the power to approve individual borrower loan agreements (which it can delegate where it sees fit).

Where a credit application highlights an area of risk that requires specific negotiation of a standard loan term, the Committee may delegate completion of the issue to the executive provided the entire Committee is notified by e-mail of the process and final outcome. The Committee may alternatively delegate the issue for negotiation by the executive without further recourse to members. In all cases, resultant actions/responses should be appropriately minuted in the following Credit Committee papers.

### *b. Breaches of covenant*

Once a year the AHF board receives a detailed Exceptions Report setting out all borrower non-compliance with key covenants. The AHF board has delegated the review of this detailed report to the Committee, and this takes place on a quarterly basis.

### *c. Borrower watch list*

A watch-list is prepared by the relationship managers and reviewed quarterly by the Committee. This report gives an overview of any borrowers where there are concerns over their financial performance, or governance or where there are perceived to be wider risk concerns. The Committee may ask for a more detailed report on any such borrowers as it sees fit.

### *d. Credit Proposals*

All borrowers are subject to an appropriate level of due diligence and a written credit proposal is prepared outlining the nature of any merger, amendment or variation. All such proposals are reviewed, recommended, approved or rejected by the Committee.

### *e. Credit Grading Model*

The credit grading model used by AHF ranks all the current and prospective borrowers against a number of parameters. This model enables internal credit grades to be derived for each borrower. This exercise is an integral part of the credit assessment and review process and a component in the maintenance of AHF's external credit rating. The internal credit grading,

together with regular reviews of credit information and customer visits, provides the basis for credit monitoring and reports to the Committee on the portfolio.

The Credit & Risk Director is responsible for the periodic review of the Credit Grading model.

*f. Portfolio and Liquidity Risk Reporting*

On a quarterly basis, the Committee is presented with the "Portfolio Dashboard" report, which includes:

- Key portfolio metrics;
- A summary of the largest borrowers;
- An assessment of the portfolio quality;
- Borrower watch list summary data;
- Portfolio concentration statistics.

Summary portfolio data is currently also reproduced annually in the Group's report and accounts.

*g. Periodic Review of the Portfolio*

In addition to the above, AHF undertakes written annual reviews for all borrowers each of which are then shared with Homes England on behalf of DLUHC and also discussed at a separate meeting with Homes England's risk directorate.

A report summarising reviews undertaken, is circulated to Credit Committee members for information purposes at the quarterly Committees.

## **9 Authorities**

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

## **10 Reporting responsibilities**

The Committee shall:

- a. Report to the Board after each meeting on the nature, content of its discussion, recommendations and action to be taken.

Committee minutes shall be presented to the Board and the Chair of the Committee shall present any issues arising of which the Board should be made aware.

## **11 Annual review**

The Committee is required to review annually its terms of reference and its own effectiveness and to recommend any necessary changes to the Board.

These terms of reference were last approved by the Board on 24 May 2022.

**Ray Walker**  
**Company Secretary**  
**24 May 2022**