



NATIONAL HOUSING FINANCE AND INVESTMENT CORPORATION

CREDIT COMMITTEE CHARTER

December 2022

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Purpose, Role and Functions

This Credit Committee Charter (Charter) governs the operations of National Housing Finance and Investment Corporation's (NHFIC) Credit Committee. It sets out the committee's roles and responsibilities and its membership structure.

A key function of NHFIC is to provide finance to proponents eligible under NHFIC's investment mandate. The Credit Committee is an advisory committee that has been established to assist the NHFIC Board with the objective oversight and management of credit risk arising from this key function.

Membership

The Credit Committee will consist of at least 3 members appointed by the Board.

Additional members may be appointed by the Board to provide appropriate back-up (for example, to avoid potential conflicts of interest or availability issues).

The Board will review and confirm membership of the committee each year.

The Credit Committee may comprise of internal NHFIC staff and external members, provided that:

- all members of the committee are independent from the Board; and
- the majority of the committee members are not employees of NHFIC (noting that a person engaged primarily for the purpose of being a member of the Credit Committee will not be treated as an employee of NHFIC for this purpose).

All members of the Credit Committee must have appropriate qualifications, knowledge, skills and experience to assist the committee to perform its functions.

The Chief Credit Officer will chair the Credit Committee (Credit Committee Chair).

Members of the Credit Committee may resign on giving reasonable notice in writing to the Credit Committee Chair.

A Credit Committee member may be removed by notice in writing by the Board.

The secretary of the committee will be the Board Secretary or such other person as nominated by the Credit Committee Chair.

Participation of Non-members

NHFIC's Chief Executive Officer (CEO) and such other members of NHFIC's management team (including NHFIC origination staff and credit staff) may attend and present at Credit Committee meetings as the committee determines.

Members of the NHFIC Board may also observe Credit Committee meetings from time to time.

Non-Credit Committee members will not be entitled to participate in any Credit Committee decisions or recommendations to the Board.

Meetings

The Credit Committee will meet every month to discuss matters which require Committee endorsement. The Credit Committee Chair may call additional meetings as necessary to consider applications that require endorsement in between scheduled meetings. Where no applications are presented for consideration, a Credit Committee meeting may be cancelled.

Once the Credit Committee has settled into its duties/ responsibilities (and no later than 6 months after the first Credit Committee meeting), the Credit Committee Chair will arrange himself / herself and two other Credit Committee members to attend Credit Committee meetings, taking into account the skills of the personnel required for an upcoming meeting, the availability of Credit Committee members, the frequency of their meeting attendance and any conflict of interest issues.

A quorum consists of a majority of Credit Committee members. To achieve a quorum at least two Credit Committee members, who are external to NHFIC, must be present at the meeting in person or virtually.

Attendance in person at Credit Committee meetings is encouraged. A Credit Committee member may attend a meeting via telephone or videoconference rather than in person if necessary, provided that the above quorum requirements have been met.

All attendees at Credit Committee meetings must treat any deliberations, recommendations or decisions made by the committee members during those meetings as confidential. No attendee at a Credit Committee meeting may disclose the content of any such meeting to third parties unless the Credit Committee Chair has given prior authorisation for them to do so.

Agenda and Minutes

The Credit Committee Chair will approve the agenda for the committee meetings, and any member may suggest items for consideration.

Briefing materials will be provided to the Credit Committee as far in advance of meetings as practicable (and at least two business days in advance).

The NHFIC Board Secretary or such other person nominated by the Credit Committee Chair will keep minutes of the Credit Committee meetings.

The minutes, or relevant extracts from them, will be circulated to Credit Committee members and included in the papers for the next Board meeting held after the relevant committee meeting.

Duties and Responsibilities

The duties and responsibilities of the Credit Committee include:

- (a) reviewing and making recommendations on the creditworthiness of a NHFIC applicant, bearing in mind the credit risk appetite, any other lending parameters set by the NHFIC Board from time to time and the requirements of NHFIC's Investment Mandate;
- (b) reviewing and making recommendations on the ability of the NHFIC applicant to service the NHFIC loan;
- (c) reviewing and making recommendations on the quality of security available from a NHFIC applicant;

- (d) in the case of Affordable Housing Bond Aggregator (AHBA) finance, having regard to (where appropriate) the complementarity of any private sector finance that may be available to the registered community housing provider;
- (e) working with the credit assessment team to consider the impact that a particular finance application will have on the credit risk profile of the portfolio overall and NHFIC's credit policy and credit risk appetite;
- (f) providing feedback to the credit assessment team on the operation of NHFIC's credit risk management framework, credit exposure limits and/or Credit Policy Manual;
- (g) ensuring all recommendations and decisions made by the committee have regard to the objectives and requirements of the *National Housing Finance and Investment Corporation Act 2018* (Cth) and NHFIC's Investment Mandate,

noting that the NHFIC Origination team is responsible for the following activities:

- (a) assessing the creditworthiness of a NHFIC applicant, their ability to service the loan and the quality of the security available and preparing an analysis for the Credit Committee's consideration;
- (b) obtaining the relevant information from applicants to inform the assessments;
- (c) highlighting pertinent risks to transactions presented;
- (d) preparing and structuring the credit submission for approval, in accordance with NHFIC's policies, in particular the Credit Policy Manual;
- (e) in the case of National Housing Infrastructure Facility (NHIF) finance, reviewing and making recommendations to the Board on the extent of any concession that would be appropriate for NHFIC to offer,
- (f) and noting further that the NHFIC Credit team is responsible for the following activities:
- (g) finalising assessment of each credit submission, agreement with the CEO, and presentation to the NHFIC Board for approval where appropriate;
- (h) assessing the impact that a particular finance application will have on the credit risk profile of the portfolio overall;
- (i) monitoring NHFIC's credit risk profile, including the quality and performance of credit portfolios, to ensure it aligns with NHFIC's credit risk appetite and Credit Policy Manual;
- (j) from time to time, reviewing and making recommendations to the Board on any changes to NHFIC's credit risk management framework, credit exposure limits and/or Credit Policy Manual;
- (k) providing input into the development, refinement and implementation of NHFIC's Risk Appetite Statement; and
- (l) monitoring material changes to NHFIC's credit risk policy and the implementation of credit policies and standards.

Authority

The Credit Committee has authority to:

- (a) investigate any matter brought to its attention, consistent with its duties and responsibilities;
- (b) have direct access to any employee or contractor of NHFIC and seek any information that it requires from any employee or contractor of NHFIC in order to discharge its responsibilities. The Credit Committee Chair will be responsible for coordinating any necessary input/ information from NHFIC employees/ contractors on behalf of the Credit Committee.
- (c) In respect of NHFIC finance applications:
 - i. endorse a recommendation made by the NHFIC Origination team for consideration by the Chief Credit Officer;
 - ii. defer any endorsement of a NHFIC Origination team recommendation pending the provision of further information from the Origination team;
 - iii. decide not to endorse a recommendation made by the NHFIC Origination team.

Credit committee members are to reach consensus on whether or not to make recommendations to the Chief Credit Officer and the CEO is to endorse transactions for NHFIC Board approval.

The Credit Committee Chair does not have a casting vote. All Credit Committee deliberations must be conducted in a respectful manner

Where a consensus cannot be reached within the Credit Committee, or between the Credit Committee members and NHFIC's business, a third-party independent opinion may be sought by the Credit Committee Chair.

The Credit Committee has an advisory role to assist the Chief Credit Officer, the CEO, and the NHFIC Board. It does not have any power to commit the Board to any financing decision. The Board is responsible and accountable for all NHFIC finance decisions.

Escalation Process

Any concerns in relation to the conduct of the Credit Committee meetings, or any disputes between Credit Committee members themselves, should be raised with the Credit Committee Chair in the first instance. The Credit Committee Chair will then determine whether it is appropriate in the circumstances to escalate the matter to the CEO.

In circumstances where a concern relates to or involves the Credit Committee Chair, the relevant Credit Committee member may raise their concern with the CEO directly.

In circumstances where the Credit Committee is unable to reach consensus, any such deadlock will be managed by the Credit Committee Chair and escalated by the Credit Committee Chair as necessary.

The Credit Committee Chair or the CEO (as applicable) will use their best endeavours to resolve the concern or dispute expeditiously by negotiation in good faith, including by convening an unscheduled Credit Committee meeting as necessary or desirable to address the concern/ resolve the dispute.

Compliance with NHFIC Policies

Members of the Credit Committee must comply with any NHFIC policies applicable to the performance of its functions, as required by the Board.

Reporting

The Credit Committee Chair will provide NHFIC's Board the following after each Credit Committee meeting:

- copies of its minutes or relevant extracts from them;
- copies of the relevant credit papers prepared by the Origination team which contain the Credit Committee's recommendation; and
- such additional reporting as NHFIC's Board may require.

Copies of written reports provided by the Chair to the NHFIC Board will be circulated to Credit Committee members.

Review of the Charter

The Credit Committee will review the terms of this Charter at least annually.

Conflicts of Interest

Credit Committee members will provide annual written declarations, through the Chair, to the NHFIC Board declaring any conflicts of interest they may have in relation to their responsibilities.

Credit Committee members must be alert to conflicts of interest on an ongoing basis for the duration of their tenure. Credit Committee members must confirm whether they have any actual, perceived or potential conflict of interest at the beginning of each Credit Committee meeting.

Review of Performance

The Credit Committee will review the scope and effectiveness of its activities and performance against this Charter at least every two years. The review will incorporate input from relevant stakeholders. The Chair of the Audit and Risk Committee will be provided with a report on the review.