

Police & Nurses Limited
ACN 087 651 876

Notice of Annual General Meeting 2022

Notice is given that the Annual General Meeting (**AGM** or **Meeting**) of the members of Police & Nurses Limited (ACN 087 651 876) (**PNL** or **Company**) will be held at C.ex Coffs, 2-6 Vernon St, Coffs Harbour NSW, commencing at 3:00 pm (AEDT) (12:00 noon (AWST)) on Wednesday, 26 October 2022 (**Notice of Meeting** or **Notice**).

General Business

Discussion of the 2022 Annual Report

To receive and consider the Annual Report of the Company for the year ended 30 June 2022 which includes the Financial Report, the Directors' Report and the Auditor's Report.

Resolution 1 – Election of Directors

Mr Hunt's current term ends at the conclusion of the 2022 AGM of the Company. He now stands for re-election as a Member Elected Director, in accordance with the PNL Constitution.

Mr Paul has been appointed since the last AGM to fill a casual vacancy on the Board. In accordance with the PNL Constitution, he now stands for election as a Member Elected Director, at the first AGM since his appointment.

Resolution 1(a) – Election of Director: Re-election of Mr Trevor Hunt

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Trevor Hunt, being eligible, be re-elected as a Director of Police & Nurses Limited.”

Resolution 1(b) – Election of Director: Election of Mr Monish Paul

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Monish Paul, being eligible, be elected as a Director of Police & Nurses Limited.”

Resolution 2 – Constitutional amendments; to support ongoing good governance

PNL is proposing a number of amendments to its Constitution, to support appropriate governance outcomes. Each change is described in further detail in the explanatory notes to this Notice.

Resolution 2(a) – Constitutional amendments: Governance updates

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

“That, in accordance with section 136(2) of the *Corporations Act 2001* (Cth), the Constitution be amended with effect from the conclusion of the 2022 AGM of the Company by making those amendments set out as “Resolution 2(a) – Constitutional amendments: Governance updates” within the explanatory notes to this resolution, as are contained in the document tabled at the AGM and signed by the Chairman for the purposes of identification.”

Resolution 2(b) – Constitutional amendments: Board composition

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

“That, in accordance with section 136(2) of the *Corporations Act 2001* (Cth), the Constitution be amended with effect from the conclusion of the 2022 AGM of the Company by making those amendments set out as “Resolution 2(b) – Constitutional amendments: Board composition” within the explanatory notes to this resolution, as are contained in the document tabled at the AGM and signed by the Chairman for the purposes of identification.”

Resolution 2(c) – Constitutional amendments: 3 month membership eligibility requirement for Member Elected Directors

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

“That, in accordance with section 136(2) of the *Corporations Act 2001* (Cth), the Constitution be amended with effect from the conclusion of the 2022 AGM of the Company by making those amendments set out as “Resolution 2(c) – Constitutional amendments: 3 month membership eligibility requirement for Member Elected Directors” within the explanatory notes to this resolution, as are contained in the document tabled at the AGM and signed by the Chairman for the purposes of identification.”

Resolution 2(d) – Constitutional amendments: Cancellation of membership for cause

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

“That, in accordance with section 136(2) of the *Corporations Act 2001* (Cth), the Constitution be amended with effect from the conclusion of the 2022 AGM of the Company by making those amendments set out as “Resolution 2(d) – Constitutional amendments: Cancellation of membership for cause” within the explanatory notes to this resolution, as are contained in the document tabled at the AGM and signed by the Chairman for the purposes of identification.”

Resolution 3 – Directors’ Remuneration: Increase of 3% to Director remuneration pool

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of Rule 17.1 of the Constitution, the members approve that an amount of \$770,000 (per annum) inclusive of superannuation be fixed for the Directors’ combined remuneration, for the period commencing 27 October 2022 until such time as a different amount is approved by members. The amount is to be divided amongst the Directors in line with market practice and in such a manner as they determine.”

Other Business

Other questions or comments

In accordance with section 250S(1) of the *Corporations Act 2001* (Cth), members are invited to ask questions about or make comments on the management of the Company.



Verran Fehlberg
Company Secretary
Police & Nurses Limited
23 September 2022

Information for Members

Participating in the Meeting in person

The sole means of participating and voting in the Meeting in live time is to attend the physical location for the Meeting. By attending the physical location of the Meeting, you will be able to:

- hear and see the addresses and presentations of the Chair and CEO;
- speak and verbally ask questions in situations where a participant has a right to speak and ask questions while the Meeting is in progress; and
- vote in person during the Meeting.

Watching the webcast (please note that this does not form part of the formal Meeting)

An online webcast is offered for this Meeting, where members may watch the Meeting. To view the webcast, you will be required to register. Members who are P&N Bank customers should go to www.pnbank.com.au/agm and members who are bcu customers should go to www.bcu.com.au/agm to register. This may be done in advance any time from Friday 23 September 2022.

This webcast will not represent part of the formal Meeting, and will not provide the ability to vote live, to ask questions live, or otherwise participate in the formal Meeting. If you plan to watch the webcast, and you wish to vote on the business of the Meeting, you should do so ahead of time, and ensure your vote is received by the close of proxies, as is detailed in this Notice.

Methods of voting

A shareholding member may vote in any of the following ways:

- by physically attending the Meeting and voting during the Meeting;
- if a company, by appointing a corporate representative to attend the Meeting and to vote;
- by appointing a proxy to attend the Meeting and vote on behalf of the member; or
- by casting a direct vote prior to the Meeting.

Each of these methods is explained briefly below. You can only vote by **one method**.

Attending in person

A shareholding member may attend and vote at the AGM in person.

Appointment of corporate representative

A shareholding member that is a company may appoint an individual to both attend and vote on behalf of the company on the resolutions proposed at the AGM. A corporate representative does not need to be a member of the Company. Any shareholding member that is a company and wishes to appoint a corporate representative should contact the Company on 13 25 77 (P&N Bank) or 1300 228 228 (bcu) and request a copy of the form required for this purpose.

Voting by proxy

A shareholding member (who is entitled to attend and vote at the AGM) may appoint a proxy to vote on the resolutions proposed at the AGM. A proxy does not need to be a member of the Company. A member that is entitled to cast two or more votes (by holding two or more shares in different capacities) may appoint two proxies and may specify the number of votes each proxy is appointed to exercise. If you wish to appoint a proxy, you either need to complete and sign the Voting Form as instructed on the form and if you are receiving the Notice of Meeting by mail, return it in the reply paid envelope or appoint your proxy as instructed on the form. To be valid, an appointment of proxy must be received no later than 3:00pm (AEDT) (12:00noon (AWST)) on Monday 24 October 2022.

If you have received this Notice electronically and wish to submit a hard copy Voting Form to appoint a proxy, please contact the Company on 13 25 77 (P&N Bank) or 1300 228 228 (bcu) and request a copy of the Voting Form.

Direct voting

In accordance with Rule 12.7 of the Company's Constitution, the Directors have determined that at the AGM, a shareholding member who is entitled to attend and vote on a resolution at the AGM is entitled to cast a direct vote in respect of that resolution. Shareholding members may vote directly on resolutions to be considered at the Meeting at any time between the date of this Notice of Meeting and 3:00pm (AEDT) (12:00noon (AWST)) on Monday 24 October 2022.

If you cast a direct vote you are voting directly and are not appointing a third party, such as a proxy, to act on your behalf. The Company's Direct Voting Regulations govern direct voting, and a copy is available online. Members who are P&N Bank customers should go to www.pnbank.com.au/agm and members who are bcu customers should go to www.bcu.com.au/agm to view these regulations. By submitting a direct vote, you agree to be bound by the Company's Direct Voting Regulations.

If you wish to cast a direct vote, you may do this either:

- By using the hard copy Voting Form: if you wish to cast a direct vote using the hard copy Voting Form, you need to complete and sign the Voting Form as instructed on the form. For your direct vote to be valid, your Voting Form must be received no later than 3:00pm (AEDT) (12:00noon (AWST)) on Monday 24 October 2022. Please return your Voting Form in the reply paid envelope. If you have received this Notice electronically and wish to cast a direct vote using a hard copy Voting Form, please contact the Company on 13 25 77 (P&N Bank) or 1300 228 228 (bcu) and request a copy of the Voting Form.

OR

- By pre-voting online: Shareholding members may cast a direct vote online at the following website www.votingservices.com.au/PNL by following the instructions provided on the website. To access the online voting platform, on the log-in screen, all P&N Bank members must input their member number as PNmembernumber and all bcu members must input their member number as BCUMembernumber. Your member number is set out in your Voting Form or Meeting email. **Note – PN and BCU MUST be entered in uppercase letters with no space added between the letters and your member number. Please also note there is no ampersand to be used between the P and the N.**

If you submit a pre-Meeting direct vote using this method your vote must be cast no later than 3:00pm (AEDT) (12:00noon (AWST)) on Monday 24 October 2022.

Meeting registration and participation

If you will be attending the Meeting in person or are planning to send a proxy in your place, please RSVP online at www.pnbank.com.au/agm or www.bcu.com.au/agm by 3:00pm (AEDT) (12:00noon (AWST)) on Wednesday 12 October 2022, to assist us to cater for the event.

All resolutions will be by way of a poll (rather than show of hands)

The Chair intends to demand a poll on each of the resolutions proposed at the AGM. Each resolution considered at the AGM will therefore be conducted by a poll, rather than on a show of hands. The Chair considers voting by poll to be in the interests of the members as a whole and is a way to ensure the views of as many shareholding members as possible are represented at the Meeting.

Explanatory Notes

These explanatory notes are designed to give members important information known to the Company. This information is relevant to a consideration of the items of business, and should be considered when deciding how to vote on a relevant resolution in the Notice of Meeting.

Explanatory Notes – General Business

1. Explanatory Note 1 – Discussion of the 2022 Annual Report

The Directors will present the 2022 Annual Report comprising the 2022 Financial Report, Directors' Report and the Auditor's Report at the Meeting. These can be viewed on the Company's websites at www.pnbank.com.au/agm, and www.bcu.com.au/agm from 23 September 2022.

As a member you are not required to approve these reports. However, the Chair will allow a reasonable opportunity for members to ask questions or make comments in relation to the reports and the management of the Company.

2. Explanatory Note 2 – Election of Directors (Resolution 1)

An election of Directors is required because:

- The term of Mr Hunt's appointment ends at the conclusion of the 2022 AGM of the Company. He now stands for re-election as a Member Elected Director, in accordance with the PNL Constitution.
- Mr Paul has been appointed since the last AGM to fill a casual vacancy on the Board. In accordance with the PNL Constitution, he now stands for election as a Member Elected Director, at the first AGM since his appointment.

Consistent with the terms of the Constitution, the Board made a public call for candidates nominating for election as a Member Elected Director, highlighting relevant criteria. No further nominations were received, other than from Mr Hunt and Mr Paul. In accordance with Rule 13.3 (and Rule A5-4 of Appendix 5) of the Constitution as there were no other candidates for a vacant position, the resolutions for the re-election of Mr Hunt and the election of Mr Paul are being put to members each as an ordinary resolution rather than as a Director ballot.

For an ordinary resolution to be passed, at least 50% of the votes cast by members entitled to vote must be in favour of the proposed resolution.

This resolution will involve two separate votes, each recorded as a separate item in the minutes:

- the first vote, to re-elect Trevor Hunt as a Director; and
- the second vote, to elect Monish Paul as a Director.

Resolution 1(a) – Election of Director: Re-election of Mr Trevor Hunt

Ms Hunt has served as a Director since 2018. With his current term as a Director ending at the conclusion of the 2022 AGM of the Company, Mr Hunt is now eligible and has been nominated for re-election as a Director.

Mr Hunt has been considered and interviewed by the Nominations Committee which has determined that he is an appropriate candidate to stand for election as a Member Elected Director.

The Board considers the skills and abilities of Mr Hunt, an existing Director of the Board, to be an asset to the Board's overall skill set. Mr Hunt has satisfied all policies required in order to stand for re-election as a Director of the Company. The Board (Mr Hunt abstaining) believes that it is in the best interests of the Company for Mr Hunt to be re-elected as a Director of the Company and recommends that members vote in favour of this resolution.

Mr Hunt provided the following statement in support of his re-election:

"I have been privileged to have been one of your Member Elected Directors since November 2018. Your bank has been through significant change and challenges since then and I believe I have played a worthy role as your representative.

I have been the Chair/member of the Board Audit Committee (BAC) from my commencement until November 2021, responsible for overseeing the work of both the internal (PWC) and external (Grant Thornton) auditors. This includes maintaining the internal control frameworks (preventing regulatory breaches/financial losses) and presenting the audited annual financial statements to meet statutory and regulatory requirements. Key achievements of the BAC during my stewardship included integrating the Financials of P&N Bank and bcu to present the combined accounts; sound and responsible credit provisioning during COVID; and changing both audit firms in line with good governance to gain "fresh eyes" and new insights.

I have also been a member of the Board Risk Committee since I started and became Committee Chair in November 2021. I have assisted with de-risking the bank by sourcing an opportunity to sell our non-core financial planning business for a fair price and I have been a strong advocate to bolster our capital position via the recent successful Capital Notes issue. This was necessary to meet our market share growth in retail lending and the changing economic environment we now face.

My lifetime of banking experience has assisted me to contribute strongly at the Board to the strategic issues we face and to the direction of our core business. As one of your Western Australian based Directors, I have additional responsibilities to engage closely with the local business and represent its unique considerations. I seek your support to continue as one of your PNL Board Directors."

Resolution 1(b) – Election of Director: Election of Mr Monish Paul

Ms Paul having been appointed to the Board to fill a casual vacancy since the last AGM, is now eligible and has been nominated for election as a Director.

Mr Paul has been considered and interviewed by the Nominations Committee which has determined that he is an appropriate candidate to stand for election as a Member Elected Director.

The Board considers the skills and abilities of Mr Paul, an existing Director of the Board, to be an asset to the Board's overall skill set. Mr Paul has satisfied all policies required in order to stand for election as a Director of the Company. The Board (Mr Paul abstaining) believes that it is in the best interests of the Company for Mr Paul to be elected as a Director of the Company and recommends that members vote in favour of this resolution.

Mr Paul provided the following statement in support of his election:

"I have several decades of experience in shaping and executing corporate strategy and organisational transformation, having worked across a range of industries both in the public and private sector.

With substantial executive experience in IBM, Deloitte, Arthur Andersen and Federal and WA Government, I have advised numerous ASX 200 clients on strategy, organisation design and technology, spanning design, development and execution.

I have successfully delivered numerous transformation programs over a 20+ year period, leading to significant revenue uplifts and/or cost efficiencies for clients, utilising contemporary business frameworks including Agile, Garage, Lean Six Sigma and Design Thinking.

I have deep expertise in Digital across a range of technologies that span organisational systems, customer experience and cyber security.

I was appointed the founding curator for the World Economic Forum's WA Global Shapers Program in 2014 and am a current Board member of Police & Nurses Limited, Western Power, and Landgate. My role as a Board Director of PNL has given me a deep connection to the organisation's senior team, its organisational values and strategic direction, to provide value to members.

I hold a MBA and am an alumnus of Harvard Business School (Executive Program), UWA and Curtin University.

I have been consistently placed in the "High Leadership" category in leadership surveys conducted at IBM (Leadership Circle) and Deloitte (Zenger and Folkman), and am a sought-out Guest Speaker across various Industry Bodies in Australia.

I am a strong advocate for organisational diversity and for giving back to the Western Australian community through my involvement with various not for profit groups in Perth."

3. Explanatory Note 3 – Constitutional amendments; to support ongoing good governance (Resolution 2)

Introduction

The Constitution is a contract between the Company (as a legal entity) and its members and Directors. It sets out a series of rules which govern how the Company conducts its internal affairs.

For an amendment to the Constitution to be passed, a special resolution is required, which means at least 75% of the votes cast by members entitled to vote must be in favour of the proposed resolution.

It is proposed that the Constitution be amended for the reasons outlined below.

To assist members, a copy of the Constitution showing all of the changes proposed to be made pursuant to Resolution 2 is available to members on request by telephoning the Company on 13 25 77 (P&N Bank) or 1300 228 228 (bcu). It is also available online, and will be made available for inspection in connection with the AGM. To view the proposed amendments to the Constitution online, members who are P&N Bank customers should go to www.pnbank.com.au/agm and members who are bcu customers should go to www.bcu.com.au/agm.

Each item within this resolution will involve a separate vote, each recorded as a separate item in the minutes, as detailed below.

Proposed amendments

The tables included for each item below set out the proposed changes to the Constitution, in respect of each item, together with the reasons for the changes and the effect of the changes if the relevant item is approved by members. Please note that minor changes, for example, cross references and typographical errors, have not been included in the table but a full set of all proposed changes can be viewed online or by requesting a copy of the proposed amendments to the Constitution.

Resolution 2(a) – Constitutional amendments: Governance updates

This proposed resolution groups a set of proposed changes to the Constitution that would in aggregate support continued good governance of the Company. The proposed changes deal with the use of meeting technology, meeting quorums (including attendance via proxy), the addition of an external expert to the Nominations Committee of the Company, and other proposed amendments as are set out and explained in the table:

No.	Constitutional amendments; additions underlined and deletions struck through.	Reason for the proposed changes and the effect of the changes if members vote in favour.
1.	<p>Rule 11.1 of the Constitution be amended as follows:</p> <p>“The board may call a general meeting. <u>A general meeting may be held at two or more venues or at such other place as determined by the board, using any technology that gives members as a whole a reasonable opportunity to participate.</u>”</p>	<p>This amendment would ensure that the Company is fully able to hold meetings in multiple locations, and use technology to facilitate them.</p>
2.	<p>Rule 11.3(1)(a) of the Constitution be amended as follows:</p> <p>“The quorum for a general meeting is:</p> <p>(a) 25 members or voting MCI holders present in person <u>or by proxy</u>; or”</p>	<p>This amendment would mean that the quorum for general meetings will include members/voters both attending in person, and those appointing a proxy to vote on their behalf; which many prefer to do.</p>
3.	<p>Rule 13.4(3) of the Constitution be amended as follows:</p> <p>“The term of office for any board appointed director appointed on or after the 2012 Annual General Meeting shall terminate <u>on a date determined by the board, on the date of no later than</u> the third anniversary of their current appointment.”</p>	<p>This amendment would clarify that Board Appointed Directors may be appointed for terms of <u>up to</u> three years, rather than for a fixed three year term. This will support the Board flexibly adding skills as needed, for the period those skills are required for.</p>
4.	<p>Rules 13.6(3) and 13.6(4) of the Constitution be deleted, and the following words be deleted from Rule 13.6(2) of the Constitution:</p> <p>“and the rotation provisions in this Rule;”</p>	<p>Member Elected Directors are appointed for 3 year terms by members, but these clauses acted to limit those terms in some cases to 2 years, with no apparent benefit to members. Their deletion means that when members vote to elect a Member Elected Director for a 3 year term, the Director is able to serve the full 3 years.</p>
5.	<p>Rule 15.2(1) of the Constitution be amended as follows:</p> <p>“The quorum for a board meeting is one half <u>of the maximum number of directors under Rule 13.1</u> or such other number as the board determines and the quorum must be present at all times during the meeting.”</p>	<p>This amendment simplifies the Board quorum provision, to make the quorum one half of Directors, or another number that the Board determines.</p>
6.	<p>Rule 15.6(1) of the Constitution be amended as follows:</p> <p>“The board may establish one or more committees consisting of such number of directors as the board thinks fit. <u>In respect of the Nominations Committee, the board may also appoint up to one person independent of the company, who is not a director, as a committee member.</u>”</p>	<p>This amendment will mean an independent expert can sit on the Nominations Committee. Many peer organisations do this in order to draw in outside expert advice in respect of potential Board appointments. The Nominations Committee would still have at least two Directors of the Company appointed to it, being a majority.</p>

Resolution 2(b) – Constitutional amendments: Board composition

This proposed resolution contains a number of proposed changes that would reflect a minimum Board size of 5, consistent with regulatory requirements, and enable the Board to set its optimum size over time, while providing that Member Elected Directors will always remain a majority to Board Appointed Directors. The changes are proposed for flexibility for the Board to adapt to changing industry circumstances for the benefit of members, as is set out in more detail in the table below:

No.	Constitutional amendments; additions underlined and deletions struck through.	Reason for the proposed changes and the effect of the changes if members vote in favour.
1.	<p>Rule 13.1 of the Constitution be amended as follows:</p> <p>“13.1 Number of Directors</p> <p>(1) The board <u>must be comprised of at least 5 directors, being</u> shall comprise:</p> <p>(a) no more than 6 at least 3 member elected directors that all times the board is comprised of a majority of member elected directors;</p> <p>(b) no more than any board appointed directors; and</p> <p>(c) if the board so determines, the Chief Executive Officer of the company;</p> <p><u>provided that at all times the number of member elected directors on the board must exceed the number of board appointed directors.</u></p> <p>(2) <u>Subject to the minimum number of directors being 5, the number of directors may be determined by the board from time to time.”</u></p>	<p>This amendment has a number of aims, including:</p> <ul style="list-style-type: none"> • To align the minimum number of Directors to regulatory requirements, being 5. • To remove maximums from each class of Director and in total, for reasons set out below. • To reinforce that, consistent with being a member-based organisation, Member Elected Directors must be a majority over Board Appointed Directors. The CEO is neither a Member Elected Director or Board Appointed Director, so is not counted as either class of Director in this context. <p>The Company currently has 7 Directors. In recent times, the number of Directors serving on mutual bank Boards has been trending lower, and peer Board sizes of between 6 to 8 Directors have become common. Some peers have reduced the maximum Board size in their Constitutions.</p> <p>At the same time, our industry is undergoing consolidation, with a number of mergers underway. To participate in such mergers for the benefit of members, flexibility in Board size is valuable.</p> <p>Therefore, rather than seeking to propose a lower Board cap, it is proposed to remove it, and to seek a change to stipulate that the Board may determine its appropriate size, depending on the context and needs over time, for the benefit of members.</p>
2.	<p>Rule 13.4(1) of the Constitution be amended as follows:</p> <p>“The board may from time to time appoint <u>one or more up to 3 board appointed directors, subject to the provisions of Rule 13.1.</u>”</p>	<p>This amendment is aligned to the change to Rule 13.1, and removes the prescription on the number of Board Appointed Directors. The reference to Rule 13.1 reinforces that Member Elected Directors must always be a majority to Board Appointed Directors, consistent with being a member-based organisation.</p>
3.	<p>Rule 13.5(1)(b) be amended as follows:</p> <p>“(1) The board may appoint a person to be a director:</p> <p>(a) if a director’s office becomes vacant other than because the director’s term of office has ended; or</p> <p>(b) if, for any other reason, the number of member-elected directors is less than the <u>maximum number determined</u> under Rule 13.1(2).”</p>	<p>This amendment is aligned to the change to Rule 13.1, which removes a maximum for the number of Member Elected Directors appointed to the Board.</p> <p>This would largely maintain the current arrangements for appointing Directors to fill casual vacancies. Any newly appointed Member Elected Director would continue to need to stand for election at the first AGM after their appointment, as is the case now.</p>

Resolution 2(c) – Constitutional amendments: 3 month membership eligibility requirement for Member Elected Directors

This proposed resolution would change the membership tenure eligibility criteria for appointment as a Member Elected Director, from 12 months to 3 months. This is proposed in order to broaden the pool of potential Directors of the Company and to support the ongoing maintenance of an appropriate skills mix within the Board, as is explained in the table below:

No.	Constitutional amendments; additions underlined and deletions struck through.	Reason for the proposed changes and the effect of the changes if members vote in favour.
1.	<p>Rule 13.2(e) of the Constitution be amended as follows:</p> <p>“in the case of a member elected director has been a member of the company continuously for at least 12 <u>3</u> months at the date of nomination to be appointed as a director,”</p>	<p>This amendment would reduce the membership eligibility period for candidates for appointment as a Member Elected Director to 3 months, from the existing 12 months.</p> <p>This change is proposed to increase the pool of potential Director candidates, and to support the ongoing maintenance of an appropriate skills mix within the Board; while retaining the requirement for any Director to be a member.</p>

Resolution 2(d) – Constitutional amendments: Cancellation of membership for cause

This proposed resolution recognises that banks are increasingly subject to sophisticated criminal activity, particularly online, and allows for the cancellation of membership in cases where the Company has reasonably established the existence of unlawful or illegal activity including but not limited to fraud, money laundering, money mule activity, online scams and stolen identity. The proposed change is explained further in the table below.

No.	Constitutional amendments; additions underlined and deletions struck through.	Reason for the proposed changes and the effect of the changes if members vote in favour.
1.	<p>Rule 4.3(7) of the Constitution be amended as follows, with the insertion of a new Rule 4.3(7)(b), and with the existing Rule 4.3(7)(b) renumbered to 4.3.7(c):</p> <p>“The company may redeem a member’s member share without notice to the member where:</p> <p>(a) the member is in default of any payment obligation to the company for a continuous period exceeding 90 days; or</p> <p>(b) <u>recognising that its accounts may be used for unlawful purposes and seeking to protect the company and its members, the company considers (acting reasonably and after suitable investigation) that the member has used, or is reasonably likely to use, an account of the member to engage in unlawful activity. Such unlawful activity may include but is not limited to money laundering or money mule activity, perpetrating scams or other fraud, or use of a stolen identity; or”</u></p>	<p>Banks are increasingly subject to sophisticated criminal threats, and utilise a range of measures to comply with regulatory obligations and to protect member funds and the bank’s reputation.</p> <p>Where the Company considers that an account is likely being used, or likely to be used, to conduct unlawful activity, the Company must be able to take steps to prevent the activity from continuing and to terminate its relationship with the member.</p> <p>This amendment would be an addition to the existing circumstances where membership could be terminated, to include fraud, money laundering or other unlawful activity.</p> <p>Examples of the circumstances may include conducting and/or benefitting from scams, tax or other government payment fraud, identity theft or money mule activities. Often the accounts in question are recently established and without a legitimate / informed member associated with them.</p> <p>The amendment would require the Company to act reasonably at all times and to investigate, based on the activity in each case, before taking the appropriate closure and redemption actions.</p>

4. Explanatory Note 4 – Directors’ Remuneration: Increase of 3% to Director remuneration pool (Resolution 3)

With this resolution the Board is seeking member approval to increase the aggregate Director remuneration pool by 3%, from \$747,572 (per annum) to \$770,000 (per annum), inclusive of superannuation.

Background

Members may recall that in 2021, a modest increase to the Director fee pool was approved by Members, following 3 years without change. That increase was supported by market data, and external advice that the pool was lagging those of our peers and that our Directors were remunerated below market. The Company now seeks to maintain reasonable market equivalence of this pool, through modest annual reviews; noting that if approved, the Directors’ remuneration pool would move closer to the market median than at present.

The proposed increase is aligned to remuneration settings for staff of the Company covered by the Enterprise Bargaining Agreement (EBA) put in place in the previous year. This provides that staff covered by the EBA will receive an annual 3% remuneration increase, for the 3 year term of the EBA.

This resolution seeks an increase of 3% to the total Directors’ remuneration pool approved by members in 2021. For an ordinary resolution to be passed, at least 50% of the votes cast by members entitled to vote must be in favour of the proposed resolution.

Further context of the evolving role of the Board is presented as follows.

Role of the Board

The Board is responsible for acting in members’ best interests at all times, and its functions include:

- maintaining appropriate capital levels and protecting depositors’ balances;
- debating and approving the strategic direction of the Company;
- approving the Company’s annual budget, targets and financial statements, and monitoring financial performance against budget and forecasts;
- establishing a framework for the effectiveness of risk management of the Company, with appropriate reporting, oversight and internal controls;
- monitoring the effectiveness of the governance framework to ensure that the Company conducts its affairs with the highest degree of integrity;
- ensuring that the Company complies with its obligations under applicable laws and regulatory guidelines, which are becoming more onerous; and
- overseeing and governing the Company’s culture.

The nature of the Directors’ role is growing steadily more complex and time consuming, the primary drivers being the national expansion of the business, customer preferences changing towards digital service delivery, the burgeoning regulatory and risk impacts in the financial services sector, economic conditions and the increasing level of personal accountability imposed on Directors.

To enable the Board to effectively fulfill its responsibilities and meet the expectations of members, regulators, employees and other stakeholders, each Director appointed to the Board must be able to demonstrate the relevant credentials and experience to enable them to maintain adequate oversight and understanding of the Company’s strategies and performance. The Company must therefore be equipped, on terms acceptable within the market, to attract and retain Directors with the necessary level of skills and capability to support the Company’s operations, development, growth and sustainability.

