

2020 Annual General Meeting

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Police Credit Union Ltd

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Notice of Annual General Meeting

Notice is given that the 50th Annual General Meeting (AGM) of Police Credit Union Ltd will be held on Monday 30th November 2020 at 11.00am in the Fenwick Function Centre of The Police Club at 27 Carrington Street, Adelaide SA.

AGENDA

Ordinary Business

1. Minutes

To confirm the Minutes of the 49th Annual General Meeting held on 22nd November 2019.

2. Financial Reports

To receive and consider the Credit Union's Financial Report, Directors' Report and Auditor's Report for the financial year ended 30th June 2020.

3. Remuneration of Directors (Resolution 1)

To determine the remuneration of Directors. The following resolution will be put:

'That the aggregate remuneration for Directors for the 2020/2021 financial year be fixed at \$578,783 inclusive of any Superannuation Guarantee Levy paid.'

(See Explanatory Note 1 on page 5)

SPECIAL BUSINESS

4. Constitutional amendments (Resolution 2)

To consider and, if thought fit, pass the following resolution as a special resolution:

'That the Constitution of Police Credit Union Ltd be, and the same is hereby, amended, with effect upon the passing of this resolution, in the manner described in Part 1 of the Schedule of Proposed Constitutional Amendments tabled at the meeting and signed by the Chair for the purposes of identification, so as to facilitate the possibility of Police Credit Union Ltd issuing mutual capital instruments.'

(See Explanatory Note 2 on page 5)

5. Constitutional amendments (Resolution 3)

To consider and, if thought fit, pass the following resolution as a special resolution:

'That the Constitution of Police Credit Union Ltd be, and the same is hereby, amended, with effect upon the passing of this resolution, in the manner described in Part 2 of the Schedule of Proposed Constitutional Amendments tabled at the meeting and signed by the Chair for the purposes of identification, so as to facilitate the holding of members' meetings, and the giving of notices of such meetings, using technology.'

(See Explanatory Note 3 on page 7)

6. Constitutional amendments (Resolution 4)

To consider and, if thought fit, pass the following resolution as a special resolution:

'That the Constitution of Police Credit Union Ltd be, and the same is hereby, amended, with effect upon the passing of this resolution, in the manner described in Part 3 of the Schedule of Proposed Constitutional Amendments tabled at the meeting and signed by the Chair for the purposes of identification, so as to reduce the number of elected directors with effect from the 2021 AGM and to remove the rule which may result in elected directors being elected for terms of differing length.'

(See Explanatory Note 4 on page 8)

NOTE: The Schedule of Proposed Constitutional Amendments to be tabled at the meeting can be obtained from your nearest PCU branch or by telephoning 1300 131 844. It is also available on PCU's website (www.policecu.com.au). A copy of the Constitution, marked up to show all changes being proposed at the AGM, is also available on PCU's website.

Election of Directors

7. Election of Directors (Resolutions 5, 6 and 7)

To elect Directors in accordance with the Credit Union's Constitution. As the number of nominations received is equal to the number of positions to be filled, an election by postal ballot will not be necessary and the general meeting will vote on the appointment of each candidate as a Director by a separate resolution at the meeting. The following resolutions will therefore be put:

7.1 'That Peter Damian Schar is appointed as a Director of Police Credit Union Ltd for a period of three (3) years.'

7.2 'That Alexander Paul Zimmermann is appointed as a Director of Police Credit Union Ltd for a period of three (3) years.'

7.3 'That Michael John Fisher is appointed as a Director of Police Credit Union Ltd for a period of three (3) years.'

VOTING ON A SPECIAL RESOLUTION

To be carried, a proposed special resolution listed in this notice must be passed by at least 75% of the votes cast by Members entitled to vote on the resolution at the meeting.

PROXIES

A Member who is entitled to attend the Annual General Meeting and vote, is entitled to appoint a proxy. A proxy need not be a Member. A Member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. To be effective the appointment of a proxy must be received by the Credit Union at least 48 hours prior to the meeting either at its registered office at 17 – 23 Carrington Street, Adelaide SA 5000 or via email to pcuagm@policecu.com.au or facsimile to 08 8208 5707. A Proxy Form is included with this notice or can be obtained by contacting your local Police Credit Union branch or by telephoning 1300 131 844.

Dated 9th November 2020.



By Order of the Board
Mr Costa Anastasiou
Company Secretary

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EXPLANATORY NOTES

These Explanatory Notes have been prepared to assist Members in considering the proposed resolutions referred to in this Notice of Annual General Meeting.

Explanatory Note 1: Remuneration of Directors (Agenda Item 3)

It is proposed that the aggregate Directors Remuneration quantum for 2020/2021 remain unchanged from 2019/2020 and be set at \$578,783 inclusive of any Superannuation Guarantee Levy (SGL) paid, to be divided amongst the Directors. Despite the continued strong performance of Police Credit Union across financial and non-financial measures, the Board gave significant and special consideration to the unprecedented and difficult economic circumstances unfolding and brought about by the COVID-19 Pandemic impacting on many Members. Accordingly, the Board chose to depart from the basis on which it normally proposes the setting of Director Remuneration outlined below for completeness and recommends a 0% increase for the 2020/2021 financial period.

Director Remuneration is formulated objectively on the basis of independent research as established in the 2020 Mutual Financial Board Remuneration Survey. The survey provides industry-based guidance, linked to bands of total income, total assets, number of Members and geographic region, and has been matched against the relevant Police Credit Union attributes. The amount that is normally proposed is determined based on the adjusted 75% to 90% quartiles of the survey, reflecting the long-term strategic performance of Police Credit Union. The amount normally applied would have represented a 4.83% increase on the amount fixed for the 2019/2020 financial period. The increase would have reasonably reflected the substantial and increasing demands, duties and responsibilities of Directors of highly regulated Authorised Deposit Taking Institutions.

It should be noted that the amount proposed for the 2020/2021 period is inclusive of SGL, whereas in previous years an amount 'plus SGL' has been proposed. This change in approach is to reflect legislative changes which allow some income earners with multiple employers to opt out of the SGL being paid on the basis that the equivalent amount is instead paid to them direct. This change therefore reflects the fact that SGL may be paid in respect of some Directors and not others. The change has no bearing upon the total remuneration paid.

Explanatory Note 2: Proposed amendments to the PCU Constitution – MCI amendment resolution (Agenda Item 4)

The Board is proposing that the Constitution be amended to allow for the possibility of Police Credit Union issuing mutual capital instruments ('MCIs'). MCIs are a special type of share which can now be issued to investors by mutuals, in order to raise capital,

without affecting their mutual status, provided certain conditions are satisfied.

Historically, mutuals have only been able to raise capital through retained earnings, not by issuing securities to investors, and this has been a significant barrier to investment, innovation, and growth in the mutuals sector and has therefore affected competition in the broader financial services sector. And until recently, there was also no clear, legislated definition of what a 'mutual' is.

In 2015 the Senate Economics References Committee (Commonwealth) was asked to review and report on the role, importance and operations of mutuals in the Australian economy. The Committee reported in 2016 and made a number of recommendations for reform. In 2017 the Treasurer commissioned further consultation on those recommendations which then led to the publication of the 'Hammond Report' in July 2017. The Hammond Report made a number of recommendations which were accepted by the Government. They included:

- that a definition of 'mutual entity' be included in the Corporations Act; and
- that mutual entities registered under the Corporations Act be able to issue MCIs without affecting their mutual structure or status.

After further industry consultation, the Government subsequently introduced legislation to amend the Corporations Act and give effect to these, and other, recommendations. That legislation, the Treasury Laws Amendment (Mutual Reforms) Act 2019, came into effect in April 2019.

The Corporations Act now provides that a company is a mutual entity if it is registered under the Act and its Constitution provides that a person has no more than one vote at a general meeting for each capacity in which the person is a member of the company. Police Credit Union is a mutual entity.

To be able to issue MCIs, should it choose to do so, a mutual entity must amend its Constitution so that it:

- states that the mutual entity intends to be a 'MCI mutual entity' (which is a term defined in the Act);
- provides that an MCI can only be issued as a fully paid share, that dividends in respect of the share are non-cumulative, and sets out the rights attached to the share with respect to participation in surplus assets and profits; and
- provides that the rights attached to the MCI can be varied or cancelled only by a special resolution of the mutual entity and either a special resolution of a meeting of MCI holders of the same class or the written consent of MCI holders with at least 75% of the votes in the MCI class.

To facilitate mutual entities making these amendments to their Constitutions, the legislation provides for a special procedure which involves passing an 'MCI amendment resolution'. Effectively, the special procedure results in the making of the amendments not triggering the application of various provisions in the Corporations Act and/or the Constitution of the mutual entity that would, or might, otherwise be triggered and give rise to potentially significant complexities arising and costs being incurred. To take advantage of that special procedure, the MCI amendment resolution must be passed as a special resolution at a general meeting of the mutual entity which occurs within 3 years of 6 April 2019. In other words, there is a window of opportunity for mutual entities to take advantage of the special procedure.

A number of mutual financial institutions have already had MCI amendment resolutions passed at general meetings and many others are, like Police Credit Union, now taking steps to do so.

The amendments to our Constitution, to which the MCI amendment resolution relates, make the changes that are necessary to satisfy the requirements explained above and changes that are incidental or ancillary to those changes (such as using the term 'mutual entity').

Police Credit Union is not proposing to issue any MCIs at this stage, but amending the Constitution now will give us the ability to do so if at any point in the future raising capital by issuing MCIs is desirable. Making the changes will simply give us another option for raising capital in the future.

If the amendments are made and we do issue MCIs in the future, MCI holders will not be members unless they separately apply for, and are admitted to, membership. Furthermore, if the terms of issue of MCIs give MCI holders any voting rights at general meetings at all, they will not be able to have more than one vote, regardless of the number of MCIs they hold, and if they are also a member they will still only have one vote.

The ability to issue MCIs will not affect our mutual status, and will not change our objectives, which are described in Appendix 1 of our Constitution and may be summarised in this way – Police Credit Union exists for the benefit of its members.

Explanatory Note 3: Proposed amendments to the PCU Constitution – use of technology to hold meetings and send notices of meetings (Agenda Item 5)

The effects of COVID-19 have demonstrated that it may not always be possible or desirable to hold physical meetings of members and that using technology, such as email, to provide materials to members may be preferable to mail and give rise to significant savings.

At present the Corporations Act places some constraints upon holding meetings of members using technology - such as meetings at which some members are physically present and others participate using technology, or meetings which are fully 'virtual'. In May 2020 the Commonwealth Treasurer made a Determination under the Corporations Regulations, in response to the COVID-19 situation, which modifies various provisions of the Corporations Act through until November 2020 in a way which facilitates meetings being held using technology and notices being provided using technology. More recently the Government has announced that the period over which these modifications will apply will be extended to March 2021. Various bodies are currently encouraging the Government to make permanent changes to the Corporations Act which reflect the Determination.

Whether technology can be used in these ways depends not only upon the Corporations Act but also upon the provisions in a company's Constitution, and at present there are provisions in the Constitution of Police Credit Union which may prevent it from taking full advantage of the options which the Determination is intended to facilitate.

The Board is therefore proposing amendments to the Constitution which align with the terms of the Determination, so that if the Determination is extended, or the Corporations Act is amended to permanently reflect the Determination, we will be able to take advantage of the options, or some of them, should it become necessary or desirable to do so. Importantly, virtual or 'hybrid' meetings of members could only be held if the arrangements give all members a reasonable opportunity to fully participate in the meeting, including by speaking and voting.

Explanatory Note 4: Proposed amendments to the PCU Constitution – to reduce the number of Elected Directors with effect from the 2021 AGM and remove the rule which may result in Elected Directors being elected for terms of differing length (Agenda Item 6)

Rule 10.1 of the Constitution currently provides for there to be 7 Elected Directors and not more than 2 Appointed Directors. Elected Directors are Directors who are elected by members. Appointed Directors are Directors who are appointed by the Board itself. There are currently 8 Elected Directors and there will be 7 from the 2020 AGM. There is currently 1 Appointed Director. It has been an objective of the Board to gradually reduce the overall number of Directors over time to ensure that the size of the Board remains appropriate over the longer term, taking into account current views and practices in the governance sector in relation to optimum board size. The Board therefore considers that there should be a further reduction of 1 in the number of Elected Directors to 6, with effect from the end of the 2021 AGM.

Elected Directors have defined terms of office. The term is usually 3 years, but the effect of Rule 10.6(2) is that if in a particular year there is an election of Elected Directors by ballot and the number of Elected Directors elected is more than one third of the total number of Elected Directors, then they will be elected for differing terms, depending upon the number of votes they received, which may range from one year to 3 years. The intention behind this Rule, when it was originally drafted as part of a template Constitution for credit unions many years ago, was that it should help to even out the number of Elected Director positions that come up each year. However, when it was drafted credit unions tended to have larger boards, and over time it has been observed in the sector that the Rule has rarely resulted in the outcome which was intended, particularly as Boards have become smaller. Furthermore, the rule only operates if there is a contested election, which is an anomaly. The Board now considers that a 1 or 2 year term is unsatisfactory for any Director, and particularly for new Directors, taking into account the ever increasing demands placed upon Directors and the large investment of time which Directors make in continuous learning and understanding the business of the Credit Union. The rule also tends to result in more elections being held as a Board becomes smaller, which gives rise to considerable expenses being incurred which could be saved. The Board therefore recommends that the rule be removed so that, in future, all Elected Directors will be elected for a term of 3 years, regardless of the number elected in any particular year or whether there is an election by ballot. The amendment to Rule 10.6(1) is a consequential amendment.

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2020 Election of Directors

AS THE NUMBER OF CANDIDATES IS EQUAL TO THE NUMBER OF VACANT POSITIONS ON POLICE CREDIT UNION'S BOARD OF DIRECTORS IT WILL NOT BE NECESSARY TO HOLD A BALLOT TO DETERMINE THE SUCCESSFUL CANDIDATES.

NOMINATIONS PANEL

The Board has, in accordance with Police Credit Union's Constitution, established a Nominations Panel for the purpose of assessing each candidate, including those Directors whose term expires at the Annual General Meeting and who are offering themselves for re-election. The assessment is undertaken with reference to Board approved 'Model Criteria', to determine whether that person has demonstrated an ability to be a Director and is 'fit and proper'. The Nominations Panel consists of four Members, two current Directors and two independent and external persons who possess an overall suitable mix of character, skills, knowledge and experience to enable an effective assessment of candidates.

Following a detailed assessment, the Nominations Panel is satisfied that each candidate has demonstrated an ability to be a Director as assessed against Board-approved Model Criteria and is fit and proper to be, and act, as a Director by reference to the Credit Union's Fit and Proper Policy.

CANDIDATE INFORMATION

At the close of nominations, three members had nominated for the three vacancies on Police Credit Union's Board of Directors. Information about candidates provided under the heading of Candidate Statement has been provided by each candidate in accordance with section A5-6 of Police Credit Union's Constitution.

The order of candidates has been determined by lot, meaning that there is no inference of preference in the order of candidates.

Candidate Statement



PETER DAMIAN SCHAR

I have been a member of Police Credit Union since commencing my policing career in 1972 and was elected to the Board in 1998.

As a director I continuously aim to ensure you, the members, receive superior banking and insurance products and outstanding service that supports you to achieve your financial aspirations.

I am a diligent Board member and have developed a broad understanding of the financial, governance, risk and regulatory environments in which our Credit Union operates. I am actively involved in the review and confirmation of our strategic direction and highly successful operations.

The Police Credit Union's committed and passionate management and staff strive to deliver personalised service to each and every member. I am proud to be associated with our Credit Union.

I seek your support for re-election to continue to represent your interests while endeavouring to provide the best possible leadership with my fellow directors.

Candidate Statement



ALEXANDER PAUL ZIMMERMANN

I feel privileged and proud to have served as PCU Chairman for 8yrs, and I'm again seeking your support in this election.

A Chief Inspector of Police, currently leading the Adelaide Hills Bushfire Recovery, and previous PASA Branch delegate for 20yrs, I have a long history of looking after people. A PCU member for 39yrs, I'm genuinely dedicated to representing you, our Members.

Our Members always come first and that's why you receive continued exceptional service from the committed Management and Staff.

Over the last 8yrs PCU has grown it's total assets by 69% to \$1.135 Billion, resulting in us being able to provide Members some of the best rates in Australia for loans and deposits – which I am committed to continuing.

I'll always give 100% to provide you the support you need and deserve.

I ask for your vote in this election to continue to represent your interests.

Candidate Statement



MICHAEL JOHN FISHER

I was elected to the PCU Board in 2000. I am currently the Deputy Chairman. Since this time I have served diligently both the Credit Union and the membership. As a Member of PCU for 40 years, I recognise the importance of our core membership – Police, Nurses and other emergency service workers - to the organisation, but also understand that continued success of PCU is linked to encouraging and attracting new members.

As a serving Police Officer I have daily contact with our membership and know what it is that members look for in a financial institution. The Credit Union is the force in banking and our friendly and knowledgeable staff do that little bit more to ensure superior customer service.

Finally, your PCU Board continues to perform well and as an active member of that Board I ask for your support of my re-nomination.

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How to Complete the Proxy Form and Important Information

APPOINTMENT OF A PROXY

If you wish to appoint the Chair of the meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chair of the meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the meeting will be your proxy. A proxy need not be a member of the Credit Union.

VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by placing a mark in one of the boxes below each listed resolution. If you do not mark any of the boxes on a listed resolution, your proxy may vote on that resolution as he or she chooses. **If you mark more than one box on a listed resolution, your vote on that listed resolution will be invalid.**

SIGNING INSTRUCTIONS

Individual Member: Where the member share is held in one name, the member must sign

Attorney for Member: To sign under Power of Attorney, the Power of Attorney must be lodged with Police Credit Union Ltd. If you have not previously lodged it for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Company Member: Where the company has a sole Director who is also the sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

LODGEMENT OF PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the registered office of Police Credit Union Ltd at 17 – 23 Carrington Street, Adelaide SA 5000 or via email to pcuagm@policecu.com.au or facsimile to 08 8208 5707 no later than 48 hours before the commencement of the meeting – i.e. by 11.00am on Saturday 28th November 2020. Any Proxy Form received after that time will not be valid for the meeting.

Proxy Form over page ▶

Proxy Form

POLICE CREDIT UNION LTD 2020 ANNUAL GENERAL MEETING MEMBERSHIP DETAILS

Name:

Member number:

Address:

APPOINTMENT OF PROXY

I / We, being a member of Police Credit Union Ltd and entitled to attend and vote at the Annual General Meeting to be held on Monday 30th November 2020 commencing at 11.00am, hereby appoint (please mark to indicate your appointment):

The Chair of the meeting, **OR**



(Full name or office of person appointed)

or, failing the attendance of the person named or if no person is named, the Chair of the meeting, as my/our proxy to attend and act generally at the meeting (and at any adjournment thereof) on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit). My proxy may vote on any resolutions not listed in this Proxy Form, including any resolution to amend a listed resolution, as my proxy sees fit. If I have appointed the Chair, I expressly authorise the Chair to exercise the proxy even if a resolution is directly or indirectly connected with the remuneration of a member of the key management personnel for the Credit Union.

Important information

If you wish to direct your proxy how to vote on a listed resolution, you should place a mark in either the "For", "Against" or "Abstain" box for that resolution. If you do not direct your proxy how to vote on a listed resolution, your proxy may vote on that resolution as your proxy sees fit. If you appoint the Chair as your proxy, and do not give a specific direction in relation to a listed resolution, the Chair intends to exercise your proxy vote in favour of that resolution.

VOTING DIRECTIONS TO YOUR PROXY

– if you wish to give directions please mark to indicate your directions.

Resolution 1 That the aggregate remuneration for Directors for the 2020/2021 financial year be fixed at \$578,783 inclusive of any Superannuation Guarantee Levy paid.

For

Against

Abstain*

Resolution 2 That the Constitution of Police Credit Union Ltd be, and the same is hereby, amended, with effect upon the passing of this resolution, in the manner described in Part 1 of the Schedule of Proposed Constitutional Amendments tabled at the meeting and signed by the Chair for the purposes of identification, so as to facilitate the possibility of Police Credit Union Ltd issuing mutual capital instruments.

For

Against

Abstain*

Proxy Form continues over page ▶

Resolution 3 That the Constitution of Police Credit Union Ltd be, and the same is hereby, amended, with effect upon the passing of this resolution, in the manner described in Part 2 of the Schedule of Proposed Constitutional Amendments tabled at the meeting and signed by the Chair for the purposes of identification, so as to facilitate the holding of members' meetings, and the giving of notices of such meetings, using technology.

For Against Abstain*

Resolution 4 That the Constitution of Police Credit Union Ltd be, and the same is hereby, amended, with effect upon the passing of this resolution, in the manner described in Part 3 of the Schedule of Proposed Constitutional Amendments tabled at the meeting and signed by the Chair for the purposes of identification, so as to reduce the number of elected directors with effect from the 2021 AGM and to remove the rule which may result in elected directors being elected for terms of differing length.

For Against Abstain*

Resolution 5 That Peter Damian Schar is appointed as a Director of Police Credit Union Ltd for a period of three (3) years.

For Against Abstain*

Resolution 6 That Alexander Paul Zimmermann is appointed as a Director of Police Credit Union Ltd for a period of three (3) years.

For Against Abstain*

Resolution 7 That Michael John Fisher is appointed as a Director of Police Credit Union Ltd for a period of three (3) years.

For Against Abstain*

** If you mark the Abstain box, you are directing your proxy not to vote on the resolution and your vote will not be counted when calculating whether the required percentage of Members has passed the resolution.*

PLEASE SIGN HERE

This section **must be signed** in accordance with the preceding signing instructions.

Member

OR Sole Director;

OR Director

and Company Secretary

Date