

POLICE CREDIT UNION LTD
ACN 087 651 205

SCHEDULE OF PROPOSED CONSTITUTIONAL AMENDMENTS

This is the Schedule of Proposed Constitutional Amendments referred to in the Notice of Annual General Meeting given by Police Credit Union Ltd and dated 9 November 2020. It sets out the proposed amendments to the Constitution of Police Credit Union Ltd which are referred to in item numbers 4 to 6 of the Agenda.

It is proposed that the Constitution of Police Credit Union Ltd be amended as set out in this Schedule.

PART 1 – Amendments to facilitate the possibility of issuing Mutual Capital Instruments

1. In Rule 1.1:

1.1 Insert the following definition after the definition of '**common bond**':

'**Corporations Act** means the *Corporations Act 2001*'

1.2 Insert 'and any **MCI vote holders**' at the end of the definition of '**general meeting**'

1.3 Insert the following definitions after the definition of '**material personal interest**':

'**MCI** and **mutual capital instrument** means a share as described in Appendix 3, Division 3'

MCI holder means a **person** who is the holder of an **MCI** and whose name the **credit union** has entered for the time being in the Register of Members it keeps under the **Corporations Act**

MCI vote holder means any **MCI holder** who has one vote at a **general meeting** under the terms of issue of the **MCIs** held'

1.4 Insert the words 'who is the holder of a **member share** and' after the word '**person**' in the definition of '**member**'

1.5 Add the words ',Division 1' at the end of the definition of '**member share**'.

1.6 Insert the following definitions after the definition of '**secretary**':

'**share** means a share in the capital of the **credit union** and includes a **member share** and an **MCI**

shareholder means a **person** who holds a **share**'

1.7 Substitute the following definition for the definition of '**subscription price**':

'**subscription price** means:

(a) in relation to a **member share**, the amount (if any) payable by a **person** on subscription for a **member share**; or

(b) in relation to an ***MCI***, the amount (if any) payable by a ***person*** on subscription for an ***MCI*** or, if the ***MCI*** was created on conversion of a capital instrument in accordance with any ***prudential standard***, the nominal dollar value of that capital instrument prior to conversion into the ***MCI***

2. Insert the following new Rule after Rule 1.4:

'1.5 Intention to be MCI mutual entity'

The ***credit union*** is intended to be an MCI mutual entity for the purposes of the ***Corporations Act***.

3. Re-number the existing Rule 1.5 as Rule 1.6 and the existing Rule 1.6 as Rule 1.7.
4. In the existing Subrules 1.5(3) and (5), Division 6, Division 7, and Rule 14.2(a)(ii), change '***member***' to '***shareholder***', '***members***' to '***shareholders***', and '***member's***' to '***shareholder's***' wherever those words appear.
5. Insert the following Subrule after Subrule 3.1(3):
 - (4) An ***MCI holder*** is not a ***member*** merely by virtue of holding an ***MCI***.
6. Substitute the following Rule for Rule 5.1:

'5.1 Classes of Shares'

Subject to ensuring that the ***credit union*** continues to be a mutual entity for the purposes of the ***Corporations Act***, the ***credit union*** may issue ***member shares*** and ***MCIs***.

7. Insert the following Rule after Rule 6.5:

'6.6 Application of Division to MCIs'

Subject to the ***Corporations Act*** and the terms of issue of the ***MCI***, the provisions of this Division 6 do not apply to a transfer of an ***MCI*** effected through a clearing and settlement facility.'

8. In Divisions 8, Division 9 and clause A3-D1-3(1)(a):
 - 8.1 change 'Meetings of Members' and 'Members' Meetings' to 'General Meetings' wherever those terms appear; and
 - 8.2 change '***members***' meeting' to '***general meeting***' wherever that term appears, and the plural versions of those terms correspondingly.
9. Insert the following Subrule after Subrule 9.1(4):
 - (5) If a ***member*** is also an ***MCI holder***, that ***member*** has no more than one vote at a ***general meeting***, regardless of the terms of issue of the ***MCI***.
10. Substitute '***general meeting***' for 'general meeting of ***members***' in Rule 12.2(2)(a).
11. Substitute the following subclause for subclause A3-D1-3(2):

- (2) Subject to subclauses A3-D1-3 (3) and (4) and clause A3-D1-8, each **member** has one vote and, if a **member** is also an **MCI vote holder**, the **member** has no more than one vote at a **general meeting** of the **credit union**, regardless of the terms of issue of the **MCI**.
12. Add the words 'Subject to subclause A3-D3-2(4),' at the beginning of subclause A3-D1-5.
13. Substitute the following clause for the existing clause A3-D2-3:

'A3-D2-3 Entitlement to Reserves'

Subject to Rule A3-D3-2(4), the terms of issue of any **MCIs** and the **Corporations Act**, only a **qualifying member** is entitled to participate in the surplus and profits of the **credit union** when the **credit union** (whether acting through its **board**, its **members** or otherwise) conducts a reduction of capital, scheme of arrangement, deed of arrangement, transfer of business or any other form of corporate restructure where after completion of the restructure:

- (a) the **credit union** is not a mutual entity; or
 - (b) the successor to the **credit union's** business is not a mutual entity.'
14. Insert the following Division after Appendix 3 Division 2:

'Division 3 – Mutual Capital Instruments'

A3-D3-1 Issue of MCIs

- (1) Subject to compliance with the **Corporations Act** and any applicable **prudential standards**, the **credit union** may issue **MCIs** or capital instruments convertible into **MCIs**.
- (2) The **credit union** may create or issue more **MCIs** at any time. The creation or issue of more **MCIs** does not vary the rights attached to **MCIs** or any other **shares** that the **credit union** has already issued.
- (3) The **subscription price** for an **MCI**, or a capital instrument convertible to an **MCI**, will be as determined by the **board**.
- (4) An **MCI** can only be issued as a fully paid share.
- (5) Any dividends in respect of an **MCI** must be non-cumulative.

A3-D3-2 Rights of MCI holders

- (1) The terms of issue of an **MCI** (including any terms, conditions or rights attaching to the **MCI**) will be determined by the **board** and include such terms as the **board** considers necessary or desirable for those **MCIs** to be eligible for inclusion as regulatory capital under any applicable **prudential standards**, provided that the terms must comply with this Constitution, the **Corporations Act** and any applicable **prudential standards**.
- (2) Without limiting the generality of paragraph (1), the terms of issue of an **MCI** may (but do not need to) entitle an **MCI holder** to vote at a **general meeting**, provided that an **MCI holder** may have no more than one vote at a **general meeting** regardless of how many **MCIs** the **MCI holder** holds.

- (3) An **MCI vote holder** is, for the purposes of Divisions 8 and 9 of this Constitution only (excluding Rule 9.4(2)), deemed to be a **member** and entitled to vote on resolutions at any **general meeting** to the extent specified in the terms of issue of the relevant **MCI's**. However, an **MCI vote holder** may only vote at a **general meeting** if the **MCI vote holder** was an **MCI vote holder** at least 7 days before notice of the **general meeting** was given.
- (4) Subject to the terms of issue of an **MCI**, an **MCI holder** is entitled to claim on the surplus assets and profits of the **credit union** in a winding-up of the **credit union** after all senior claims, including the aggregate **subscription price** paid for any **member shares**, have been satisfied and:
 - (a) the **MCI holder's** claim ranks equally and proportionately with the claims of all other **MCI holders** and **members**; and
 - (b) the amount of the **MCI holder's** claim cannot exceed the **subscription price** of the **MCI**.
- (5) The rights attached to **MCIs** (or a class of **MCIs**) can only be varied or cancelled by special resolution of the **credit union** and either:
 - (a) by a special resolution passed at a meeting of **MCI holders** holding **MCIs** in the relevant class; or
 - (b) with the written consent of **MCI holders** of at least 75% of the issued **MCIs** of that class.
- (6) Any variation of the rights attached to **MCIs** which constitute Common Equity Tier 1 Capital (as defined by **APRA**) of the **credit union** is subject to the prior written approval of **APRA**, if the variation may affect the eligibility of such **MCIs** for inclusion as Common Equity Tier 1 Capital of the **credit union**.

A3-D3-3 Registration as holder of MCIs

Except as provided by the rules of a clearing and settlement facility which apply in relation to an **MCI**, a person becomes registered as the **MCI holder** of that **MCI** upon entry by the **credit union** in its Register of Members of the person's particulars in relation to the **MCI** as required by the **Corporations Act**.

- 15. In clauses A5-3(1) and A5-9(2) change the words 'Rule 1.5' to 'Rule 1.6'.
- 16. Substitute the following definition for the definition of '**Demutualisation Resolution**' in clause A6-1:

"Demutualisation Resolution" means a proposed resolution, or combination of proposed resolutions:

- (a) which, if passed, will or may result in:
 - (i) the **credit union** ceasing to be an authorised deposit-taking institution that is a mutual entity;

- (ii) a voluntary transfer of the **credit union's** business, pursuant to the *Financial Sector (Transfer and Restructure) Act 1999*, to an Entity that is not an authorised deposit taking institution that is a mutual entity;
 - (iii) **member shares** becoming transferable or capable of sale or assignment otherwise than pursuant to Rule A3-D1-7(2);
 - (iv) a **member** becoming entitled to hold more than one **member share**, unless Rule 5.3(4)(a) and (b) apply; or
 - (v) a right to vote attaching to any **share** other than a **member share** or an **MCI**; but does not include any resolution or combination of resolutions relating to the creation or issue of **MCIs** or the rights attaching to **MCIs** (including their variation or cancellation), or which facilitates the creation or issue of **MCIs**;
- (b) in relation to which the consent of the Treasurer is required pursuant to either section 63 of the *Banking Act 1959* or section 11 of the *Financial Sector (Shareholdings) Act 1998*, unless the consent is required for the purposes of a voluntary transfer of the **credit union's** business, pursuant to the *Financial Sector (Transfer and Restructure) Act 1999*, to an Entity that is an authorised deposit taking institution that is a mutual entity;
 - (c) the effect of which would be to modify or repeal any clause in this Appendix, unless the only effect would be to modify clause A5-7 in such a way that the date upon which this Appendix will cease to have effect pursuant to that clause is postponed; or
 - (d) the effect of which would be to modify or repeal this Constitution where the effect of the modification or repeal is to modify, exclude or restrict the operation of the clauses in this Appendix, unless the only effect would be to modify this Constitution in such a way that the date upon which this Appendix will cease to have effect pursuant to clause A5-7 is postponed.'

17. Substitute '**general meeting**' for 'meeting of **members**' in Rule A6-4(17).

PART 2 – Amendments to facilitate the holding of member's meetings, and the giving notices of meetings, using technology

18. Add the following Rule after Rule 8.3:

‘8.4 Holding meetings, and giving notices of meetings, using one or more technologies’

- (1) Subject to the **credit union** complying with any requirements of the **Corporations Act** and all other laws, a **general meeting** may be held using one or more technologies that give all persons entitled to attend a reasonable opportunity to participate without being physically present in the same place, and the following provisions apply if a **general meeting** is held in that way:
 - (a) all persons so participating in the meeting are taken for all purposes (for example, a quorum requirement) to be present at the meeting while so participating;
 - (b) a vote taken at the meeting must be taken on a poll, and not on a show of hands, by using one or more technologies to give each **member** entitled to vote the opportunity to participate in the vote in

- real time and, where practicable, by recording their vote in advance of the meeting;
- (c) a requirement to allow an opportunity for persons attending the meeting to speak (for example, by asking questions) may be complied with by using one or more technologies that allow that opportunity; and
 - (d) a proxy may be appointed using one or more technologies specified in the notice of the meeting.
- (2) If a **general meeting** is held in the way described in Subrule (1):
- (a) notice of the meeting must include information about how those entitled to attend can participate in the meeting (including how they can participate in a vote taken at the meeting, and speak at the meeting, to the extent they are entitled to do so); and
 - (b) if a **member** is entitled to attend the meeting, or to vote at the meeting, by proxy, the person conducting the meeting must treat a duly appointed proxy in the same way as the **member** would be entitled or required to be treated if the **member** attended the meeting in person.
- (3) Subject to the **credit union** complying with any requirements of the **Corporations Act** and all other laws, a notice of a **general meeting** may be given, and any other information to be provided with a notice of a **general meeting** or at or in relation to the meeting may be provided, using one or more technologies to communicate to those entitled to receive notice of the meeting:
- (a) the contents of the notice and the other information; or
 - (b) details of an online location where the items covered by subparagraph (a) can be viewed or from where they can be downloaded.
- (4) All other provisions in this Constitution, including those in any Appendix, which:
- (a) require or permit a **general meeting** to be held;
 - (b) regulate giving notice of a **general meeting**; or
 - (c) regulate the conduct of a **general meeting**;
- are to be read subject to this Rule 8.4, and this Rule 8.4 prevails to the extent of any inconsistency.'

PART 3 – Amendments 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

19. In Rule 10.1(1), change '7' to '6' and '2020' to '2021'.
20. Delete the words 'and the rotation provisions in this Rule' from Rule 10.6(1).

21. Delete Rule 10.6(2).
22. Renumber Rule 10.6(3) as Rule 10.6(2).