

Gateway Bank's Proposed Constitutional Amendments

Explanatory Memorandum

What are the proposed Constitutional amendments?

The proposed Constitutional amendments relate to the following:

- Electronic meetings
- Director elections
- Circular resolutions of the Board
- Alternate directors
- Director remuneration
- Extension of the demutualisation sunset clause

Further details of each amendment are outlined below.

Gateway's Board unanimously support the proposed Constitutional Amendments and recommend Members vote in favour of the resolution.

Why is Gateway proposing to change the Constitution?

The majority of the proposed changes are to enable Gateway to better utilise technology to facilitate meetings of Members and Board processes. These have been proposed in response to the increasing need to operate virtually due to the ongoing impacts of the Covid-19 pandemic, and to bring the Constitution in line with good governance practices that facilitate easier member engagement.

Other procedural amendments relate to the setting of Director remuneration and the annual extension of the demutualisation sunset clause.

Do the proposed Constitutional amendments cause Gateway to demutualise?

No, Gateway is committed to our future as a Mutual Bank and the proposed changes will clearly retain Gateway's status as a Mutual Bank now and into the future. Nothing in the proposed amendments will mean that Gateway ceases to be a "Mutual entity".

Details of Constitutional Amendments

Electronic Meetings

The ongoing Covid-19 pandemic has highlighted the need to facilitate virtual or hybrid meetings of Members. Any electronic meeting must allow Members the ability to participate and vote via electronic direct voting. Members joining an electronic meeting will be counted in the quorum - Division 7.3 and Division 8.

The changes also seek to clarify that Directors attending Board meetings using electronic technology will be counted in the quorum of the Board - Division 11.2.

It is not compulsory for the Board to use the electronic meeting mechanisms.

Director Elections - Division 8 and Appendix 4

The proposed electronic voting provision will take greater advantage of technology to replace the requirement to hold a postal ballot when there are more director candidates than vacancies and allow the Board to use an electronic ballot for the election of directors. The use of an electronic ballot will allow Gateway to conduct the election in a more streamlined and efficient manner and allow easier member engagement. Any electronic ballot would be held in addition to performing a ballot at the Annual General Meeting (AGM).

Members unable to attend the AGM retain the right to submit a vote via proxy.

It is not compulsory for the Board to use the electronic voting mechanisms.

Circular Resolutions of the Board - Division 11.5

The proposed amendments will allow more flexibility in how resolutions of the Board may be passed between formal meetings using modern technology.

Alternate Directors - Division 9.8

It is proposed to remove the provisions for Alternate Directors as they have not been used and it is not the intention of the Board to utilise them in the future as it is no longer considered good governance practice.

Director Remuneration - Division 13.1

The proposed change will mean that the Members will continue to approve the aggregate amount of Director remuneration, but the annual amount once approved will remain at that level until the Members approve a change. At present Director remuneration must be set each year, even if no change is being sought.

Extension of Demutualisation Sunset Clause - Appendix 6-7(2)

Since 2009, Gateway's Constitution has provided for procedures to be followed in the event of a demutualisation. Those provisions are contained in Appendix 6 of the Constitution and include an expiry date.

Each year the Board has asked Members to pass a resolution at the AGM extending the expiry date a further 12 months. The provision ceases to have effect at the end of the 2021 Annual General Meeting, and as such, a further extension to the 2022 AGM has been proposed.

Where can I find out more?

A marked-up version of the Constitution showing the changes is available online at gatewaybank.com.au/2021AGM and a copy will be tabled at the AGM by the Chair.

Please email any specific questions you might have to agm@gatewaybank.com.au