

**EXPLANATORY MEMORANDUM TO SHAREHOLDERS AT THE ANNUAL GENERAL MEETING TO BE HELD ON THE 27<sup>TH</sup> OF JUNE 2019.**



The purpose of this Explanatory Memorandum is to provide shareholders with information to assist them in assessing the merits of the resolution contained in the accompanying Notice of Annual General Meeting of Shareholders of Credit Corporation (PNG) Limited (herein “Company”).

**ITEM 1: 2018 ANNUAL REPORT**

The 2018 Annual Report contains the Financial Statements, Directors Report, Auditors Report for the Company and its subsidiaries for the year ending 31 December 2018 and are attached to this Explanatory Memorandum for the shareholders perusal prior to the meeting.

The Company constitution and the *Companies Act 1997* does not require shareholders to vote on this Report. Shareholders will be given an opportunity to raise questions on the Report at the meeting.

**ITEM 2: RE-ELECTION OF DIRECTORS**

Pursuant to Articles 66 of the Constitution, the Board proposes the re-appointment of Ms. Abigail Chang and Dr. Albert Mellam as Directors of the Company. The Board considered these Directors have the required attributes to contribute to the development of the Credit Corporation group of companies.

**(a) Dr. Albert Mellam**

Dr. Mellam was appointed by the Board on the 19<sup>th</sup> of August 2013. Dr. Mellam has served 5 years 9 months, which is nearly 2 terms on the Board of the Company. Dr Mellam was a senior academic and Vice Chancellor for over 29 years at the University of Papua New Guinea. Dr Mellam is the Executive Director at the Chambers of Mines & Petroleum.

Pursuant to 66 of the Company’s Constitution and being eligible, Dr. Mellam offers himself for election by the shareholders.

The Board recommends that Dr. Albert Mellam be re-elected as a Director to the Company.

**(b) Abigail Chang**

Abigail Chang was appointed by the Board on the 7<sup>th</sup> of September 2016 and has satisfied the Fit and Proper person requirements of the Bank of Papua New Guinea. Ms Chang served as Acting Chief Manager Financial Institutions of Reserve Bank of Fiji until August 2009. She is now engaged at a regional and country level in the areas of financial inclusion national policy development, embedding Financial Education within national and sub-national education curriculum and digitising Government to Person (G2P) payments. Ms Chang is the Chairperson for the Credit Corporation Fiji Pte Ltd Board.

Pursuant to 66 of the Company’s Constitution and being eligible, Abigail Chang offers herself for election by the shareholders.

The Board recommends that Ms. Abigail Chang be re-elected as a Director to the Company.

**ITEM 3: TO APPOINT AUDITORS FOR 2019.**

To appoint KPMG as the auditor for the Company commencing at the end of this meeting until the next annual general meeting of the Company and that the Board is authorized to fix the auditor’s remuneration.

#### ITEM 4: INCREASE IN AGGREGATE FEE LIMIT FOR NON-EXECUTIVE DIRECTOR POOL

At the AGM held on the 26<sup>th</sup> of June 2014, the Shareholders approved an aggregate fee of K1 million for the board pool for non-executive directors to cater for a Board comprising then of six (6) directors.

The Board membership in 2018 increased to nine (9) non-executive directors. Shareholders did not approve the proposed increase of the fee pool in 2018, despite supporting additional director appointments.

The Board puts forward to Shareholders to approve an increase of the total aggregate limit from K1 million to K1.6 million to cater for the additional number of directors on the Board at the approved fee level for each Director.

Non-executive directors receive no additional benefits other than the Directors fees and committee fees per their appointment.

The Board recommends that the total aggregate limit for non-executive directors' pool be increased to K1.6 million.

#### SPECIAL BUSINESS

##### ITEM 5: SHAREHOLDER PROPOSAL - DISTRIBUTION OF BSP SHARES IN SPECIE

The Board has received from Teachers Savings and Loan Society Limited a request pursuant to sub-clause 8(1) of Schedule 2 of the Companies Act that the resolutions set out in Item 5 of the Notice of Annual General Meeting be put to the shareholders for consideration in connection with a proposal that the Company effect an *in specie* distribution to shareholders of its shareholding in Bank of South Pacific Limited (the **Proposal**).

The Board notes that while the proposed resolutions are not binding on the Company and the Board (section 90(3) of the Companies Act), it acknowledges this item was raised at the 2018 Annual General Meeting

Following the 2018 Annual General Meeting, work commenced on addressing several issues of concern raised at that meeting, A strategic review was undertaken, and shareholders have been informed through periodic market disclosures, the areas of strategic focus for the Company and its subsidiaries.

The *in specie* distribution was also within the scope of this this review, and work has also been ongoing to ascertain the risks, taxation and legal implications that the Proposal will have for the Company and all shareholders if it is implemented. This includes consideration of whether the Company would satisfy the "solvency" test in the Companies Act to effect a distribution of the BSP shares.

The Board is unable to ascertain at this point in time whether the distribution *in specie* of BSP shares to all shareholders will be in the best interest of the Company,

However, the Board does recognize the value of the BSP shares in driving forward the Group's future growth strategy.

The Board welcomes discussion from shareholders at the meeting and ask that further sufficient time be given to the Board to thoroughly consider all impacts of such transaction.

##### ITEM 6: ANY OTHER BUSINESS

To consider any other business.

*A soft copy of our Annual Report can be downloaded from the Company's website: [www.creditcorporation.com.pg](http://www.creditcorporation.com.pg).*

**SYD YATES**

Chairman, Credit Corporation (PNG) Limited  
27/05/2019