

TRAVELLERS CHOICE LIMITED ACN 121 496 900

NOTICE OF PROPOSED SPECIAL RESOLUTION

NOTICE is hereby given that a Meeting of Members will be held to consider passing Special Resolutions on 26 November 2021 at 11.00am WST using virtual technology provided by Vero Voting.

The Company, being Travellers Choice Limited ACN 121 496 900, proposes the following constitutional amendments. Please find **attached** to this notice a draft copy of a new Constitution.

There are two types of constitutional amendments we are proposing; general amendments and amendments to allow for the Company to issue Mutual Capital Instruments. The Company is proposing four (4) special resolutions to effect these amendments. Please take the time to read and understand the documents and if necessary, seek advice as to what these changes mean for you.

General Amendments

Generally, the proposed general amendments are to improve the readability and formatting of the Constitution. However, we are also proposing to:

1. allow for the holding of member and directors meetings via technology to better reflect contemporary business practices (see clause 14.3);
2. limit the number of undirected proxies a Member may hold to five (5) to prevent a Member, or groups of Members, from gathering sufficient undirected proxies to influence voting and thus protect the co-operative values of the Company (see clause 15.5). There continues to be no limit on the number of directed proxies a Member may hold;
3. allow Directors to pass resolutions relating to matters such as dividend and rebate distribution, director remuneration and all other matters where all Directors have a conflict, so as long such a conflict is registered in the minutes (see clause 17.12). Directors are very mindful of their fiduciary duty to avoid conflicts of interest, and record formal declarations of any conflicts;
4. simplifying clause 23.2 relating to the entitlement to dividends;
5. allowing dividends to be paid via electronic or other means as approved by Directors and removing payment of dividends via cheque or bankers draft to better reflect contemporary business practices (see clause 23.5);
6. limiting payment of dividends to the registered owner of the shares to reflect normal business practice and protect Member dividend payments from being directed elsewhere in the future (see clause 23.6);
7. removing the definition of a Corporate Shareholder as it became redundant following the redefining of Members and Shareholders (see clause 26.1); and
8. inserting a definition for "Corporations Act" (see clause 26.1).

MCI Amendments

MCI Amendments

Currently, we are an Australian Public Company, Limited by Shares. We are also considered a mutual entity; that is, the company is owned by its members and operates for the benefit of those members.

However, these benefits have also come with restrictions on how capital in the Company can be raised. Whilst the Company *can* issue shares should it choose to do so, any such issue has the potential to risk our status as a mutual entity. The *Corporations Act 2001* changed in regard to Mutuals for the first time in

20 years on 5 April 2019 through the introduction of mutual capital instruments (**MCI**s). These changes allow us greater access to capital for the Company without risking our mutual status but these amendments to the Constitution must be implemented **before** 5 April 2022. Failure to enact the necessary changes before 5 April 2022 will exclude the Company from being able to issue MCIs and access capital from third parties in the future should the Company ever wish to do so.

In general terms, the changes will have no tangible impact on your membership rights, except in a winding up. It does, however, provide the Company with the ability to raise capital outside of its current membership without risking its mutual status. Any equity shares issued to investor as a mutual capital instrument, will not have voting rights and will not threaten the mutual principles of member ownership and control. However, upon a winding of the Company, holders of MCI Shares will be entitled to participate in any surplus in priority over Member Shares. Put simply, MCI Shares will receive the money back on their MCI Shares before Members.

The following amendments (**the MCI Amendments**) have been made to the Constitution in order to allow the Company to issue MCIs:

1. Insert new clause 1.2 which states “The Company was established with the co-operative values and intends to operate as a “mutual entity” (as that term is defined in the Corporations Act) for the benefit of its Members”;
2. Insert new clause 1.3 which states “The Company intends to be a “MCI mutual entity” for the purposes of the Corporations Act, pursuant to section 167 AC(d) of the Corporations Act”;
3. Amend clause 4.1 as underlined:

Subject to ensuring that the Company continues to meet the requirements of a ‘MCI Mutual Entity’ for the purposes of the Corporations Act, shares in the Company may be issued by the Directors.

4. Insert new clause 4.2 which states “There is, at the time of adoption of this Constitution, two (2) classes of shares known as “Member Shares” and “MCI Shares””.
5. Insert new clause 4.3 which states:

Member Shares have the following limitations, rights and entitlements:

4.3.1 The Company may only issue Member Shares:

- (a) to Members; and
- (b) only if the Member pays the full issue price in cash on issue.

4.3.2 Member Shares carry a right to vote but that right to vote is limited to one (1) vote per Member regardless of the number of Member Shares held;

4.3.3 Member Shares confer on its holder a right to participate in dividends (if any) declared; and

4.3.4 on a winding up, all Members are entitled to participate in any surplus equally without regard to the number of Member Shares held by any Member.

6. Insert new clause 4.4 which states:

MCI Shares have the following limitations, rights and entitlements:

4.4.1 the Company may only issue MCI Shares as a fully paid share;

4.4.2 MCI Shares do not carry a right to vote;

4.4.3 MCI Shares confer on its holder a right to participate in dividends (if any) declared. These dividends are non-cumulative;

4.4.4 the right to participate in dividends outlined in clause 4.4.3 only arises when payment of the dividend is fair and reasonable to Members and Shareholders;

4.4.5 on a winding up, all holders of MCI Shares are entitled to participate in any surplus with priority over Member Shares. Such distribution of surplus will be based on the number of MCI Shares held by any holder of MCI Shares; and

4.4.6 any other limitations, rights or entitlements the Board may choose provided that such limitations, rights or entitlement are otherwise consistent with this clause 6.

7. Insert new clause 4.5 which states:

The terms of issue, rights and entitlements to dividends and distributions, and value in respect of Shares (other than Member Shares) that may be issued by the Directors from time to time, will be determined by the Directors in their absolute discretion provided always the Company complies with the Corporations Act and maintains its status as a MCI Mutual Entity.

8. Insert new clause 4.9 which states "All MCI Shares will be of one (1) class, all ranking equally and shall have an issue price as determined by the Board."

9. Amend clause 4.10 as underlined:

With the exception of MCI Shares, shares in the Company shall not be quoted for sale or purchase at any stock exchange or in any other public manner whatsoever.

10. Amend clause 5.1 as underlined:

The Company may do anything in respect of its share capital permitted by the Corporations Act, including any one (1) or more of the following:

5.1.1 Convert all or any of its shares into a larger or smaller number of shares.

5.1.2 Any form of capital reduction or buy back, provided that the Company maintains its status as a MCI Mutual Entity for the purposes of the Corporations Act.

11. Insert new clause 5.2 which states "Subject to clause 6, if there are different classes of shares on issue, the rights attached to a class may only be varied according to sections 167AE and 246B of the Corporations Act."

12. Insert new clause 6 which states:

Variation and Cancellation of MCI Shares

MCIs can only be varied or cancelled by special resolution of the Company and either:

6.1.1 by special resolution passed at a meeting of all MCI Shareholders holding the same class of MCIs; or

6.1.2 with the written consent of at least 75% of the holders of the class of MCI.

13. Insert new clause 7 which states

Cessation of MCI Mutual Entity

Pursuant to s 167AG of the Corporations Act, a resolution of the Company that would result in the Company ceasing to be an MCI mutual entity can only take effect if:

7.1.1 there are no MCI Shares in the Company; or

7.1.2 the resolution provides for each MCI Share to be cancelled at or before the time the Company ceases to be an MCI mutual entity (whether or not the holders of the MCIs to be cancelled are to receive other securities in respect of those MCI Shares).

14. Amend clause 14.27 as underlined or struck through:

Voting rights of Members and Shareholders

The right to vote attaches to Member Shares (and not all shareholding). Each Member who holds Member Shares gets one vote regardless of the number of Member Shares held and Subject to any rights or restrictions for the time being attached to a class or classes of shares both of the following rules apply:

14.27.1 On a show of hands every person present entitled to vote has one vote irrespective of the number of shares issued to that ~~Member Shareholder~~, or the number of proxies held by that person. A ~~Member Shareholder~~ may not be represented by more than one authorised representative or proxy in respect of a vote.

14.27.2 On a poll every ~~Member Shareholder~~ present in person, by proxy, or, being a body corporate, by a corporate representative has one vote irrespective of the number of shares issued to that ~~Member Shareholder~~. A person who is appointed as proxy by a ~~Member Shareholder~~ has only one vote for each ~~Member Shareholder~~ in respect of which he or she is appearing as proxy.

15. Insert new definitions in clause 26:

“**MCI** means a mutual capital instrument as defined by s 167AD of the Corporations Act.”

“**MCI Mutual Entity** means an entity as defined by s167AC of the Corporations Act.”

“**MCI Share** means a share issued which has the rights outlined in clause 4.4.”

“**Member** means a person whose name is entered in the Register of Members and the Register of Shareholders as a holder of Member Shares in the capital of the Company.”

“**Member Share** is a share which can only be issued to Members who meet the criteria in clause 3.1 and which have the rights outlined in clause 4.3.”

“**Register of Members** means the register of Members kept by the Company under section 168 and 169 of the Corporations Act.”

“**Shareholder** means a person entered into the Register of Shareholders as a holder of any type of shares in the capital of the Company which may include (if approved by a special resolution of the Members) an MCI.”

16. All other necessary changes to cross-references within the Constitution as required due to the amendments set out in sub-paragraphs (1) to (15) above.

Proposed Special Resolution

To effect all of the above amendments, we will propose the following Special Resolutions:

Terms of Special Resolutions

- (1) That the members approve all General Amendments to the Constitution as provided to members in the Notice of Proposed Special Resolution and tabled at this meeting.
 - (2) That the members approve all MCI Amendments to the Constitution as provided to members in the Notice of Proposed Special Resolution and tabled at this meeting.
 - (3) That it is acknowledged that the passing of these Special Resolutions will not result in the Company ceasing to be a mutual entity as defined in section 51M of the *Corporations Act 2001*.
 - (4) That the Company's Secretary sign all documents and file all documents to formalise the constitutional amendments approved in these resolutions, once passed.
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