

**Police Financial Services Limited  
ACN 087 651 661  
('Company' or 'BankVic')**

## **Notice of Virtual Annual General Meeting and Explanatory Statement**

Notice is given that the 2021 BankVic Annual General Meeting (**AGM**) will be held as a virtual meeting at **5pm on Tuesday 9 November 2021**.

An invitation is extended to all members of BankVic to attend the 2021 AGM.

The AGM is being held as a virtual meeting and members will not be able to attend the meeting in person. This is to protect the health and safety of attendees, having regard to health advice regarding COVID-19 and social distancing requirements.

### **How members can participate:**

1. Attend the meeting and vote online. All details, including how to join the virtual meeting, can be found at the [BankVic AGM website](#).
2. Submit any questions prior to the AGM by emailing questions to **cosec@bankvic.com.au** and during the AGM by using the ask a question button.
3. Submit proxy votes prior to the AGM. Members may appoint the Chair of the meeting or another person as their proxy. Members can complete the [Proxy Form](#) to provide specific instructions on how their vote is to be exercised on each resolution and the Chair of the meeting must follow your instructions.

### **1 Reports and information**

#### **(a) Address by the Chair and CEO of the Company**

Lucinda Nolan (the Chair) and Anthony De Fazio (CEO) of BankVic will provide members with an update on BankVic's performance and prospects.

#### **(b) Consideration of Financial Statements and Reports**

The Company will table the Financial Report, Directors' Report and Auditors' Report of the Company for the financial year ended 30 June 2021 (as set out in the [BankVic 2021 Annual Report](#)) and will provide members with the opportunity to raise any issues or ask questions generally concerning those reports.

## 2 Proposed Resolutions

### Resolution 1 - Adoption of revised Constitution

To consider and if thought fit to pass the following resolution as a Special Resolution:

*'THAT, in accordance with section 136(2) of the Corporations Act 2001 (Cth) and for all other purposes, members approve the adoption of the Constitution tabled at the meeting and signed by the Chair for the purposes of identification.'*

Please refer below to the Explanatory Statement which sets out the basis for the proposed Special Resolution and provides all additional information.

### Resolution 2 – Directors' Remuneration

To consider and if thought fit to pass the following resolution:

*'To approve an increase in aggregate director remuneration by \$5,624.49, in line with the new superannuation compulsory contribution percentages under the Superannuation Guarantee legislation for FY2023, and to approve any subsequent increases to director remuneration which are to be made year-on-year in accordance with the planned, legislated increases to the Superannuation Guarantee percentage up until and including when the final amendment to the compulsory contribution percentage is set at 12% for FY2025.'*

Please refer below to the Explanatory Statement which sets out the basis for the proposed Resolution.

## 3 RSVP

Please register your attendance by completing the [RSVP Form](#).

## 4 How to vote

Members entitled to vote at the meeting will be able to vote by proxy before the virtual meeting or by voting online during the virtual meeting. Members will need their member number and post code to join the virtual meeting and cast their vote.

Instructions on how to join the virtual meeting and vote during the meeting can be found at the [BankVic AGM website](#).

## 5 Voting by proxy

If you wish to submit a proxy, the [Proxy Form](#) and instructions can be found at the [BankVic AGM website](#).

## 6 Questions

Members may submit questions in advance of the meeting by completing the RSVP Form or via email to [cosec@bankvic.com.au](mailto:cosec@bankvic.com.au) by 5.00pm (AEST) on Friday 5

November 2021. Members may also submit a question during the AGM by using the ask a question button, which will submit your question to the Company Secretary.

Questions must relate to the business of the meeting only. You are asked to follow instructions of the Chair. The Chair or CEO will respond to the questions during the meeting. Members are limited to a maximum of two questions each (including any submitted in advance of the meeting).

## 7 **BANKVIC ANNUAL FINANCIAL REPORT – AVAILABLE ONLINE**

To save on costs and the excessive use of paper, the BankVic Annual Report is no longer distributed to members, unless a copy is requested. You can read our [BankVic 2021 Annual Report](#) or it can be downloaded from [BankVic AGM website](#).

If you would like a hard copy, please request a copy from the Company Secretary at [cosec@bankvic.com.au](mailto:cosec@bankvic.com.au) or by phoning 0455 020 585.

We appreciate your support for this environmentally friendly and cost saving initiative.

DATED 4 October 2021.

By order of the Board.

Penny Maroulis  
**Company Secretary**

**Police Financial Services Limited**  
**ACN 087 651 661**  
**('Company' or 'BankVic')**

## **Explanatory Statement**

### **1. Introduction**

The purpose of this Explanatory Statement is to provide members with an explanation of the business of the Meeting and the Resolutions proposed to be considered at the Meeting of the Company on Tuesday, 9 November 2021. This Explanatory Statement should be read in conjunction with the Notice and forms part of the Notice.

### **2. Resolution 1- Adoption of redrafted Company Constitution**

Resolution 1 seeks member approval for the adoption of a redrafted [Company Constitution](#).

#### **Background**

The current BankVic Constitution was drafted in 2000. Since then, the BankVic Constitution has been updated on an ad hoc basis to adapt to evolving laws and has not undergone a substantial overhaul. This year, in response to important law reforms, the Directors of BankVic believe the time is right to take advantage of an opportunity to refresh and modernise the Company Constitution while incorporating new concepts that will enable the Company to take advantage of a new-found ability to raise equity capital in the future.

#### **The Mutual Capital Reforms**

On 6 April 2019, the *Treasury Laws Amendments (Mutual Reforms) Act 2019* (Cth) (**Mutual Reforms Act**) came into effect. The Mutual Reforms Act amended the *Corporations Act 2001* (Cth) (**Corporations Act**) by enshrining the concept of a 'mutual entity' and allowing mutual entities to issue equity capital without affecting their status as a mutual entity.

The changes that have been introduced allow mutual entities like BankVic to issue 'mutual capital instruments' (**MCIs**) to investors to raise equity capital. This removes historic barriers to investment, innovation, growth and competition for mutuals, and opens up opportunities to access a broader range of investment - which can be used to advance the interests of the Company and its Members.

In broad terms, MCIs will be a form of equity capital for mutual entities that do not detract from the essence of mutuality or the central importance of ordinary members who have one vote per member in determining the ongoing governance of the company. Assuming that MCIs are held by a small number of investors each contributing large sums of equity, the issue of MCIs should have negligible effect on the control of a mutual entity because an MCI holder will

have, at most, one vote regardless of the size of their capital injection. MCI holders are more likely to be motivated by a return on equity rather than voting power.

### **3. FAQs**

#### **3.1 Why was the Mutual Reforms Act introduced?**

The Mutual Reforms Act was introduced to boost growth, innovation and competition in the member-owned sector. Historically, member-owned organisations such as mutual entities were only able to raise capital through retained earnings or debt, and faced the risk of demutualisation if they sought to raise equity capital.

In response to these historical issues, in 2015 the Senate Economics References Committee (**Committee**) were asked to review and report on cooperative and mutual entities, tabling a report in 2016. In 2017, Mr Greg Hammond OAM was appointed to conduct further consultation on the Committee's report and to assist in developing a response from the government. Mr Hammond handed down the *Report on Reforms for Cooperatives, Mutuals and Member-owned Firms* on 31 July 2017 which made several recommendations (**Hammond Report**).

The Mutual Reforms Act was introduced to give effect to recommendations 5, 8 and 9 of the Hammond Report by introducing a new financial instrument (the MCI), defining 'mutual entity' in the Corporations Act for the first time and amending the demutualisation provisions in the Corporations Act to provide certainty and comfort to mutual entities that their mutual status would not be affected by equity capital raising.

#### **3.2 What is a mutual entity?**

In essence, a mutual entity is a company that is owned by its members. There is now a formal definition of a mutual entity under the Corporations Act (as a result of the Mutual Reforms Act), which is a company registered under the Corporations Act where each member is entitled to no more than one vote.

#### **3.3 What is an MCI?**

An MCI (or mutual capital instrument) is a bespoke capital instrument that has been created solely for the use of mutual entities. Mutual entities can issue MCIs to raise equity capital. MCIs come with a rate of return and, subject to the issue terms of each MCI, can be bought and sold by members.

#### **3.4 Is BankVic planning to issue MCIs?**

BankVic has no current plans to issue MCIs. However, the Board considers that it is an opportune time for BankVic to adopt the required language under the Mutual Reforms Act as part of its redrafting and modernisation of the Constitution. This will essentially 'future-proof' BankVic by giving us the option to issue MCIs if it necessary or desirable to do so at a later time.

It should be noted that these changes do not automatically result in BankVic issuing MCIs. Any decision to issue MCIs would need to be approved by the Board, which would need to consider whether that decision was in the best interests of the members as a whole.

**3.5 Have BankVic's values changed?**

No, the purpose and values of BankVic remain the same. We are, as always, committed to putting people before profits, and ensuring that we strive to uphold our values of being Together, Honest and Brave every day.

**3.6 Would MCI holders be Members of BankVic?**

Yes, each MCI holder will be a member of BankVic, but will not hold "member shares" like a BankVic customer. MCI holders will not be entitled to the same benefits that member share holders are entitled to, unless they also hold member shares as a BankVic customer.

**3.7 Would MCI holders have voting rights?**

The voting rights of MCI holders will be dictated by the issue terms of each MCI (as decided by the Board if and when the MCIs are issued). The Board may decide to issue MCIs which do or do not confer voting rights, and may limit any voting rights to certain meetings or resolutions. If an MCI holder is entitled to vote, they will only have one vote, regardless of the number of MCIs held.

**3.8 Would all MCIs be issued on the same terms?**

Not necessarily. The Board has discretion over the terms of issue of each MCI, or each class of MCI (if there are to be separate classes). This will ultimately be a decision for the Board to consider, taking into consideration BankVic's capital needs, regulatory requirements and any other factors that should be considered at the time of issue. The terms are likely to be no more generous those necessary to attract the desired equity investment.

**3.9 Would MCI holders receive dividends?**

As with voting rights, the rights of MCI holders to receive dividends would be set out in the issue terms of each MCI (as decided by the Board when the MCIs are issued). Dividends of some form are likely otherwise there would be little purpose in MCI holders investing equity capital.

**3.10 Can an MCI holder stand for election as a Director?**

Yes, as a member of BankVic, an MCI holder may be nominated for election as a Director, so long as they meet the eligibility requirements set out in the BankVic Constitution.

**3.11 Would MCI holders have priority over Members in a winding up of the bank?**

No. In the unlikely event that BankVic is wound up, the Constitution provides that each MCI holder will have an equal right to participate in the surplus assets of the company with every other member (including member share holders and MCI holders). However, this is subject to the issue terms of each MCI possibly providing for lesser participation, which the Board may decide at the time the MCIs are issue.

**3.12 Do these changes mean that BankVic is demutualising?**

No, there is nothing in the Constitution which results in BankVic ceasing to be a mutual entity. In fact, the changes only cement BankVic's status as a mutual entity, now and into the future.

### 3.13 Who can I speak to for more information about the changes?

If you have any questions about these changes, or about attending or voting at the AGM, please contact us at [cosec@bankvic.com.au](mailto:cosec@bankvic.com.au).

## 4. Summary of Redrafted Constitution

The Constitution has been redrafted so that it is and expressed in clear, plain English and reflects modern drafting principles. While the redrafted Constitution is different in form, the majority of the substantive principles remain the same.

To assist our members in understand the substantive changes, we have prepared the below table to allow members to see the material changes that have been made to BankVic's redrafted Constitution.

A full copy of the redrafted Constitution is enclosed.

<b>Current constitution</b>	<b>Redrafted constitution</b>
No equivalent	<b>MCI mutual entity - cl 1.6</b>  Clause 1.6 states that BankVic is intended to be a MCI mutual entity for the purposes of the Corporations Act. This is a requirement under section 167AC(d) of the Corporations Act to allow BankVic to be considered as a 'MCI mutual entity'.
No equivalent	<b>Stakeholder consideration - cl 2.4</b>  BankVic became a certified B Corporation in 2020 ( <b>BCorp</b> ). Certified BCorps are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. There are some requirements that come with being a BCorp, including inserting some required language into the BankVic Constitution. This language has been inserted as clause 2.4.
The particulars of member shares, and the rights conferred on members, are spread throughout Division 4, Division 5, Division 6, Division 9 and Division 16.	<b>Member shares - cl 6</b>  As MCIs have been introduced into the constitution, there now needs to be a distinction between MCI holders and member share holders (previously referred to as 'members').

	<p>All clauses relating to member shares are now contained in one clause for ease of reference. Clause 6 details the following:</p> <ul style="list-style-type: none"> <li>i. issue price;</li> <li>ii. rights, obligations and restrictions;</li> <li>iii. participation and voting rights;</li> <li>iv. dividends;</li> <li>v. redemption; and</li> <li>vi. transfer.</li> </ul>
No equivalent	<p><b>MCI's - cl 7</b></p> <p>All clauses relating to MCI's are contained in one clause for ease of reference. Clause 7 details the following:</p> <ul style="list-style-type: none"> <li>i. issuance;</li> <li>ii. rights, obligations and restrictions;</li> <li>iii. participation and voting rights;</li> <li>iv. dividends;</li> <li>v. cancellation and variation; and</li> <li>vi. transfer.</li> </ul>
No equivalent	<p><b>Transmission of MCI's - cl 8</b></p> <p>Clause 8 explains how MCI's can be transmitted in the event of:</p> <ul style="list-style-type: none"> <li>i. death;</li> <li>ii. bankruptcy;</li> <li>iii. mental incapacity; and</li> <li>iv. operation of law.</li> </ul> <p>Members should note that the transmission rights in respect of member shares are less onerous, and are set out in clauses 4.1(a)(iv) and 4.1(a)(v).</p>



<p><b>Notice of general meeting - cl 7.2</b></p> <p>Clause 7.2 states that any three directors may, at any time, convene a general meeting.</p>	<p><b>Calling meetings of members - cl 10.2</b></p> <p>Clause 10.2 states that a members' meeting may be convened by the Board. This has been expanded from the previous position, as it now requires a majority vote of the Board.</p>
<p>No equivalent</p>	<p><b>Virtual meetings - cl 10.7 - 10.9</b></p> <p>New clauses have been inserted to allow BankVic to hold virtual meetings, in line with the legislative changes introduced by the <i>Treasury Laws Amendment (2021 Measures. No 1) Act 2021 (TLA)</i>. Under the TLA, virtual meeting technology may now be used to hold a meeting in accordance with Chapter 2G of the Corporations Act, so long as the technology used gives members entitled to attend the meeting, as a whole, a reasonable opportunity to participate in the meeting without being physically present in the same place.</p> <p>In particular, members should note that a poll will be the preferred voting method at a virtual meeting (in line with the changes the TLA has made to section 250J(1) of the Corporations Act), and all members present at a virtual meeting will be considered 'present' for the purposes of determining a quorum.</p>
<p><b>Decision of questions - cl 8.5</b></p> <p>Clause 8.5 states that a resolution put to the vote of a meeting is decided on a show of hands unless a poll is demanded in accordance with the Corporations Act.</p> <p>This clause is in line with the s250J(1) replaceable rule that existed at the time of drafting.</p>	<p><b>Voting at general meetings - cl 12.1</b></p> <p>Clause 12.1 reflects the changes that have been made to the replaceable rule in s250J(1) as a result of the TLA. It provides that a question in a general meeting is to be decided by way of poll where virtual technology is used.</p>
<p>No equivalent</p>	<p><b>Direct voting - cl 12.4</b></p> <p>Clause 12.4 has been inserted to allow voting members to cast a direct vote in respect of any resolution. This may take the</p>

	form of a vote mailed to the Company or submitted through other electronic means.
No equivalent	<p><b>Voting of members - cl 12.6(b)</b></p> <p>Clause 12.6(b) has been included to make it clear that where a member holds both member shares and MCIs, they are still only entitled to one vote (except where that person is also voting in their capacity as the representative of a company or as a proxy).</p>
<p><b>Number of Directors - cl 10.1</b></p> <p>Under clause 10.1(b), BankVic may have a minimum of seven Directors, and a maximum of nine Directors, of whom at least five, but no more than seven, must be members (including one employee Director, who may or may not be a member).</p>	<p><b>Number of Directors - cl 13.1 and 13.3</b></p> <p>Under clauses 13.1 and 13.2, there will be the same minimum and maximum number of Directors, however, it has been clarified that there is no requirement for an employee director.</p> <p>There is also now a maximum aggregate tenure of each Director set at 9 years.</p>
<p><b>Independent Directors - cl 10.5</b></p> <p>Under clause 10.5(a), and subject to clause 10.5(b), the Directors may determine the number of independent directors who may be appointed and/or elected from time to time, being up to four if there are nine Directors, up to three if there are eight Directors, and up to two if there are seven Directors.</p>	<p><b>Independent Directors - cl 13.3</b></p> <p>The same concept applies, but there has been further specificity added to the appointment and obligations of independent directors (see clause 13.3(d)). However, there may now be three independent Directors where there are seven Directors, as this still ensures that the non-independent directors are always in the majority.</p>
<p><b>Retirement by rotation - cl 10.7</b></p> <p>Clause 10.7(a) states that at each annual general meeting, one-third of the Directors or, if their number is not a multiple of three, then the number nearest to but not more than one-third of the Directors must retire from office.</p>	<p><b>Rotation of Directors - cl 13.8</b></p> <p>Clause 13.8(a) clarifies that a director must not hold office (without re-election) past the third annual general meeting following that Director's appointment, or three years, whichever is longer.</p>
No equivalent	<p><b>Less than the minimum number of Directors - cl 13.10</b></p> <p>Clause 13.10 has been included to provide certainty to the Board where the number of</p>

	<p>Directors falls below the minimum requirement under the Constitution. In such circumstances, the Directors will continue to act as the Board only to appoint additional Directors, to convene a meeting of Members or in cases of emergency.</p>
<p><b>Directors' committees - cl 13.7(b)</b></p> <p>A committee must include at least one Director.</p>	<p><b>Committees - cl 15.5</b></p> <p>This clause removes the requirement of requiring a Director to sit on a committee.</p>
<p>No equivalent</p>	<p><b>Financial records and audit - cl 19</b></p> <p>Clause 19 has been inserted to make clear what BankVic's obligations are in terms of keeping financial records and financial reporting, as per the Corporations Act.</p>
<p>No equivalent</p>	<p><b>Dividends - cl 20</b></p> <p>This new clause sets out the dividend rights of MCI holders, directing that the Board may determine whether BankVic will pay a dividend to MCI holders, and if so, the amount of that dividend and the time and method for payment of the dividend.</p> <p>Clause 20.4 specifically provides that dividends issued in respect of an MCI are non-cumulative, as is a requirement under s167AF(b) of the Corporations Act.</p>
<p><b>Indemnity and insurance - cl 17.1</b></p> <p>Under clause 17.1(a), BankVic indemnifies every person who is or has been an officer or auditor of the company. There is no time limit on this obligation to indemnity.</p>	<p><b>Indemnity of officers, insurance and access - cl 23</b></p> <p>A new clause has been inserted to limit the period of indemnification to 7 years after the officer ceases to be an officer of the Company. This clause also expands on the extent of BankVic's liability as compared with the current constitution.</p>
<p><b>Winding up - Division 16</b></p> <p>Under clause 16.2, on the winding up of the company, each member is</p>	<p><b>Winding up - cl 24</b></p> <p>The position has not changed in the redrafted constitution, as member share holders are still entitled to share in any</p>

<p>entitled to participate in any surplus equally.</p>	<p>surplus equally upon the winding up of the company.</p> <p>However, a new clause has been added in to set out the rights of MCI holders to participate in surplus assets, as is a requirement under s167AF of the Corporations Act.</p> <p>Accordingly, clause 24(c) states that each MCI holder has a right to participate in any surplus equally with every other member upon winding up, <i>subject to</i> the issue terms of each MCI. The Board will set the issue terms of each MCI upon issuance.</p>
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## 5. Resolution 2: Directors' Remuneration

The rate of the Superannuation Guarantee (SG) has been 9.5% per annum since 1 July 2014. From July 2021 however, legislation provides that superannuation payments will increase incrementally each year to 12% in 2025.

Given the current conditions and uncertainty associated with the COVID 19 pandemic, the Directors of BankVic have forgone remuneration reviews in 2020 and 2021 and the Board has agreed to maintain Director fees at the amount approved by the membership in 2019.

However, to accommodate the superannuation increase for FY2023 the Board is seeking member approval of additional Director Remuneration in the amount of \$5,624.49.

This represents an increase in the Director remuneration pool from \$615,882.00 to \$621,506.49.

The Directors are also seeking member approval of subsequent increases to director remuneration which are to be made year-on-year in accordance with the planned, legislated increases to the Superannuation Guarantee percentage up until and including when the final amendment to the compulsory contribution percentage is set at 12% for FY2025.

## 6. Directors' Recommendation

The Directors recommend that the Members approve Resolution 1 (as a special resolution) and Resolution 2.

## 7. Queries

If you have any queries about the meeting please contact:

**Penny Maroulis**  
Company Secretary

Telephone: 0455 020 585  
E-mail: cosec@bankvic.com.au