

# Invitation and notice of 2020 Annual General Meeting



## Invitation and notice

Notice is hereby given that the 63rd Annual General Meeting of Bank Australia Limited will be conducted online and there will be no physical venue to attend. Members can join the Meeting virtually via the online platform detailed below:

### Online Platform

[agmlive.link/BANKAUST20](https://agmlive.link/BANKAUST20)

### Date

On Wednesday 25 November 2020

### Time

Registration 5.45pm

Annual General Meeting commences 6.00pm

The formal Annual General Meeting proceedings will commence from 6.00pm and will conclude by 7.00pm.

## Annual General Meeting attendance

To RSVP your attendance please call 132 888 or email [2020AGM@bankaust.com.au](mailto:2020AGM@bankaust.com.au).

If you cannot join us online at this time, highlights from the meeting will be recorded and posted on our website. Please visit [bankaust.com.au/2020AGM](https://bankaust.com.au/2020AGM).

## Voting

You can vote online at [bankaust.com.au/2020AGM](https://bankaust.com.au/2020AGM) or contact us on 132 888 or [2020AGM@bankaust.com.au](mailto:2020AGM@bankaust.com.au) to ask for a postal ballot pack to be sent to you. Any postal votes have to be received by the Returning Officer by 5.00pm Thursday 19 November 2020. Online voting will close at 5.00pm Monday 23 November 2020.

## Ask a question

Members are encouraged to raise questions prior to the Annual General Meeting via email to [2020AGM@bankaust.com.au](mailto:2020AGM@bankaust.com.au) or write to the Company Secretary at Private Bag 12, Kew VIC 3101.

Members will also be able to ask questions during the Meeting via the online platform.

Consistent themes raised in questions will be addressed by the Chair or Managing Director during their presentations.

## Impact & Financial Report

Bank Australia's Impact Report and Statutory Financial Report may be obtained from or inspected at any of the Bank's branches or offices by 2 November 2020.

The Impact Report and Statutory Financial Report will also be available online at [bankaust.com.au](https://bankaust.com.au) by this date.

## General Meeting

1. Opening and apologies – Chair
2. To note the Minutes of the 62nd Annual General Meeting of Bank Australia Limited held on 19 November 2019
3. Presentation – Chair
4. Presentation – Managing Director
5. To receive and consider the Financial Report, the Directors' Report and the Independent Auditors' Report for the financial year ended 30 June 2020
6. To re-appoint Judith Downes as Director  
Or an election

7. To consider and if thought fit, approve the following special resolution to amend the Bank Constitution:

**“That, in accordance with section 136(2) of the Corporations Act, Bank Australia’s Constitution be modified by making the amendments, other than the amendments noted in Item 8, contained in the document tabled at the Annual General Meeting and signed by the Chair for the purposes of identification.”**

Further information about the proposed amendments to Bank Australia’s Constitution is set out in the Explanatory Notes and on the Bank Australia website at [[www.bankaust.com.au/2020agm](https://www.bankaust.com.au/2020agm)]

8. To consider and if thought fit, approve the following special resolution to amend the Bank Constitution:  
**“That Bank Australia’s Constitution be modified to allow Bank Australia to issue mutual capital instruments (MCIs) in accordance with the Corporations Act, by making the amendments marked as “Mutual capital instruments amendments”, contained in the document tabled at the Annual General Meeting and signed by the Chair for the purposes of identification.”**

Further information about the proposed amendments to Bank Australia’s Constitution is set out in the Explanatory Notes on the Bank Australia website at [[www.bankaust.com.au/2020agm](https://www.bankaust.com.au/2020agm)]

9. Close of official Annual General Meeting proceedings.  
Refer to explanatory notes for agenda items 5 – 7.

*Directors are not seeking a remuneration increase in 2020 due to COVID-19.*

## Explanatory Notes to Resolutions

### Annual General Meeting Agenda Item 5 – Financial Reports

The Corporations Act 2001 requires the Financial Report, the Directors' Report and the Independent Auditors' Report of the Bank to be laid before the Annual General Meeting.

Shareholders will be provided with an opportunity at the Annual General Meeting to ask questions in relation to these reports via the online platform

### Annual General Meeting Agenda Item 6 – Re-appointment of Director

The Board recommends the following ordinary resolution:

**“That Judith Downes be re-appointed as a Director of Bank Australia Limited.”**

Directors of Bank Australia serve on a three year rotational basis. Retiring Directors may stand for re-election if they are eligible for election. Directors Judith Downes and Michelle Somerville both retire by rotation this year. Ms Downes, being eligible, has declared she would stand for re-election. Although, also eligible, Ms Somerville has advised she will not be standing for re-election and her term of office will conclude at the end of the 2020 AGM. The Board has determined the position held by Ms Somerville will be filled by Board appointment, maintaining the majority of Board positions being held by member-elected Directors as required by Bank Australia's Constitution.

In accordance with rule A3-7 (1) of the Company's Constitution:

- as the number of candidates equals the number of positions to be filled, the election process was discontinued
- the general meeting is required to vote on the appointment of the candidate by passing a separate ordinary resolution at the Annual General Meeting.

### Report of the Nominations Committee

The Nominations Committee is established by the Bank Australia Board in accordance with Appendix 3 Section A3-4(1) of the Company's Constitution.

The Committee's purpose is to assess the fitness and propriety of potential candidates for the office of Director of the Company, in accordance with the Fit and Proper Policy and the Constitution.

The Chair of the Nominations Committee has provided the following report:

**“The Committee resolved that Judith Downes was found to be a fit and proper candidate for the office of Director of Bank Australia in accordance with the Fit and Proper Policy and Constitution.”**

#### Mark Bengtsson

Chair, Nominations Committee

### Annual General Meeting Agenda Item 7 – General amendments to Bank Australia's Constitution

The Board recommends the following special resolution:

**“That, in accordance with section 136(2) of the Corporations Act, Bank Australia's Constitution be modified by making the amendments, other than the amendments noted in Item 8, contained in the document tabled at the Annual General Meeting and signed by the Chair for the purposes of identification.”**

#### Background

- 1) In addition to the proposed amendments noted in Item 8 to permit the issuance of MCIs, Bank Australia proposes to make certain additional amendments to the Constitution to reflect updates to market practice and the governance practices of Bank Australia
- 2) Under section 136 of the Corporations Act, these amendments to the Constitution may only be made by a special resolution of Members.

#### Overview of proposed amendments to the Constitution

- 3) An overview of the key changes proposed to be made to the Constitution (other than in respect of the amendments noted in Item 8 are summarised in the table below. Capitalised terms in the summary below have the meanings given in the Constitution, unless otherwise defined.
- 4) A copy of the Constitution showing the proposed changes to it is available at [[www.bankaustralia.com.au/proposedconstitution](http://www.bankaustralia.com.au/proposedconstitution)].

#### Other information

The Chair of the Meeting intends to vote all available proxies in favour of this resolution.

#### Directors' recommendation

The Board unanimously recommends that members vote in favour of the resolution.

### Annual General Meeting Agenda Item 8 – Amendment to Bank Australia's Constitution to permit issuance of mutual capital instruments (MCIs)

The Board recommends the following special resolution:

**“That Bank Australia's Constitution be modified to allow Bank Australia to issue mutual capital instruments (MCIs) in accordance with the Corporations Act, by making the amendments marked as “Mutual capital instruments amendments” contained in the document tabled at the Annual General Meeting and signed by the Chair for the purposes of identification.”**

#### Background

- 1) On 2 March 2015, the Senate Economics References Committee was asked to review and report on the role, importance and operations of cooperative and mutual entities in the Australian economy. The Committee tabled its report (Senate Report) on 17 March 2016.

- 2) On 24 March 2017, the then Treasurer appointed Mr Greg Hammond OAM to conduct further consultation on the recommendations of the Senate Report and assist in developing a Government response. Mr Hammond provided his Report on Reforms for Cooperatives, Mutuals and Member-owned Firms on 31 July 2017 (Hammond Report).
- 3) On 8 November 2017, the Federal Government tabled its response to the Senate Report and accepted all 11 recommendations of the Hammond Report. The recommendations were aimed at improving access to capital for mutuals and reducing barriers to enable cooperatives and mutuals to invest, innovate, grow and compete.
- 4) On 6 April 2019, the Treasury Laws Amendment (Mutual Reforms) Act 2019 (Cth) (Mutual Reforms) commenced. The Mutual Reforms gave effect to recommendations 5, 8 and 9 of the Hammond Review by amending the Corporations Act to, among other things:
  - (a) introduce the concept of a “mutual entity” into the Corporations Act (being a company in which each member has no more than one vote for each capacity in which the person is a member);
  - (b) expressly permit mutual entities registered as public companies under the Corporations Act to issue equity capital without risking their mutual structure or status; and
  - (c) provide a standard process to allow eligible mutual entities to amend their constitutions to take advantage of the reforms (the Special Procedure).
- 5) The Mutual Reforms enable eligible mutual entities to raise equity capital through the issuance of MCIs, a bespoke new capital instrument for mutual entities, which allows for capital to be raised through the issuance of shares, while retaining the organisation’s status as a mutual entity.
- 6) The ability to raise equity capital removes a significant barrier to investment, innovation, growth and competition in the sector and provides mutual entities, such as Bank Australia, with access to a broader range of capital raising and investment options to advance the interests of Bank Australia’s members and the other mutual objectives of Bank Australia.
- 7) Please refer to the outline of proposed amendments below and to the attached Fact Sheet, which explains what the key features of an MCI will be, and the impact that an issuance of MCIs may have on members of Bank Australia

## Proposed Amendments

- 8) Bank Australia is a “mutual entity” for the purposes of the Corporations Act, which means that it is able to issue mutual capital instruments (MCIs), if it amends its Constitution. An MCI is a new type of share in a mutual entity (provided for under the Corporations Act), which must have certain characteristics (described in the attached Fact Sheet).
- 9) Bank Australia is a public company limited by shares. The proposed amendments will introduce a new class of shares called “MCIs” and enable Bank Australia to issue MCIs in future if it is necessary or desirable to do so, while protecting Bank Australia’s mutual status. If Bank Australia decides to issue MCIs, Bank Australia will remain a mutual, because holders of MCIs will have limited rights and if holders of MCIs are given voting rights, they would be limited to one vote at general meetings, regardless of the number of MCIs they hold.
- 10) Recent amendments to the Corporations Act allow Bank Australia to update its Constitution using the Special Procedure which involves members passing an “MCI amendment resolution” before 6 April 2022. The Special Procedure allows Bank Australia to update its Constitution to introduce MCIs as a new class of share. The Special Procedure overrides anything which may be to the contrary in Bank Australia’s Constitution and certain provisions of the Corporations Act regarding constitutional amendments. This provides a straightforward amendment procedure for Bank Australia to follow as well as legal certainty on the effectiveness of the resolution.
- 11) The “MCI amendment resolution” being proposed to Bank Australia members at the 2020 Annual General Meeting is a special resolution (i.e. a resolution which must be passed by 75% of members (or proxies) who are present at the meeting and eligible to vote) to amend Bank Australia’s Constitution for the following purposes:
  - (a) to include a statement that Bank Australia is intended to be an “MCI mutual entity” for the purposes of the Corporations Act;
  - (b) to provide for Bank Australia to issue MCIs (which would be subject to any necessary regulatory approvals and board approval);
  - (c) to provide for the rights and obligations attached to MCIs; and
  - (d) to make changes that are incidental or ancillary to the purposes specified above (for example, to include references to MCIs in some of the provisions in the Constitution which relate to shares, where relevant).
- 12) A copy of the Constitution showing the proposed changes to it is available at [www.bankaustralia.com.au/proposedconstitution](http://www.bankaustralia.com.au/proposedconstitution)

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## Other information

The Chair of the Meeting intends to vote all available proxies in favour of this resolution.

### Directors' recommendation

The Board unanimously recommends that members **vote in favour** of the resolution.

## Governance & Remuneration Committee

The Board has established a Board Governance & Remuneration Committee and a Remuneration Policy that aligns remuneration and risk management.

Board remuneration is fixed and does not contain any variable performance based components to ensure alignment with prudent risk-taking. Remuneration is designed to encourage behaviour that supports:

- a. the Bank's long-term financial soundness
- b. the risk management framework of the Bank.

The Governance & Remuneration Committee has sought and considered advice from independent sources relating to remuneration of the Board of Directors within the finance industry generally and the customer owned banking sector specifically.

Maintaining competitive remuneration ensures the Bank is able to continue to attract talented Directors to undertake the corporate responsibilities of serving on the Board of a financial institution.



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Topic	Summary of proposed amendment(s)
<b>Admission to Membership</b> (Rule 3.1)	<p>To reflect Bank Australia’s current business practices, it is proposed that the Constitution be amended to provide that a person may be admitted as a Member of the Company if the person agrees to become a Member in such form or manner as required by the Company.</p>
<b>General Meetings</b> (Rule 8.3(1), 8.4 and various)	<p>A number of amendments are proposed to be made to facilitate the holding of General Meetings by Bank Australia, including as set out below.</p> <ul style="list-style-type: none"> <li>The Constitution will be amended to specifically provide that a General Meeting (including an adjourned meeting) may be held at 2 or more venues using any technology that gives Members as a whole a reasonable opportunity to participate in the meeting and to ensure that persons participating using technology are counted for the purposes of determining a quorum and are entitled to exercise all rights as if they were attending the meeting in person.</li> </ul> <p>Provisions will also be included to deal with the scenario whereby technical difficulties occur – including to allow the chair of the meeting to adjourn the meeting to allow the technical difficulty to be rectified.</p> <p>These amendments are intended to enable greater participation by, and engagement with, Members.</p> <ul style="list-style-type: none"> <li>To provide that the quorum for a General Meeting will include persons present or by proxy, attorney or representative and to provide clarity in relation to the counting of those persons towards the quorum.</li> </ul>
<b>Direct Voting</b> (Rule 9.8 and various)	<p>It is proposed that the Constitution be amended to:</p> <ul style="list-style-type: none"> <li>clarify that a Direct Vote includes a vote delivered to Bank Australia by post, fax or other electronic means as approved by the Board;</li> <li>authorise the Board to prescribe rules to govern direct voting (including, for instance, the treatment of Direct Votes) and, accordingly, to remove a number of the provisions from Rule 9.8 of the Constitution to provide greater flexibility for the Board to prescribe rules in relation to those matters;</li> <li>clarify that a Member placing a Direct Vote will not be taken into account in determining whether a quorum is present at a General Meeting;</li> <li>clarify that each holder of Member Shares who has duly lodged a Direct Vote in respect of the relevant resolution has one vote; and</li> <li>reflect various consequential amendments in order to give effect to the amendments summarised above (including to clarify that the Board may determine that Direct Votes may be lodged in respect of a resolution put before a meeting of a class of Members or any MCI holders (defined below) required by the Corporations Act or the Constitution).</li> </ul>
<b>Directors’ tenure</b> (Division 10)	<p>It is proposed that the Constitution be amended to clarify that, irrespective of the method of appointment, the term of office for all Directors of Bank Australia must not exceed 12 years (whether consecutive or not).</p> <p>If a Director has been a director of Bank Australia for a total period of 12 years from the initial appointment or election date (whether continuous or not), the Director’s office will automatically become vacant and the Director will not be permitted to be re-appointed, elected or re-elected to the Board.</p> <p>A number of additional minor amendments are also proposed to Division 10 of the Constitution which are consequential, and to remove a legacy provision which ceased to operate in 2015.</p>
<b>Directors’ powers</b> (Division 11)	<p>It is proposed that the Constitution be amended to clarify that the business of Bank Australia is to be managed by or under the direction of the Board and the Board may exercise all of the powers and do all things within Bank Australia’s powers that are not expressly required by the Corporations Act or the Constitution to be exercised by Bank Australia in a general meeting.</p>