

EXPLANATORY MEMORANDUM TO SHAREHOLDERS AT THE ANNUAL GENERAL MEETING TO BE HELD ON THE 25TH OF JUNE 2021.



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**”).

ONLINE MEETING

The Board takes the safety of the Company’s shareholders and all persons seriously.

Given the continued COVID-19 health risks and the restrictions against physical gatherings imposed by the Controller under the *National Pandemic Act 2020*, and to allow all shareholders a reasonable opportunity to attend and participate regardless of their physical location, the Annual General Meeting of shareholders will be held virtually online.

To avoid doubt, virtual meetings are permissible under the *Companies Act 1997* and the Company’s Constitution.

MEETING AGENDA

ITEM 1: 2020 ANNUAL REPORT

The 2020 Annual Report contains the Financial Statements, Directors Report, Auditors Report for the Company and its subsidiaries for the year ending 31 December 2020 and are attached to this Explanatory Memorandum for the shareholders’ perusal prior to the meeting.

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

The Company’s Auditor KMPG will be available to answer any questions.

ITEM 2: RE-ELECTION OF DIRECTORS

Professor Albert Mellam and Mr Stephen Humphries retire as Directors of the Company and are eligible for re-election by the shareholders at the Annual General Meeting in accordance with the Company’s Constitution.

The Board considers that these Directors have the required attributes to contribute to the development of the Company and its group.

(a) Professor Albert Mellam

Dr. Mellam was appointed by the Board on the 19th of August 2013. Dr. Mellam has served 7 years 9 months, which is more than 2 terms on the Board of the Company. Dr Mellam was the immediate past Vice Chancellor of University of Papua New Guinea. Dr Mellam is the Executive Director at the Chambers of Mines & Petroleum and sits on several other Boards including Nambawan Super Limited and Kumul Consolidated Holdings.

He currently is also a member of the professional organizations including the Global Development Network, the PNG and the Australian Institutes of Directors, and the Association of Asia-Pacific Business Schools. He has undertaken specific business-related assignments for the Government of Papua New Guinea and multinational corporations within the Asia-Pacific region and served in advisory capacity to several Economic Ministries with the Government of Papua New Guinea including the Department of Prime Minister and National Executive Council’s Vision 2050 Centre and the Department of Commerce and Trade.

Pursuant to Article 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) Mr Stephen Humphries

Mr Stephen Humphries was appointed to the Board on 15 April 2021 as a Non-Executive and Independent Director. Mr Humphries appointment was announced by the Company and became effective 22 April 2021.

Mr Humphries brings significant leadership experience across a wide range of businesses, across multiple jurisdictions including UK, Australia, NZ, PNG, Indonesia and South East Asia. He has held Senior and Managing Partner roles with PWC in PNG, Indonesia and Australia. His specialist assurance experience includes heavy engineering and construction, mining, technology, industrial products and telecommunications. He has also had significant experience across a broad spectrum of ASX 100 and large private companies.

Mr Humphries is currently the Deputy Chief Financial Officer at Healius Ltd, one of Australia's leading ASX-listed healthcare companies.

Pursuant to Articles 64(4) and (5) of the Company's Constitution and being eligible, Mr Stephen Humphries offers himself for election by the shareholders.

The Board recommends that Mr. Stephen Humphries be re-elected as a Director to the Company.

ITEM 3: TO APPOINT AUDITORS FOR 2021.

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.

SPECIAL BUSINESS

ITEM 4: TISA SHAREHOLDER PROPOSAL

The Company refers to its announcement dated 20 May 2021.

On 19 May 2021, the Company received a shareholder proposal from Teachers Savings and Loan Society Limited (**TISA**) pursuant to Schedule 2(8) of the *Companies Act 1997* requesting that resolutions to effect a change of directors be put to shareholders for voting at the Annual General Meeting (**Proposal**).

On 27 May 2021, the Company raised certain issues with TISA regarding the proposed resolution to appoint new directors. By written response received on 29 May 2021, TISA noted that it is relying on the Company to prepare the format of the proposed resolutions in accordance with the *Companies Act* and the Company's Constitution, and suggested certain amendments to the resolutions for consideration by the Company.

The Board acknowledges the Proposal and respects the right of shareholders to requisition resolutions

Item 4(a): Resolution for removal of Mr Sydney Yates as a Director

Mr Sydney Yates was appointed by the Board on 21 May 2018 as a Non-Executive and Independent Director, and was elected as Chairman of the Board on 27 November 2018.

On 25 June 2020, pursuant to Article 66(2) of the Constitution, Mr Yates retired and, with the full support of the Board, offered himself for re-election as Director at the 2020 Annual General Meeting.

Mr Yates continues to have the full support and confidence of the Board. Further, his role as a Director and continued stewardship as Chairman of the Company has the support of shareholders, which was evident by the overwhelming majority of votes cast by shareholders in favour of his re-election (79.68%) at the 2020 Annual General Meeting.

Mr Yates is an experienced and respected Executive and Director with more than 30 years' experience in the banking, finance and investment industries. His leadership as Chairman of the Board is integral to the development and execution of the shareholder-focused strategies pursued by the Company.

The Board notes that the Proposal does not offer any reasons for the removal of Mr Yates as a Director of the Company.

On this basis, and having considered all relevant circumstances and factors, **the Board recommends that shareholders vote against the resolution to remove Mr Yates as a Director.**

Items 4(b) and (c): Resolutions for Appointment of Individuals Nominated by TISA as Directors

With respect to the Proposal, the Board notes the following.

- **(No supporting reasons provided by TISA)** No reasons have been provided by TISA in support of the appointment of Mr Melchior Togolo and Mr Igumu Momo as Directors of the Company.
- **(Independence of proposed Directors unclear)** It is unclear whether each individual nominated by TISA will be an Independent Director.

However, with respect to Mr Momo, having regard to the Company's Board Charter and the corporate governance requirements prescribed by Prudential Standard BPS300 issued by the Bank of PNG, the Board's preliminary view is that Mr Momo is unlikely to be considered independent by reason that he is an officer of TISA (being a shareholder who holds a stake of more than 15% in the Company and is therefore a 'shareholder controller' within the meaning given in the *Banks and Financial Institutions Act 2000*).

This is relevant to the composition of the Board pursuant to Article 64(2) of the Constitution, which requires that Independent Directors must be in the majority. To assist shareholders, set out below are the Board's assessment of which Directors are considered Independent Directors and the Board's preliminary view on whether the proposed additional Directors would be considered to be Independent Directors if the resolutions are passed.

| Current Board Composition | Independent (Y/N) |
|---------------------------|-------------------|
| Syd Yates* | Y |
| Abigail Chang | Y |
| Richard Sinamoi | Y |
| Stephen Humphries** | Y |
| Faye-Zina Lalo | N |

Prof. Albert Mellam** N
*Subject to proposed resolution to remove Mr Yates as a Director.
**Subject to re-appointment resolutions being passed.

| Proposed Additional Board Members* | Independent (Y/N) |
|---|--------------------------|
| Melchior Togolo | Y |
| Igumu Momo | N |

*Preliminary view subject to confirmation.

- **(Fit and Proper Person Requirements)** In accordance with Article 64(3)(a) of the Constitution, the individuals must satisfy the Fit and Proper Requirements as a condition of their appointment as Directors. The process involves the Board undertaking its own assessment of the individuals, making submissions to the Bank of Papua New Guinea and obtaining written confirmation that the Bank of Papua New Guinea does not object to the appointments.

Due to timing issues, the proposed resolutions are expressed to be conditional on Mr Togolo and Mr Momo satisfying these requirements after the Annual General Meeting. This means that the resolutions, if approved by the shareholders, will only be effective once the Bank of Papua New Guinea confirms that it has no objection to the appointment of the individuals as Directors of the Company.

- **(Board Recruitment Process Underway)** The Company refers to its announcements on 22 April 2021 and 20 May 2021.

The Company recently appointed a highly-credentialed Non-Executive and Independent Director, Mr Stephen Humphries. The Company is also well advanced in the recruitment process to appoint another Non-Executive and Independent Director to fill the Board vacancy created by Mr Michael Varapik's resignation as a Director.

The Board considers that the recent appointment of Mr Humphries as a Director, and the existing recruitment process already underway, will bring the range of skill sets and experience required by the Board and the Company. Accordingly, the Board does not consider that any additional Directors are required at this time.

On this basis, and having considered all relevant circumstances and factors, **the Board recommends that shareholders vote against the resolutions to appoint Mr Togolo and Mr Momo as Directors.**

ITEM 5: ANY OTHER BUSINESS

To consider any other business.

A copy of our Annual Report can be downloaded from the Company's website: www.creditcorporation.com.pg.



SYD YATES
Chairman
Credit Corporation (PNG) Limited
31 May 2021