

Notice of Special Meeting

You are invited to the Annual General Meeting of Credit Union Baywide

Wednesday 30th October 2019, commencing at 6pm

Toitu Otago Settlers Museum, 31 Queens Garden, Dunedin

Business of the evening will include:

- Confirmation of the minutes of the previous AGM and Special Meetings
- Report from the Board
- Report from the Trustees
- Presentation of Financial Statements
- Ordinary Resolution outcome – Director remuneration
- Ordinary Resolution outcome – Appointment of Directors
- Ordinary Resolution outcome – Appointment of Trustee
- Special Resolution outcome – Amendments to Clause 7.4(e)(ii) of the Trust Deed - "Other Investments" Financial Ratio
- General business

Refreshments to follow.

Please note that no voting will be conducted on the night. All voting will be conducted beforehand via electronic voting using electionz.com Ltd.

Further details of the meeting can be found either on our website nzcubaywide.co.nz, by contacting your local branch or by calling 0800 229 943.



Background

All members are welcome to attend the first Annual General Meeting (AGM) of Credit Union Baywide (CUB), as the merged entity. The business of the meeting will include the presentation of the Financial Statements, the report from the Board of Directors, the Trustees report, the outcome of the resolutions voted on (as outlined below) and general business which will include an update on key business matters.

Ordinary Resolutions

The following resolutions to be considered at the 2019 AGM are ordinary resolutions under the Rules of CUB. An ordinary resolution will pass where it has been approved by a simple majority of members entitled to vote and voting on the matter.

The Board of CUB recommends member voting (via electronic voting) on the following resolutions:

1. Director Remuneration

To increase the total pool of Director remuneration to a maximum of \$434,355.

This is based on increasing Director remuneration by 3.65%. The above total includes fees for the Directors appointed as a result of the merger. Of the above total, the total remuneration pool for the seven elected directors would be \$254,000.

2. Appointment of Directors

To appoint three candidates to the CUB Board of Directors for a term of 3 years commencing 30 October 2019.

Nominees are listed below in alphabetical order, and members may vote for up to three candidates.

- Alan Bartlett
- Alan Connolly
- Louise Edwards
- Jared McGillicuddy
- Steve Wakefield
- Te Taru White

For further details, see enclosed report from the Directors Nominating Committee, candidate profiles and other supplementary information.

3. Appointment of Trustee

To appoint one candidate as Trustee on the CUB Board of Directors.

Nominees are listed below in alphabetical order and members may vote for one candidate only.

- Alan Bartlett
- Alan Connolly
- Louise Edwards
- Steve Wakefield

For further details, see enclosed report from the Directors Nominating Committee, candidate profiles and other supplementary information.

Special Resolution

The following resolution to be considered at the 2019 AGM is a special resolution under the Trust Deed. A special resolution will pass where it has been approved by no less than 75% of members entitled to vote and voting on the matter.

The Board of CUB recommends member voting (via electronic voting) on the following resolution:

4. Amendments to Clause 7.4(e)(ii) of the Trust Deed - "Other Investments" Financial Ratio

To approve a change to Clause 7.4(e)(ii) of the Trust Deed that would increase the permitted amount of Other Investments that CUB is able to make, from 1% of Total Tangible Assets, to 3% of Total Tangible Assets, under which Clause 7.4(e)(ii) would be replaced with the wording (emphasis added) as follows:

"7.4 Financial Ratios

Subject to clause 7.5, the Credit Union covenants with the Supervisor that:

(e) (Lending and investment quality restrictions)

- (i) it will not permit the aggregate of Prime Debtor Investments, Other Investment and Listed Securities, to exceed 15% of Total Tangible Assets; and
- (ii) except as may otherwise be agreed with the Supervisor in respect of any advances to the NZACU, it will not permit the aggregate of Other Investments to exceed **3%** of Total Tangible Assets."

This change would enable CUB to increase the amount of its investments ("Other Investments") that are not with registered banks, the New Zealand Government or listed on a stock exchange. This would assist CUB in diversifying its investment portfolio, but potentially enables an increased amount of higher risk investments. CUB would however still be limited to a relatively low level of Other Investments, and internal processes exist to ensure that the overall profile of CUB's investments remains conservative.

For further details, see the supplementary information included with this notice of meeting.

Voting

The Board of Directors have approved electronic voting to be used for the 2019 AGM. No voting in person will be conducted at the 2019 AGM, unless approved by the Board during the meeting for procedural matters.

The current Rules provide:

- for joint accounts, only the first named person on the account may vote
- postal votes cannot be accepted; and
- only valid members aged 16 or older at the closing date for voting (as set out below) may vote.

The Rules of CUB also provide that for each resolution, each member who is eligible to vote may only **vote once**.

Voting credentials for eligible members are included with this notice of meeting. If you are unable to access the electronic voting system, you can visit your branch for assistance or contact CUB on 0800 229 943.

An **electronic vote** must be submitted and received by the Returning Officer (appointed by the Board of CUB) by **4pm on Tuesday, 29 October 2019**. No voting will be conducted on the night.

The Chair shall advise members of the voting results at the meeting, and subsequently on our website.

Where can I find further information?

Further details of the meeting can be found either on our website nzcubaywide.co.nz, by contacting your local branch or by calling 0800 229 943.

Director remuneration

Background

CUB reviews Director remuneration at least every three years. In 2018, we engaged the Institute of Directors in New Zealand to undertake an independent assessment of CUB's director remuneration, and it recommended a 7.3% increase in the total Director's remuneration.

The proposed increase reflected market movements (including general inflation) and the responsibilities of the Directors including the time commitment and accountabilities. This increase would see the Directors' remuneration remain in the lower quartile, against comparable organisations.

CUB Directors believed the increase was appropriate. However, they suggested spreading the increase over two years. The proposal to increase the remuneration pool by 3.65% (to \$244,927) was approved by members at the 2018 AGM and, as outlined in the supplementary information provided to members in the 2018 AGM packs, a further 3.65% increase was anticipated for 2019.

Director remuneration - Directors appointed as a result of the merger

Our Board of Directors increased from 7 to 14 as a result of the merger. In accordance with our Rules, the total remuneration pool for the Directors was temporarily increased to enable the transferring Directors to be remunerated on the same basis as elected Directors up until the date of the 2019 AGM. As the transferring Directors are still completing their period of appointment and undertaking full directors' duties, it is proposed that they continue to be remunerated on the same basis as the elected Directors. The total fees for these transferring Directors will decrease as they retire or are elected to the Board. However, in the meantime it is proposed that the temporary increase to the total approved remuneration pool for Directors be continued to enable the transferring Directors to continue to be remunerated on the same basis as elected Directors.

The final CUB Board, once all transferring Directors have reached the conclusion of their original terms of appointment, is expected to be 7 Directors.

Director remuneration - Proposed increase for 2019

It is proposed that the total remuneration pool for the 7 elected Directors be increased by 3.65% to \$254,000. As there are currently more than 7 Directors, the maximum total remuneration pool for all Directors is proposed to be extended to \$434,355 on a temporary basis.

The Board has elected not to add on CPI as an additional increase.

Director appointments - Directors Nominating Committee report

In October 2019, three of your Directors come to the end of their terms. CUB sought and received nominations for these vacancies. We received nominations for six candidates who have met the regulatory requirements outlined in the legislation, CUB Rules and CUB Corporate Governance Policy (including the Fit and Proper Person Policy). All six of these candidates are currently either a Director or an Associate Director of the CUB Board.

As a result of four credit unions joining together on 1 May 2019, the Directors of the merged entity have differing appointment periods and a number of Directors have chosen to seek election before their current appointment period ceases. As a result some of the nominees below will remain on the Board irrespective of the voting outcome until their current appointment period ceases.

Below are the candidates (in alphabetic order by surname) and their current position:

Candidate	Current position
Alan Bartlett	Director
Alan Connolly	Director
Louise Edwards	Director
Jared McGillicuddy	Associate Director
Steve Wakefield	Director
Te Taru White	Director

Through the Governance Committee, the Board of Directors identified the following skill gaps, due to the expertise of Directors coming to the end of their term:

- business development
- technology, and
- operational experience in banking (including credit and lending).

These skills are sought to ensure your Directors comprise a wide range of relevant skills and capabilities.

Director appointments are subject to candidates meeting the ongoing requirements of the Fit and Proper Person Policy, including RBNZ Suitability Notice requirements. If any candidate does not meet the Policy requirements prior to appointment, they will be disqualified. If they would have been otherwise appointed the Director with the next greatest number of votes will be appointed.

Gain Taylor

Chair of the Directors Nominating Committee

The candidates have completed short statements (enclosed) about the skills and expertise they will bring to their role.

Director appointments - Elections additional information

- Eligible members are able to vote for up to three candidates
- The three candidates with the highest number of votes will be appointed as Directors
- The outcomes will be announced at the AGM on 30 October 2019
- The newly appointed Directors will begin their three year term from 30 October 2019
- Directors who are not successfully elected to begin a new term in October 2019, will continue until their current term ceases (where their term ends later than October 2019).

Trustee appointment

The following Directors have offered themselves as a Trustee candidate. Eligible members may vote for one of the following as a Trustee:

- a) Alan Bartlett
- b) Alan Connolly
- c) Louise Edwards
- d) Steve Wakefield

Due to the changes to the Friendly Societies and Credit Unions Act 1982 that take effect from 1 January 2020, CUB will no longer require Trustees from that date. The elected Trustee will be appointed until 31 December 2019.

If, as a result of the appointment of Directors carried out at the 2019 AGM, the Trustee candidate who receives the highest number of votes is unable to be elected as Trustee (on account of their term as Director concluding during their proposed term as a Trustee), then the Trustee candidate with the second (and thereafter, if applicable) highest number of votes will be elected as Trustee.

Further Information

Information regarding the current Board of Directors is available on our website at <https://nzcubaywide.co.nz/info/governance/>
On the next page are the candidates in alphabetical order by surname, with each having written their candidacy profile statement.

Amendments to Clause 7.4(e)(ii) of the Trust Deed - "Other Investments" Financial Ratio

Background

CUB is able to use some of its assets to invest with other parties. The amount and nature of these investments are restricted by the financial ratios in the Trust Deed. The ratio of Other Investments under Clause 7.4(e)(ii) refers to the proportion of CUB's Total Tangible Assets which CUB can invest in "other" investments.

Under the Trust Deed:

- "*Total Tangible Assets*" refers to all of CUB's tangible assets at any given time. This includes cash, deposits, loans to members, fixed assets and other tangible assets.
- "*Other Investments*" are loans or investments which are not Prime Debtor Investments, and not listed shares or securities.
- "*Prime Debtor Investments*" are deposits with parties such as registered banks and the New Zealand Government.

Operation of Other Investments Financial Ratio

CUB's investment portfolio currently includes Prime Debtor Investments and Other Investments. The Trust Deed limits the amount of Other Investments that may be included in CUB's overall investment portfolio. Other Investments encompasses a greater range of investment possibilities than Prime Debtor Investments. Some of these investment choices can be riskier in nature due to factors such as the type of investment involved, the type of counterparty CUB chooses to invest with, and the level of market regulation applying to the investment.

Although Other Investments have the potential to be higher risk, the extent of this risk will largely depend on what CUB invests in and how it does this. This risk is managed through limits imposed in our Market Risk Policy and through an internal approval process (including Board approval processes where appropriate). While Other Investments can have a higher risk potential, the proportion of CUB's investment portfolio allocated to Other Investments is, in practice, unlikely to be invested in high-risk or speculative investments. Nonetheless, due to the potential nature of this risk, the Trust Deed only permits a very small proportion of CUB's Total Tangible Assets to be invested in Other Investments.

CUB wishes to maintain a conservative approach to its investment portfolio, consistent with that expected by the Trust Deed. CUB does not currently hold any listed shares or securities. CUB has term deposits with a number of banks, however in the current low interest rate environment, these provide limited return. The majority of CUB's current Other Investments are with Co-op Money NZ, however CUB believes that there are a number of other potential investment opportunities which could be in members' best interests and which might provide better returns.

Effects of Proposed Change

The proposed change to clause 7.4(e)(ii) would increase the ratio of permitted Other Investments from 1% of Total Tangible Assets, to 3% of Total Tangible Assets. This would give CUB the ability to invest an increased proportion of available assets into investments that could be riskier than the rest of the investment portfolio, while still adhering to the terms of the Trust Deed.

The proposal by the Board to increase the permitted Other Investment ratio would provide greater flexibility for CUB to make new investments with other parties that could provide a better rate of return, assist with the development of new products or services for members, or to grow its pool of assets over time, enabling CUB to increase its ability to lend to members and improve its products and services. The rates of return obtained from Prime Debtor Investments (such as term deposits with registered banks) are often negligible, whereas Other Investments may provide for higher rates of return.

While the increase from 1% to 3% of Other Investments has the potential to increase the risk associated with investments made by CUB (as a greater proportion of investments could fall with higher risk, higher return investments), the Board will carefully monitor these "Other Investments" and, given this, considers that 3% of CUB's Total Tangible Assets remains a conservative and appropriate ratio in the context of CUB's Total Tangible Assets. Currently, CUB's Total Tangible Assets are approximately \$516m, with 3% of this being \$15.5m.

CUB's investment in Co-op Money NZ falls under the definition of Other Investments. CUB has on some occasions obtained consent from the Supervisor to permit it to increase its investment in Co-op Money NZ, which has been necessary to ensure continuity of service to members. If consent had not been obtained, the investment would have resulted in the Other Investments ratio exceeding the 1% limit and breaching the Trust Deed. By increasing the ratio to 3%, CUB would be able to continue adjusting its "Other Investments" within a wider range – reducing compliance and administrative costs and streamlining processes.

The changes to the Trust Deed proposed by the Board of CUB will align the investment ability of CUB with those of similar institutions within the financial services sector, which are often not required to adhere to such conservative financial ratios. This would assist CUB in providing competitive financial services and products to members.



Alan Bartlett BBS, CA

Nominated to serve as a Director and a Trustee

I am a Chartered Accountant and a Director with Hastings based accounting practice Moore Markhams. I have over 30 years experience assisting and advising clients on a wide range of accounting, financial and investment matters in a fast changing world.

I have a Bachelor of Business Studies (BBS) in Accounting & Finance, am a qualified Chartered Accountant (CA) and hold a Certificate of Public Practice (CPP). I am a member of Chartered Accountants Australia & New Zealand (CAANZ) and the Institute of Directors (IOD).

I was appointed as a director of NZCU Baywide in 2004 and as a Trustee in 2008. I held the role as vice chair (2008-2019) and serve on the Governance Committee. I have also served several terms on the Audit & Risk Committee.

Introduced to credit unions at a young age through my father working for the Hawke’s Bay Electric Power Board, the credit union gave me a loan to buy my first car. This people helping people philosophy is something I want to see continue and am proud to be part of.

I believe my work and credit union experience provide me with great insight into members wants and needs. Credit unions face increased regulation and oversight and need to make sure they stay relevant in a fast changing digital world. Legislation will soon allow credit unions to lend to small businesses with whom I have an extensive background in advising and mentoring so I feel I am particularly qualified in this area. This ever changing banking world, together with wanting to continue to ensure members receive the best products and services and ensuring your credit union provides a viable alternative to the big banks are why I am asking you to elect me for a further term.



Alan Connolly

Nominated to serve as a Director and a Trustee

I was born in New Plymouth and grew up in Taradale before Qualifying with a BMS from Waikato University. I have lived at Ohope Beach for the last 20 years and am a father of 4 boys and with my wife Kryss, I enjoy hunting, fishing, diving, multi-sport and challenging myself including having completed the Ironman, Coast to Coast, New York Marathon and Everest basecamp.

I have extensive experience across a broad spectrum of Management and leadership roles. I have successfully engaged in both Business Development and Sales and Management positions for New Zealand, Asia and Australia. As a Chartered Accountant, I also held Executive financial roles such as CFO’s and am currently an owner at Arrow Accountants Limited.

I am a well-rounded experienced executive that adds value and objective direction to Boards on which I serve. I was voted onto the Credit Union Central Board in 2016 moving into the Chairs role a year later. I am known for my unwavering ability to set clear concise strategic direction for management and to hold each accountable for their performance.

Under my tenure, Central’s focus was to achieve profitable growth while meeting member needs. The underlying philosophy of the credit union movement has been one of exceptional member service, often in poorly served communities. This is an important principle embraced by the credit union movement, one we should strive to maintain. We must be innovative and forward looking, however we must ensure our member service remains paramount.

As Chair of the Central Board, I was also voted on as a director of Co-op Money. This strategic nomination, supported by the majority of member credit unions, allowed Central to get a better understanding of how Co-op Money was operating and challenges faced. I will serve the members well if elected.



Louise Edwards

Nominated to serve as a Director and a Trustee

I am an experienced Director and Chartered Accountant with over 20 years senior management experience across a number of industries in NZ and overseas. In particular, I've held senior executive positions within the NZ financial services industry and am an experienced leader with a wealth of financial management acumen.

I currently hold several board appointments including as a director of National Provident Fund and Independent Chair of the ChristchurchNZ Audit and Risk Committee (Canterbury economic development/tourism agency).

Previously I was on the Credit Union South board for three years before the merger with Credit Union Baywide and was appointed for two years on the new transitional board. I was elected to the Co-op Money board two years ago, during what has been a particularly challenging period. I have a strong interest in governance, being actively involved in the Canterbury branch of Institute of Directors.

Previous roles include Chief Executive of Rata Foundation, Chief Executive of Perpetual Trust and Chief Operating Officer for Assure NZ (subsidiary of AXA).

In conjunction with my busy work life, I've always maintained strong community sector links which include the Christchurch Symphony Orchestra, University of Canterbury Foundation, Good Shepherd NZ, Alzheimers Society and Victim Support.

With my governance, corporate and community experience, I strongly believe I can contribute at a high level to the board and management of Credit Union Baywide. I also believe the female viewpoint is under represented around the Baywide board table. My lengthy experience in the financial services sector means I have a good understanding of the need to ensure good compliance processes ensuring the interests of members are protected. Members of my family have been credit union members for many years. I understand the importance of helping members achieve their financial goals.



Jared McGillicuddy

Nominated to serve as a Director

Over the past decade I have worked extensively for, and on boards, and believe strongly in the values of successful member-owned organisations and not for profits.

While relatively young to be active in governance roles, my professional experience provides a perspective at the Board table that reflects the issues facing young working families and a desire to be part of creating a better future for all. I want to see our credit union continue to grow, moving from strength to strength, being high performing and continuing to evolve to meet our members' needs, whether this be increased use of innovative technology or simpler processes.

Having a young family I appreciate the challenges and long hours that need to be worked to try to get ahead. I've spent the past three years as an Associate Director on the Credit Union Baywide Board and understand the complexities of the regulatory environment within which we operate and associated challenges to be tackled within the sector.

My professional background is in Cyber Security, Certified Information Systems Auditor, Certified in Risk and Information Systems Control and a Chartered Accountant. I currently work within the health sector providing clinical and non-clinical assurance services. I've been involved in technology start-ups and have a further background in computer forensics. Prior to this I held positions with professional service firms Ernst & Young and PricewaterhouseCoopers.

I appreciate it is difficult to fully understand and size up what an individual has to offer from a short bio so welcome and invite any questions directly to myself (JaredCUBaywide@gmail.com). Please feel free to get in touch, I would welcome any opportunity to better understand your concerns as member-owners. It would be an honour to represent you on the Board and look forward to your support and vote in these elections.

**Steve Wakefield**

Nominated to serve as a Director and a Trustee

I am a professional director with strong skills and experience in accounting, finance, auditing, and information technology. A Fellow Chartered Accountant (FCA), I retired in 2017 from a 36 year career with global accounting and consulting services firm Deloitte. I had a range of roles including Head of Risk Advisory Services for the South Island, Office Managing Partner for Christchurch, and Head of the IT Consulting Services practice for the South Island.

I am a strong believer and advocate for the membership/cooperative business model, and became a director of NZ Credit Union South in 2017, Co-op Money and Foodstuffs South Island in 2018, and Credit Union Baywide in 2019.

I have also committed to the community in governance roles including previously serving as Deputy Chair of the Canterbury District Health Board, and I am currently on the Board of the Court Theatre, Church Property Trustees, East Lake Trust, and the NZ Health Innovation Hub.

In 2017 I was appointed by the Minister of Tertiary Education to the governing Council of the University of Canterbury. Previously I have served on the Board of Canterbury Cricket, and was heavily involved in the development of Hagley Oval as a world class cricket ground.

In relation to credit union and banking experience, prior to being a director of Credit Union South, in my 36 years with Deloitte I worked on audits, system evaluations, and risk control reviews for many building societies, credit unions, savings and loan associations, and finance companies.

With a computer science degree and an accounting systems background, I bring considerable IT expertise to the board table, with extensive experience in IT strategy, systems implementation, IS project management, cyber security and other areas of relevance to credit unions. I also have considerable business strategy, process improvement, and change management skills and experience.

**Te Taru White**

Nominated to serve as a Director

I am a member of Credit Union Central (CUC) and was appointed as a Board member in December 2018. As at May 2019, I was appointed a Director on the merged Baywide Board. I have a deep understanding of the Maori/Iwi and community wide socio-economic dynamic, the potential for significant membership growth and a proven track record.

I have over 40 years' experience across many sectors including Engineering Science, Human Resource management and Senior Executive roles both in Government and private sector/community organisations. I have provided high level advice to Government, local and regional authorities and have been involved in mergers and acquisitions at the Maori/Iwi level and Government/SOE businesses.

I am not an Accountant or have specific banking experience but I have many years of managing budgets and investment decisions.

I believe diversity on Credit Union Boards is very important particularly understanding the dynamics and needs of communities. Numbers are important but they cannot be viewed in isolation.

Credit Unions are not for profit organisations born from the people. This differentiates them from mainstream banks which are profit driven, overseas owned and where significant profits are exported overseas. Credit Unions are a "money go round" for our people and that is my primary interest in pursuing this nomination.

Past Governance experience

- NZ Transport and Safety Authority (Board Director);
- Lakeland Health Board (Director);
- NZ Meteorological Services (Director);
- NZ Lotteries Commission – ECH Decision Committee (Member);
- National Federation of Maori Authorities (Executive Member);
- Credit Union Central (Board Director)

Current:

- Te Tatau o Te Arawa (Chairman);
- Te Arawa Federation of Maori Authorities (Deputy Chair)
- Te Arawa Primary Sector Inc (Executive Member);
- Eagle Spirit Energy, Canada (Honorary Director) ;
- NZ Baywide Credit Union (Board Director);

Education:

BSc (Earth Sciences), BSc (Hons), MBA, Certificate in Company Directorship (IOD/Otago Uni)

Hobbies:

Motorcycles, Golf