

EXPLANATORY MEMORANDUM



CREDIT CORPORATION (PNG) LIMITED (CN 1-6856)

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assist the merits of the Resolution contained in the Notice of Annual General Meeting (AGM) of Shareholders of Credit Corporation (PNG) Limited (herein the “Company”).

General Business

Minutes from the Previous AGM held on 25 June 2021

Ordinary Business

ITEM 1: 2021 ANNUAL REPORT

The 2021 Annual Report contains the Financial Statements, Directors Report, Auditors Report for the Company and its subsidiaries for the year ending 31 December 2021 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

Pursuant to Article 66 (1)(2)&(4) of the Constitution, the Board proposes the re-appointment of Ms. Faye-Zina Lalo and Ms. Abigail Chang as Directors of the Company. The Board considers these Directors have the required attributes to continue their contribution to the ongoing development of the Company and the achievement of its strategic direction. The relevant information in respect of each Director is set out below:

In 2021 the following directors departed the Board of Directors:

- Michael James Varapik – Resigned 4 February 2021
- James Byron Kruse – Resigned 5 March 2021
- Sydney George Yates – Retired 25 June 2021

Leaving the following directors on the Board:

- Richard Sinamoi – Chairman
- Faye-Zina Lalo
- Abigail Erica Wendy Chang
- Albert Conrad Mellam

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The following directors have subsequently joined:

- **Stephen Humphries – Joined 15 April 2021**
- **Sir Melchoir Togolo – Joined 25 June 2021**
- **Clare Mazzetti – Joined 2 September 2021**

Director Albert Mellam is expected to retire in September 2022 at the completion of his third three-year term in the role. The Board will seek a suitable replacement at that time.

As a consequence of the recent changes, the Board is extremely keen to retain the experience and expertise of both Directors Chang and Lalo, and to ensure Board continuity through the next period of strategic transformation and growth of the Company.

(a) Ms. Faye-Zina Lalo

Ms. Lalo was appointed by the Board on the 2nd of December 2016. Ms Lalo has satisfied the Fit and Proper person requirements of the Bank of Papua New Guinea, having served her first term on the Board, and offered herself for re-election in 2020. She is now approaching the end of her second term.

Ms Lalo is currently the Chair of the Board's Nomination & Remuneration Committee.

Ms. Lalo is a lawyer by profession, she holds a Law Degree and a Masters in Business Administration from the University of PNG. She is an experienced commercial and corporate lawyer having worked for one of PNG's big law firms – PKA Lawyers and later in the telecommunication industry. She is an experienced Director having served on other boards in the hospitality, insurance and sporting industries.

Pursuant to Article 66(1)(2)&(4) of the Company's Constitution and being eligible, Ms Lalo offers herself for re-election by the shareholders.

The Board recommends that Ms Faye-Zina Lalo be re-elected as a Director to the Company.

(b) Ms. Abigail Chang

Abigail Chang was appointed by the Board on the 7th of September 2016 and has satisfied the Fit and Proper person requirements of the Bank of Papua New Guinea. Ms Chang has served her first term on the Board and offered herself for re-election in 2019. She is now approaching the end of her second Term.

Ms Chang is currently the Chair of the Board's Risk & Compliance Committee. Since 2018, she has been the Chairperson for the Credit Corporation Fiji Pte. Ltd. Board. She has served on the latter since 2014.

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Ms Chang has served in executive management roles at the Reserve Bank of Fiji and Fiji Forest Industries Ltd. She has extensive experience working across 8 Pacific countries in financial inclusion, financial capability development and digitizing Government-to-Person payments. Ms Chang holds a MSc in International Development, PG Diploma in Economics and double degrees in Banking & Finance and Economics.

Pursuant to 66(1)(2)&(4) 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 CLARE MAZZETTI AS DIRECTOR.

Ms. Mazzetti was appointed to the Board on 2 September 2021 as a Non-Executive Independent Director and her appointment was announced by the Company on 24 December 2021.

Ms. Mazzetti has built her career on various advisory, management consulting and transformation roles and has deep subject matter expertise within the banking and financial services industry. Her areas of expertise including financial services for SME, in banking, wealth management and sales and distribution and, coupled with her knowledge of corporate and business strategy and strategic planning and execution, will lend great support to the growth plans for the company. Ms. Mazzetti is also currently undertaking a PhD in digital exchange and exploring the role of digital currency, crypto, blockchain, digital wallets and fintech play in the transformation of the global financial system.

Pursuant to section 64 (1) and (3)(a) of the Constitution, Ms. Clare Mazzetti is eligible to be elected to be a Director of the Board having satisfied the Fit and Proper requirements

The Board recommends that Ms. Clare Mazzetti be appointed as a Director to the Company.

ITEM 4: TO APPOINT AUDITORS FOR 2022.

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

ITEM 5: INCREASE IN AGGREGATE FEE FOR NON-EXECUTIVE DIRECTOR POOL

As part of the Company's continuous disclosure obligation under PNGx Listing Rule 3 and pursuant to Article 67 of Credit Corporation's Constitution, the maximum remuneration payable by the Company to its non-executive Directors must be determined by the shareholders at a general meeting and may not be increased without shareholder approval.

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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 the Company to the non-executive Directors for their services (“fee pool”) is currently K1,600,000 per annum. The current fee pool was approved by shareholders at Credit Corporation’s 2019 AGM.

Under the Company’s Constitution the number of Directors shall be not less than five or more than ten. Non-executive Directors receive no additional benefits other than Directors’ fees and Committee fees.

The Directors seek shareholder approval to increase the fee pool from K1,600,000 per annum to K2,400,000 for the following reasons:

- a) The Board membership is expected to increase to (9) non-executive Directors. This increase in membership is to ensure that there is the appropriate mix of experience and expertise at Board level to support the increase in complexity and regulatory requirements of the Company as it transitions to a fully licensed bank.
- b) The average Board membership over the past 3 years has been seven.
- c) Board succession and composition remains a focus of the Credit Corporation Board and the succession plan for the Board takes into consideration the agreed strategic pathway for the company.
- d) 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. This will in turn facilitate the recruitment of additional skill sets to the Board, for the purpose of achieving the agreed strategic pathway for the company.
- e) The Board has increased its workload, increasing the number of meetings of the Board from four meetings per year to six meetings per year. Additionally, Board Committees have been activated to support the new corporate strategy with key committee meetings increased from four to a maximum of six for the year. This is seen as particularly important as Credit Corporation moves into the next stage of its growth.
- f) Based on the fact there has not been an increase in the Directors’ fees since June 2019 and that the number of Directors has increased, as approved by Shareholders, it is timely and appropriate to seek Shareholder approval for an increase in the fee pool.
- g) The proposed increase in the fee pool maximum is based on a Non-Executive Director Board fee benchmarking study undertaken by PWC which reflects remuneration paid to Directors in comparable ASX listed companies. To provide an accurate comparison, the fees have been converted to AUD using the 1-year average exchange rate of 0.43375. An extract from this benchmarking study is listed in Table 1 below:

Table 1

Primary Peer Group ¹	Chair Fee AUD\$	Non-Executive Director (NED) Fee AUD\$
Average	167,658	102,594
Credit Corporation	65,063	52,050
Percentile Against Average of Peer Group	38%	51%

¹ The primary peer group for the Chair and NED fee market comparison included Wisr Limited, FSA Group Limited, Mortgage Choice Limited, Pioneer Credit Limited, Evans Dixon Limited, Kina Securities Limited, APN Property Group Limited, ClearView Wealth Limited, Money3 Corporation Limited, MyState Limited, OFX Group Limited, Bell Financial Group Limited and Auswide Bank Ltd and were selected based on a comparable market cap.

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The increase to the fee pool that is proposed is not designed to meet the average of the peer group, rather to ensure that the pool provides flexibility within the pool to pay a modest increase in both the Chair and NED fees. The proposed new fees are listed in Table 2 below:

Table 2

Primary Peer Group	Chair Fee AUD\$	Non-Executive Director (NED) Fee AUD\$
Average	167,658	102,594
Credit Corporation	100,000	80,000
Percentile Against Average of Peer Group	60%	78%

"Directors fees are subject to Salary and wages tax at the tax rate of PGK0.42 toea in the kina".

Accordingly, the Directors seek Shareholder approval to increase the fee pool from K1,600,000 per annum to a maximum of K2,400,000 per annum.

ITEM 6: ANY OTHER BUSINESS

To consider any other business.

ANNUAL REPORT 2021

A copy of the 2021 Annual Report can be downloaded from the Company's website at <https://www.creditcorporation.com.pg/investors/annual-report/>.

Anneka Linge

Company Secretary & General Counsel

Credit Corporation (PNG) Limited

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20/05/2022