

Summary of Proposed Amendments to the Constitution



A summary of the proposed key changes to RAA's Constitution referred to in the RAA General Meeting Information Pack is as follows:

1. Electronic notices for general meetings, Board Elections and other notices		
Change	Explanation	Clause ref
<p>The sending of notices for general meetings and Board elections will be transitioned to email only with effect from the date the special resolution is passed. Notices will also continue to be published on RAA's website and social media channels, and advertisements (together with details of how the full notices can be accessed) will be placed in the <i>samotor</i> publication and <i>The Advertiser</i> newspaper. Accordingly, members who have not elected to receive electronic communications and/or do not have a valid email address registered with RAA can access the general meeting and Board election notices via these means.</p> <p>RAA will continue to make hard copy notices and voting materials available from RAA Stores or upon request to companysecretary@raa.com.au.</p> <p>RAA will also be permitted to provide any other notices to members by publication on its website, in addition to the other existing ways in which it can provide notices to members. Similar to notices of general meetings and Board elections, RAA will generally seek to provide these other notices to members by email or, where members do not provide an email address, by publication on its website, in the <i>samotor</i> publication or <i>The Advertiser</i> newspaper. RAA may also provide these notices by other non-electronic means where determined by the Board.</p>	<p>This change aligns with modern governance standards and community expectations in relation to the way in which many members wish to receive communications from RAA.</p> <p>The financial cost for RAA to continue to provide hard copy notices direct to members for general meetings and elections is excessive and will only continue to grow as the number of members grows.</p> <p>A move to electronic delivery of this information will result in a significant cost saving for RAA, of over \$250,000 annually. In addition, it will enable RAA to respond more flexibly to increased postage delays (including, for example, those experienced as a result of the COVID-19 pandemic), while still allowing members who prefer to obtain materials and vote in hard copy to do so.</p> <p>Importantly the sending of these notices under the Constitution by email will not impact a member's preference for product communications being sent in hard copy (such as insurance policy renewal).</p> <p>To ensure that members who like to access information regarding general meetings and Board elections in hard copy can continue to do so, RAA will:</p> <ul style="list-style-type: none"> • provide links to the information on its website, which can be printed; • make printed copies available from RAA Stores and upon request to companysecretary@raa.com.au. 	<p>22.3, 22.4</p> <p>22.1(h), 22.4</p>

2. Member meetings to be held online and/or face-to-face formats

Change	Explanation	Clause ref
<p>RAA will be expressly permitted to hold AGMs and other general meetings of members using technology such as telephone, audio or audio-visual communication. This will include both 'online only' meetings as well as 'hybrid' meetings where the meeting can be held both online and in person.</p> <p>To assist with holding meetings electronically, the amendments also insert a new provision to allow for "direct voting" by members, in addition to voting in person or by proxy. This allows a member to lodge their vote on any resolution in advance of a meeting.</p>	<p>The right to hold general meetings using technology is not currently permitted by RAA's Constitution. As a result of COVID-19 restrictions on personal gatherings, in 2020 RAA was forced to move to an online forum to hold its adjourned Annual General Meeting. This was only permitted as emergency legislation is currently in place to address issues arising as a result of COVID-19 which specifically allows this (being the <i>COVID-19 Emergency Response Act 2020 (SA)</i>). Under the emergency legislation, RAA is limited to using an online forum only. Moving forward RAA can see benefit to members in using a combined forum, incorporating both a face to face meeting and online, but in order to do so an amendment to the Constitution is required.</p> <p>RAA wishes to be in the best position to respond to the ongoing uncertainty and possible restrictions imposed by COVID-19, and also to have flexibility to give more of its members (including vulnerable and rural members) the opportunity to safely and conveniently participate in general meetings in the future.</p> <p>RAA is confident that an online forum will result in an increase in participation at general meetings in particular by its country members.</p> <p>By incorporating a direct voting mechanism members will also be able to vote on resolutions using an online system in advance of or at the meeting. This will ensure more members can have a say, even if they can't attend a meeting.</p>	8.8, 8.9

3. Additional eligibility criteria for Board members and candidates seeking election or appointment

Change	Explanation	Clause ref
<p>Additional eligibility criteria</p> <p>Persons seeking to be elected or appointed to the RAA Board will be required to meet additional eligibility criteria that can be objectively assessed and independently verified. The proposed additional eligibility criteria are that the person:</p> <ol style="list-style-type: none"> 1. not be prohibited from acting as: <ul style="list-style-type: none"> • a company director under the <i>Corporations Act 2001</i> (Cth); and • a committee member of an incorporated association (i.e. a board member) under the <i>Associations Incorporation Act 1985</i>; and 2. would not be likely to jeopardise or put the Association in breach of any criteria or conditions attaching to any licences it holds or seeks to hold. <p>These criteria capture a number of legislative standards and requirements, key examples of which include that the person must not be banned by the Australian Securities and Investments Commission or a court from managing corporations under the <i>Corporations Act</i> and must not be convicted of certain dishonesty-related offences or offences in connection with the promotion, formation or management of a body corporate.</p>	<p>The adoption of eligibility criteria will help to ensure Directors meet minimum standards prescribed by legislation (broadly consistent with a ‘fit and proper’ person standard). This will ensure the person seeking election or appointment to the Board is capable of and legally entitled to participate in governing RAA, including its group companies that are subject to industry specific regulation (such as its insurance business).</p>	<p>11.8</p>
<p>Process to assess eligibility criteria</p> <p>Persons seeking election or re-appointment to the Board will be required to provide supporting information and documents as may be prescribed by the Board. While not specified in the Constitution, it is intended that to demonstrate their satisfaction of the new eligibility criteria, persons seeking election or appointment (or re-election or re-appointment (as the case may be)) will be required to provide current searches (being no more than 3 months old) of:</p> <ul style="list-style-type: none"> • the National Criminal History Database; and • ASIC’s Banned and Disqualified register 	<p>Requiring the candidate to provide evidence to support their eligibility is consistent with other organisations similar to RAA. By requiring candidates to undertake searches of independent registers any potential of bias in the assessment of a candidate’s eligibility to act as a Director is removed.</p> <p>The precise searches to be required are not specified in the Constitution so as to provide flexibility in the future. This could arise, for example, if more appropriate searches are developed or RAA wishes to require additional types of searches in future as governance and regulatory trends evolve. The searches required will accordingly be specified in RAA’s Board Election Procedures (which can be readily updated by the Board) rather than in the Constitution.</p>	<p>11.5(b), 12.2(f)</p>
<p>Application of eligibility criteria</p> <p>The additional Eligibility Criteria will apply to all persons seeking election or appointment to the RAA Board, including:</p> <ul style="list-style-type: none"> • candidates seeking nomination in Board elections; • any person to be appointed by the Board to fill a casual vacancy, including as a ‘Board Appointed Director’ (see item 6 below); and • all sitting Directors. 	<p>This will apply to all candidates seeking to become a Director of RAA, including those appointed to fill a casual vacancy. This is intended to ensure fair and equal application to any person seeking to hold the office of Director.</p>	<p>11.8</p>

4. Establishment of Nominations Committee and review process

Change	Explanation	Clause ref
<p>Independent nominations committee</p> <p>A new Nominations Committee will be established, consisting of:</p> <ul style="list-style-type: none"> • the President of the RAA Board; • the RAA Company Secretary; and • two independent members appointed by the Board, who are not Directors or employees of RAA and who, in the opinion of the Board, are free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgment to bear on issues before the Nominations Committee. <p>The Nominations Committee will be chaired by one of the independent members. The Nominations Committee can only be dissolved with the approval of members by special resolution (by alteration to the Constitution).</p>	<p>Many corporate and not-for-profit organisations now have Nominations Committees as part of their governance structures to identify any gaps in Board skills and experience, provide guidance to the organisation about the election and appointment of Directors having regard to these matters and undertake ongoing evaluation of Board and Director performance. RAA's Nominations Committee will have similar responsibilities and functions under the Constitution and a committee charter.</p> <p>The composition of the Committee is designed to ensure a level of independence, transparency and balance and to remove a potential or perceived conflict of interest or bias of existing Board members in the selection or endorsement of candidates for election or appointment to the RAA Board.</p>	<p>16.4(a), (b), (e), (f)</p>
<p>Defined endorsement criteria</p> <p>The Nominations Committee will determine a set of endorsement criteria for Board candidates on an annual basis prior to the call for nominees for election, having considered RAA's current and future strategies and objectives, any skills gap within the existing Board composition, general corporate governance best practice and any other factors the Committee determines (Endorsement Criteria).</p>	<p>The purpose of the Endorsement Criteria is to seek to identify desired skills, experience and attributes of incoming Directors, having regard to the existing Board composition and RAA's current and future strategies and objectives. This is to seek to ensure Directors have the appropriate skills, knowledge and experience to govern RAA and its evolving business, community and advocacy interests, and to address any skill gaps that arise on the Board. The criteria may be made publicly available in the Nomination Committee's discretion.</p>	<p>16.4(g), (h)</p>

4. Establishment of Nominations Committee and review process (continued)

Change		Explanation	Clause ref
<p>Assessment of endorsement criteria and Board Review</p>	<p>For any person seeking to be elected (or re-elected) as Member Elected Director in a Board election or appointed (or re-appointed) as a Board Appointed Director, or appointed to fill a casual vacancy as either a Member Elected Director or Board Appointed Director, the Nominations Committee will review the person against the Endorsement Criteria. The Nominations Committee will then make a recommendation to the RAA Board:</p> <ul style="list-style-type: none"> • where there is an election, in relation to whether the Board should endorse the candidate to members; or • where there is no election and the appointment is to be decided by the Board, in relation to whether the person should be appointed as a Director by the Board. <p>The Board will review the recommendations made by the Nominations Committee in relation to persons seeking election or appointment as a Director and resolve whether to endorse or appoint the person or not.</p> <p>For Board elections, the candidate statement for each candidate must include a statement from the RAA Board either:</p> <ul style="list-style-type: none"> • endorsing the appointment of the candidate; or • not endorsing the candidate, in which case, the reasons for not endorsing the candidate must also be stated. 	<p>This is to ensure all Director appointments are subject to an assessment as to suitability (including whether sitting Directors seeking re-election demonstrate the skills required to govern RAA), not only nominees seeking election. The requirement to provide reasons where the Board does not endorse a candidate is to ensure transparency.</p>	<p>16.4(i), 11.7(c), 12.2(f), 11.7A(e)</p>

5. Board Appointed Directors

Change		Explanation	Clause ref
Number	<p>The Board will be entitled to appoint up to 3 Directors (Board Appointed Directors) following a casual vacancy. Any Board Appointed Directors will form part of the total 9 non-executive Directors (plus a Managing Director, if appointed by the Board), and will therefore effectively reduce the number of Directors to be elected by the members (Member Elected Directors).</p> <p>The position of President and Vice President can only be held by Member Elected Directors.</p>	<p>Currently all Directors are elected by members in Board elections, other than Directors appointed by the Board to fill a casual vacancy. The amendments propose to change the Board composition arrangements so that up to a maximum of 3 Directors (out of 9 non-executive Directors) may be appointed by the Board rather than elected by members.</p> <p>Many governance experts generally consider that directors have a duty to ensure that the Board is composed of Directors with an appropriate mix of skills, knowledge and experience to adequately govern the organisation's activities. The RAA Board considers this duty particularly important given RAA's diverse community, advocacy and business activities, in particular with changing regulatory obligations relating to its insurance business.</p> <p>By enabling the Board to appoint Directors, the Board can pro-actively manage the composition of part of the Board to seek to ensure there are appropriate skills and experience available to govern the RAA group, and close any gaps which may arise through changes to the Board members or changes relative to an area of the business.</p> <p>Importantly, at least 6 of the 9 non-executive Directors will always remain member elected, and the positions of President and Vice President will only ever be held by Member Elected Directors. The Member Elected Directors will therefore have ultimate control over whether and how the Board uses its power to appoint Board Appointed Directors.</p> <p>The Board's intention is that the Board will not have to use this power to appoint a Board Appointed Director, but it is available for the Board to consider when a casual vacancy arises. It is envisaged that this may be used by the Board for specific appointments to reflect the strategy and direction of the organisation as a whole. For example, as RAA is embarking on a 5 year Digital and IT Strategy it will be important that there is a Director with technology skills on the Board throughout this period.</p>	11.2, 11.7A

5. Board Appointed Directors (continued)

Change	Explanation	Clause ref
<p>Appointment process</p> <p>Where a casual vacancy arises the Board may either:</p> <ul style="list-style-type: none"> • appoint a person to fill the vacancy as a Member Elected Director, provided the vacancy arose from a Member Elected Director position; or • appoint a person to fill the vacancy as a Board Appointed Director, subject to the 3 Board Appointed Director maximum. <p>If the person is appointed as a Member Elected Director then they will continue to hold office until the end of that Member Elected Director’s term and upon expiration, the Director may seek re-election as a Member Elected Director through the existing election process. This mirrors the existing process for Directors appointed to fill a casual vacancy.</p> <p>If the person is appointed as a Board Appointed Director then they will continue to hold office until the end of their fixed term, after which:</p> <ul style="list-style-type: none"> • the Board could re-appoint them as a Board Appointed Director (up to a maximum of 12 years – see further information regarding tenure limits under ‘Term’ below - and subject to receiving a recommendation from the Nominations Committee in relation to the re-appointment); or • if they are not re-appointed their position becomes a casual vacancy to be filled by the Board (as above) or, if not filled by the Board, available to be filled by members in a Board election. 	<p>A Member Elected Director may demonstrate skills and experience which the Board consider to be critical to the longer-term objectives or strategies of RAA. After a 3 year term the director must retire and would need to be re-elected by the members.</p> <p>Although it is likely that such a director would be re-elected by the members, to ensure that the Board can retain this skill and experience, the Board could seek the resignation of the Director as a Member Elected Director and re-appoint them as a Board Appointed Director. The Nominations Committee would assess the proposed appointment against the relevant eligibility criteria for a Board Appointed Director.</p>	<p>12.2</p> <p>11.5(a), 12.2(b)</p> <p>12.2(c), 11.7A(d), 11.7A(e)</p>
<p>Eligibility</p> <p>Board Appointed Directors do not need to be members of RAA, but are subject to the same Eligibility Criteria and the Nominations Committee providing a recommendation in relation to the appointment described in items 3 and 4 above.</p>	<p>As the complexity of RAA’s operations and the regulatory environment continue to expand, RAA may require skills at a Board level which may not be available from within the membership base. This change will provide that flexibility and increase the potential persons available to fill skills gaps or other needs at the Board level which may arise from time to time.</p>	<p>11.7A(g), 12.2</p>
<p>Term</p> <p>The term of appointment for Board Appointed Directors is capped at 3 years (which is approximately equal to Member Elected Directors), but could be less. Board Appointed Directors may be re-appointed by Directors (or stand for election as Member Elected Directors) and in each case their aggregate maximum tenure will be 12 years (which is the same for all Directors).</p>	<p>The length of each term of Board Appointed Directors will be up to three years, with a total cap of 12 years, which is equal to that of Member Elected Directors. This continues to support the need to ensure that new skills and experience are added to the Board over time and provides greater diversity, whilst also ensuring that Directors can provide a meaningful and long term contribution to the Board.</p>	<p>11.8(b), 11.7A(d)</p>

6. Maximum Term of President and Vice President		
Change	Explanation	Clause ref
<p>The President and Vice President can be appointed for a term of up to 3 years and have their term extended, in total for a term of up to 5 years.</p> <p>The Vice President can be appointed for a term of up to 3 years and have their term extended in total, for a term of up to 5 years (to align with the President).</p> <p>Unlike the President, the Vice President's appointment will not exempt them from retiring as a Director by rotation in accordance with clause 11.3(a). If during the 5 year term they resign or retire and are not re-appointed, then the position of Vice President would be filled at the next Board meeting.</p>	<p>The ability to extend the term to up to 5 years is an increase on the current maximum term of 3 years. This proposal is to ensure continuity of service and to align with RAA's strategic planning cycle. From a Board of 9 it can be challenging to find a new President every three years, both as many Directors may not have an interest in or the time to dedicate to holding this leadership role or may not have appropriate skills.</p> <p>The Vice President will usually take the role of President so the terms need to align. However, it should be noted that the Vice President will not be exempt from election as a Director by members during their term (unless they hold the position of a Board Appointed Director).</p>	13.1