



Information for Customers on the Constitutional change

On Wednesday the 23rd of June 2021, Summerland Credit Union will hold a General Meeting to propose amendments to our Constitution. The proposed changes are designed to protect the best interests of our members.

As a member of a credit union, you are a part owner of Summerland.

Customer-owned banking institutions – like Credit Unions – have a different ownership structure to banks and other companies. The customers' interests do not conflict with those of shareholders because the members *are* the shareholders. All profits are delivered back to members in the form of better rates, fairer fees, responsible lending and improved customer service. This is the 'mutual' business model.

In recent years there have been moves by non-mutual financial institutions to takeover organisations like ours. Sometimes these offers are potentially beneficial to the members, and sometimes they are not. If this type of offer arose and was believed to be in your best interests, the Board would carefully consider the benefits to members and the long-term sustainability of the credit union.

However, some of these takeover proposals are hostile and not necessarily in the best interest of the members or the credit union. Therefore, the Board is recommending changes to the Constitution that would ensure that customers are fully informed of any takeover offer and have an opportunity to be involved in any decision that impacts the future of the credit union.

Currently, Summerland prefers to remain as a 'mutual'. The Board believes this to be in the best interest of our customers as each member has a vote and a say in our business.

A take-over by a non-mutual institution, would lead to the demutualisation of the credit union.

Summerland Credit Union has been part of the Northern Rivers community for more than 57 years and has built a reputation as a socially and environmentally responsible lender.

The Summerland Board wants to protect the credit union from a hostile takeover. To achieve this the Board is recommending the following change to our Constitution:

- To vote on a demutualisation a customer would need to have an account with Summerland for a period of 12 months prior to the vote being held. This is to ensure that customers have a relationship with Summerland.
- A successful vote would need 15% of our members to vote, with 75% of voting members to agree with the offer from the non-mutual financial institution.
- Directors would have to provide a report to members. The Director statements would promote the views of the credit union in relation to the demutualisation.



Frequently Asked Questions

Why do the Directors want to make changes to the Constitution?

The Board believes Summerland's Constitution offers inadequate protection from a hostile takeover. The Board wants to amend the Constitution to ensure that customers are fully informed on any offer and involved in the decision-making process.

Why do the Board want to protect Summerland from a takeover?

Summerland believes it is in the best interest of our customers to continue as a 'mutual' organisation. Under this structure, our profits are returned to the business to provide benefits to our members. All our members have a say in our business, there is one vote for each member. If we were demutualised the business would have shareholders and they would need to be paid dividends out of any profits.

What specifically do the changes in the Constitution apply to?

The changes apply to takeovers of the credit union by non-mutual financial institutions; and Director eligibility.

What if the offer by the non-mutual financial institution was in the best interest of Summerland Credit Union?

The Board would support any offer that was deemed to be in the best interests of members and provide customers with information to advise them on why they believe the offer worthy. Customers would still be able to vote on the offer.

How many members would need to vote for the takeover by a non-mutual?

A minimum of 15% of all members would need to vote. Of those who vote, 75% would need to vote in favour of a takeover. This ensures that a small number of members cannot make such an important decision on behalf of all members.

Is there any qualification on members who can vote?

To vote you will need to be a member for a period of 12 months to be eligible. This stops people joining Summerland specifically to override the intentions and preferences of the established membership.

How would voting take place?

A general meeting of members would be used for a vote on a demutualisation which would include proxy voting.

Would these conditions apply if Summerland wanted to merge with another mutual?

These conditions would not apply for a merger with another mutual. We want to remain open to advantageous mergers with other mutuals to ensure the long-term viability of Summerland.