



EXPLANATORY MEMORANDUM

Credit Corporation (PNG) Limited (1-6856)

This Explanatory Memorandum has been prepared for the information of shareholders of Credit Corporation (PNG) Limited (the **Company**) in order to provide Shareholders with sufficient information in relation to the business to be conducted at the Company's Annual General Meeting (**AGM**) to be held on **Friday 23 June 2023**.

Subject to any abstentions noted below, the Board of Directors unanimously recommend that Shareholders vote in favour of all Resolutions. The Chairman of the Meeting intends to vote all available undirected proxies in favour of each resolution.

Resolutions for Items 1, 2, 3, 4 and 5 are ordinary resolutions which require a simple majority of votes cast by Shareholders present and entitled to vote on the resolution.

The resolution for Items 6 and 7 are special resolutions. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the resolution.

General Business

MINUTES FROM THE PREVIOUS AGM HELD ON 24 JUNE 2022

To receive, consider and accept the Minutes of previous AGM dated 24 June 2022 as a correct record of the meeting.

Ordinary Business

ITEM 1: 2022 ANNUAL REPORT INCLUDING FINANCIAL STATEMENTS FOR YEAR ENDING 31 DECEMBER 2022

The 2022 Annual Report contains the Financial Statements, Directors Report and Independent Auditor's Report for the Company and its subsidiaries for the year ending 31 December 2022 (the Report) and can be viewed on the Company's website at <https://www.creditcorporation.com.pg/investors/>.

The Chairman of the meeting will give Shareholders 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 MR RICHARD SINAMOI

Pursuant to Article 66 (1)(2) and (4) of the Constitution, Mr Richard Sinamoi retires by rotation and the Board proposes his re-appointment. The Board considers Mr Sinamoi to have the required attributes to continue contributing to the ongoing development of the Company and the achievement of its strategic direction. The relevant information in respect of Mr Richard Sinamoi is set out below:

Richard Sinamoi is an experienced executive and director with 20 years' experience in the superannuation and financial services industry. He was appointed to the Credit Corporation Board in May 2018 and was Chairman from July 2021 to September 2022.

Mr Sinamoi has served on boards for both commercial entities and charitable organisations, spanning a range of industries from food and beverage, general insurance, trustee services, micro banking, and funds management. He is currently an Independent Director with Paradise Foods Limited, Nambawan Super Limited, and TransPacific Assurance Limited, and Executive Director of Kama Kofi Limited.

Mr Sinamoi holds a Bachelor of Applied Science Systems from the University of Western Sydney, Australia.

Mr Sinamoi is currently Chair of both the Group's "Disclosure" and the "Strategy and Investment" Committees, as well as a member of the "Nominations and Remuneration" Committee.

For the reasons set out above, the Board (with Mr Richard Sinamoi abstaining), unanimously recommend Shareholders vote in favour of Item 2.

ITEM 3: APPOINTMENT OF MR DARYL JOHNSON AS DIRECTOR

Pursuant to Article 64(4) of the Constitution, Mr Daryl Johnson was appointed to the Board on 24 June 2022 as a Non-Executive Independent Director and his appointment was announced by the Company on 28 June 2022.

Daryl Johnson is a seasoned banking executive and was appointed to the Credit Corporation Board in June 2022.

Mr Johnson brings a wealth of experience in the areas of banking, finance, payments and risk management, both in Australia and internationally. He has a proven ability to lead innovatively, challenge the status quo, develop strategy, drive constructive change and deliver results.

Mr Johnson sits as a non-executive director on the boards of Beyond Bank Australia, CUSCAL Limited and CG spectrum Institute Pty Ltd. He previously sat on the boards of Banking Ombudsman Scheme New Zealand, Whitelion Incorporated and EFTPOS New Zealand.

Mr Johnson's last executive engagement was with Rabobank New Zealand Limited as the Chief Executive Officer, and prior to that the National Australia Bank and ANZ Group, where he held key executive management positions.

Pursuant to Articles 64 (1), (3)(a) and (5) of the Constitution, Mr Daryl Johnson is eligible to be elected to be a Director of the Board having satisfied the Fit and Proper requirements. For the reasons set out above, the Board (with Mr Daryl Johnson abstaining) unanimously recommend Shareholders vote in favour of Item 3.

ITEM 4: APPOINTMENT OF LADY WINIFRED KAMIT, CBE AS DIRECTOR

Pursuant to Article 64(4) of the Constitution, Lady Winifred Kamit was appointed to the Board on 22 March 2023 as a Non-Executive Independent Director and her appointment was announced by the Company on 31 March 2023.

Lady Kamit is based in Papua New Guinea and her areas of expertise include an extensive knowledge of banking and finance regulation and legislation, and knowledge of the financial services sector. Lady Kamit was recruited to the Board for her strong governance qualifications and strong relationships with local business and government.

Lady Kamit is a Senior Partner at Dentons PNG.

Lady Kamit currently sits on the following Boards:

- Steamships Trading Co. Limited (Publicly Listed in PNG and Overseas) and as a Member of the Board Audit &

Risk Committee.

- Post Courier Limited; and
- Brian Bell Company Limited and as a Member of the Audit & Risk Committee

She previously sat on the Boards for New Britain Palm Oil Limited (Publicly listed in PNG and Overseas) and Lihir Gold Limited/Newcrest Mining (Publicly listed in PNG and Overseas) and recently retired in September 2022 as Chairman of the ANZ Bank in PNG.

Pursuant to Articles 64 (1) and (3)(a) and (5) of the Constitution, Lady Winifred Kamit is eligible to be elected to be a Director of the Board having satisfied the Fit and Proper requirements. For the reasons set out above, the Board (with Lady Winifred Kamit abstaining) unanimously recommend Shareholders vote in favour of Item 4.

ITEM 5: APPOINTMENT OF AUDITORS FOR 2023

That KPMG be re-appointed as Auditors of the Company in accordance with the Companies Act and that the Board of Directors be authorised to fix the fees and expenses of the Auditor.

The Board unanimously recommend Shareholders vote in favour of Item 5.

Special Business

ITEM 6: APPROVAL OF THE CREDIT CORPORATION (PNG) LIMITED EQUITY INCENTIVE PLAN (EIP)

The Board proposes that the Company adopt the Credit Corporation (PNG) Limited Equity Incentive Plan (EIP). The purpose of the EIP is to:

- assist in the reward, retention, and motivation of key employees; and
- align the interests of employees with those of Shareholders.

The Board has approved in-principle for the CEO, Executives, and certain Senior Management to participate in the EIP.

The EIP replaces the Group's previous Employee Incentive Scheme, which was a bonus scheme with no deferral of incentives, or performance metrics to justify payment of the annual incentive, with all the incentive previously paid in cash.

The EIP has two components, a **Short-Term Incentive (STI)** and a **Long-Term Incentive (LTI)**.

The Short-Term Incentive

The STI is paid annually, with a portion paid in cash and the balance deferred for two years and paid in shares under the EIP. The deferred STI payment is paid on the second anniversary of the original STI payment provided the employee is still employed with the company and/or was deemed a "Good Leaver" as per the terms and conditions contained in the Plan.

The Long-Term Incentive

The LTI is a deferred incentive payable on the third anniversary of the grant of the incentive, paid in shares. The incentive is split 50/50 and is subject to performance metrics determined by the board and aligned to shareholder

interests.

The Board has established two targets being Earnings per share (EPS) and Total Shareholder Return (TSR). Payment of any incentive is subject to the EPS and TSR being above minimum performance targets set by the Board, with 100% of the LTI subject to a sliding scale.

All incentives paid under the EIP are taxable.

Under PNGX Listing Rule 7.37 the Company must not, directly or through a subsidiary, introduce an employee incentive scheme without the prior approval of shareholders by special resolution. The EIP is an employee incentive scheme for purposes of PNGX Listing Rule 7.37.

Further, please find below the following information provided in accordance with PNGX Listing Rule 7.37.2.

- a summary of the terms of the EIP; and
- a voting exclusion statement.

Summary of EIP Terms

A summary of the key EIP terms are set out in the table below.

A copy of the full terms of the Company’s EIP will be sent to Shareholders upon request.

EIP TERM	SUMMARY
Commencement	The EIP will commence on a date to be determined by the Board.
Eligibility to Participate	All employees of the Company and its subsidiaries are eligible to participate subject to determination by the Board of the Company with persons notified by invitation to participate in the EIP and apply for Awards. The invitation may be subject to certain conditions, including any Vesting Conditions, Exercise Conditions and the terms of settlement.
Awards	Either a performance right or an option to acquire a share by one or more methods determined by the Board and as specified in the individual Invitation
Vesting	Subject to satisfaction of all applicable Vesting Conditions, Awards vest upon notice by the Board.
Exercise of the Award	An Award may not be exercised unless all applicable Vesting Conditions and Exercise Conditions are satisfied. Once an Award is exercised, the participant will be entitled to be issued fully paid shares in the Company, and in satisfaction of the entitlement, the Company may: <ul style="list-style-type: none"> • issue, allocate or transfer to the participant the relevant number of shares; and/or • where permitted by the relevant Invitation, pay a cash amount to the participant.
Forfeiture and Cessation of Right to Exercise Award	Awards held by a participant may be subject to forfeiture in certain circumstances, including where Vesting Conditions are not satisfied, the time for exercise of the Award has expired, due to breach of the EIP terms or upon cessation of employment.

Administration and Calculation methodology	The EIP will be administered by the Board of the Company. Calculation of the amount of shares to be awarded is based on the TSR and EPS weighting of 50% and final individual performance appraisal outcomes.
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Voting Exclusion Statement:

In accordance with PNGX Listing Rules 7.37.2 and 14.11, the Company will disregard any votes cast in favour of Item 6 by a director who is eligible to participate in the EIP and any of their associates.

However, this does not apply to a vote cast in favour of Item 6 by:

- a person as proxy or attorney for a person who is entitled to vote on Item 6, in accordance with the directions given to the proxy or attorney to vote on Item 6 in that way; or
- the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on Item 6, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman of the Meeting decides.

The Board unanimously recommend Shareholders vote in favour of Item 6.

ITEM 7: CHANGES TO THE CONSTITUTION OF THE COMPANY

The Constitution of the Company was last amended on 5 July 2017 (**Constitution**).

The Company has recently undertaken a review of the Constitution and proposes a number of modifications to reflect changes to corporate governance practices, and which update certain legacy provisions and outdated terminology, and update the provisions for director rotation and retirement. A number of the changes also seek to achieve efficient and flexible administration of the Company and relations with Shareholders.

Under section 33 of the Companies Act, amendments to the Constitution may only be made by a special resolution of Shareholders.

A copy of the Constitution with the proposed amendments is available on the Company’s website at <https://www.creditcorporation.com.pg/investors/>.

Overview of the proposed amendments to the Constitution

TOPIC	SUMMARY OF PROPOSED AMENDMENTS
Outdated References to POMSOX and POMSOX Rules	Throughout Constitution, replaces outdated references to the POMSOX and POMSOX Rules.
Additional Share Register	Additional Article outlining the provisions for multiple Registers.
Meetings using technology	Additional Article specifying provisions for participation of shareholders in general meetings using technology in multiple locations.
Director Retirement and Rotation	Alignment of Article 66 with the requirements of the PNGX Listing Rules and Bank of PNG Prudential Standards.
Chairman Residency	Amendments to Article 82.1 to align with the Bank of PNG Prudential Standards and the ability of the Bank of PNG to waive the Chairman’s residency requirements.



Schedule 1	The purpose of Schedule 1 is to assist in ensuring compliance with Part IV of the Banks and Financial Institutions Act 2000. However, there are several sections missing and paragraphs out of place. The amendments address these issues.
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The Board unanimously recommend Shareholders vote in favour of Item 7.

ITEM 8: ANY OTHER BUSINESS

To consider any other business.

ANNUAL REPORT 2022

A copy of the 2022 Annual Report can be downloaded from [here](#).

Amanda Libitino

Acting Company Secretary

Credit Corporation (PNG) Limited

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