

SUPPLEMENTARY MEMORANDUM TO SHAREHOLDERS AT THE ANNUAL GENERAL MEETING TO BE HELD ON THE 27TH OF JUNE 2019.



The purpose of this Supplementary Memorandum is to provide shareholders with additional information to assist them in assessing the merits of the resolution set out in Agenda Item 4 of the Notice of Annual General Meeting of Shareholders of Credit Corporation (PNG) Limited ("**Credit Corporation**") dated the 27th of May 2019.

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

As part of Credit Corporation's continuous disclosure obligation under POMSx Listing Rule 3 and pursuant to POMSx Listing Rule 10.17, the maximum remuneration payable by Credit Corporation to its non-executive Directors must not be increased without shareholder approval.

*The maximum aggregate remuneration (including all fees and reimbursement of associated travelling cost but excluding the remuneration of the CEO) that may be provided by Credit Corporation to the non-executive Directors for their services ("**fee pool**") is currently K1,000,000 per annum. The current fee pool was approved by shareholders at Credit Corporation's 2014 AGM.*

The Directors seek shareholder approval to increase the fee pool from K1,000,000 to K1,600,000 per annum for the following reasons.

- *Increase in number of Non-executive Directors*

In 2018, the Board membership increased to nine (9) non-executive Directors with approval of the shareholders. However, shareholders did not approve a proposed increase in the fee pool despite the additional Director appointments.

Consequently, due to the existing size of the fee pool, each Director took a reduced fee for Board participation and received no fee for participation on the Board Committee. Non-executive Directors receive no additional benefits other than Directors' fees and committee fees.

The Board believes based on the fact there has not been an increase in Directors' fees since June 2014 and that the number of Directors has increased, as approved by shareholders, it is timely and appropriate to seek shareholder approval for the proposed increase in the fee pool.

The proposed increase maximum is based on the Board's benchmarking study and advice received from consultants which reflects remuneration paid to Directors in comparable POMSx listed companies. The benchmarking showed Director remuneration fee pools could be classified as low (K1,000,000), median (K2,000,000) and high (K4,500,000). Based on this analysis, Credit Corporation's proposed new fee pool would continue to be positioned below the median of fee pools reviewed.

- *Board succession and composition remains a focus of the Credit Corporation Board.*

The Board recently completed an independent review by a BPNG endorsed Governance Specialist. As part of that independent review, a skills audit of each Director was also undertaken to ensure that the Board maintains the skills, experience and diversity to oversee and support the ongoing growth of the business.

The recommendations from that review will translate into a succession plan for the Board going forward, with particular regard for skillsets and experience to enhance value in decision making.

The proposed increase to the fee pool is also intended to provide sufficient flexibility to attract and retain appropriate appointments to the Board as and when suitable candidates are identified.

The Board has also determined to increase its workload with an increase in the number of Board meetings from four to a minimum of six meetings per year. This is seen as particularly important as Credit Corporation moves into the next stage of its growth.

Board Committees have been activated to support the new corporate strategy with key committee meetings increased from four to a minimum of six for the year.

The Board Committee structure has also been revised to strengthen governance and oversight function of the Board. This has resulted in the establishment of the Risk & Compliance Committee separate from the Audit Committee, Strategy & Investment Committee and Disclosure Committee and a Governance Working Group. Remuneration of Directors participation in these new Committees is to be included in the Director's Pool. The Board has a total of five (5) Committees.

Accordingly, the Directors seek shareholder approval to increase the fee pool from K1,000,000 per annum to a maximum of K1,600,000 per annum.



SYD YATES

Chairman, Credit Corporation (PNG) Limited

18/06/2019