



NOTICE OF ANNUAL GENERAL MEETING FRIDAY 23 OCTOBER 2020 at 1.00PM

Notice is hereby given that the Annual General Meeting of the members of the APS Benefits Group Limited (ACN 077 846 809) will be held via video conference due to the Covid 19 restrictions at 1pm on Friday 23 October 2020.

If you would like to attend, please email us at agm@apsbenefitsgroup.com.au and we will send you the meeting link and the amended Constitution.

AGENDA

1. Apologies
2. Confirmation of the minutes of the previous Annual General Meeting held on 25 October 2019
3. Presentation of the Financial Statements and reports for the year ended 30 June 2020
4. Chair's and Chief Executive Officer's report on the Company's activities
5. Amend the Constitution – refer Special Business below
6. Appointment of Directors
7. Re-appointment of Auditors, Grant Thornton
8. Director remuneration
9. General Business

SPECIAL BUSINESS

Amend the Constitution: To consider, and if thought fit, pass the following resolution as a special resolution in accordance with section 136(2) of the Corporations Act:

*"That, with effect from the conclusion of the 2020 AGM, the constitution of APS Benefits Group Limited (**Constitution**) be amended in the manner as set out in the marked-up copy of the proposed amended Constitution which is tabled at the Meeting and signed by the Chair of the Meeting for the purposes of identification".*

The proposed amendments to the Company's Constitution seek to:

- (a) Add a process to facilitate the issue of Mutual Capital Instruments (MCIs) under the Treasury Laws Amendment (Mutual Reforms) Act 2019; and
- (b) Remove the pre-existing eligibility criteria for membership,

further details of which are described in the Explanatory Notes to this Notice.

A copy of the Constitution marked-up with the proposed amendments is available on our website at www.apsbenefitsgroup.com.au



Alternatively, members can request a copy by emailing agm@apsbenefitsgroup.com.au. A copy will also be available to view at the Annual General Meeting.

EXPLANATORY NOTES

Agenda Item 5: Amend the Constitution

The proposed special resolution seeks to amend the Constitution as follows:

(a) Add a process to facilitate the issue of Mutual Capital Instruments (MCIs) under the Treasury Laws Amendment (Mutual Reforms) Act 2019.

As a mutual entity and a company limited by guarantee, we face many challenges and one of them is the way in which we are allowed to raise capital. Until recently, we have not had the ability to raise equity capital without jeopardising either our mutual status or status as a company limited by guarantee. We exist to serve our members, and demutualisation would mean abandoning our core business purpose.

To address this real issue, legislation has now been amended to give mutuals the ability to issue mutual capital instruments (or MCIs). MCIs are a new type of share that can be only issued by eligible mutual entities. Further, mutual companies limited by guarantee, which traditionally are unable to raise capital by issuing shares, are now allowed to raise funds by the issue of MCIs. The ability to issue MCIs provides entities like ours with access to a broader range of capital raising options without risking our mutual structure or legal status.

Previously, a lack of a clear definition of an incorporated mutual and absence of any mutual-specific options to issue securities was a major barrier to the growth and development of the sector. It was seen as an artificial constraint on competition, with mutuals either needing to rely on retained earnings and debt or consider losing their mutual status by issuing investor shares designed for non-mutual companies. Further, for mutual entities that are limited by guarantee (like us), they would have needed to convert from a company limited by guarantee to a proprietary limited or limited company in order to raise capital by issuing shares.

Now for the first time the law defines a mutual in the Corporations Act, demonstrating the importance of our sector as part of a diverse economy. This has been achieved whilst adding new safeguards to mutual ownership by ensuring member control remains paramount.

The Company meets the requirements of a mutual entity (as defined in the Corporations Act) because it is registered as a company under the Corporations Act, and the constitution provides that a person has no more than one vote at a general meeting for each capacity in which they are a Member. The proposed amendments to the Constitution create an additional capacity in which a person can be a Member, being by way of holding MCIs. However this amendment does not affect the Company's status as a mutual entity, and all persons will continue to have not more than one vote at a general meeting for each capacity in which they are a Member (including a person being a member in their capacity of holding MCIs, in which case such person will not have more than one vote irrespective of how many MCIs they hold).

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In order to ensure the Company has the ability to issue MCIs in the future (should a need for such manner of fundraising arise), the Constitution will need to be amended.

AN OVERVIEW OF AMENDMENTS

The amendments we propose here will allow the Board to issue MCIs, determine the number of MCIs issued, and decide the terms of those MCIs – including the voting rights (within the set requirements) and the dividend rights. Here are some of the key points:

- Including new definition of "MCI" which refers to the definition in the Corporations Act.
- Clearly identifying the Company's intention to be an MCI mutual entity for the purposes of the Corporations Act. Including this statement is necessary for the Company to meet the requirements of an MCI mutual entity, and be entitled to issue MCIs.
- Creation of a new type of Member, being a "Shareholder Member". This is a person who is the registered holder of an MCI. All other Members are now identified as "Non Shareholder Members" under the amended Constitution.

Being classed as a "Non Shareholder Member" does not change or affect your existing benefits and entitlements.

This change is to clearly identify the capacity in which a person is a Member.

- On a poll, a person can only have no more than one vote in their capacity as a Shareholder Member. Whether a Shareholder Member has a vote or not depends on the terms of the MCIs they hold.
- The Board will have the power to issue different classes of MCIs, with different terms. However, all MCIs to be issued will be fully paid shares, and all entitlements to dividends will only be non-cumulative. Further, the Board shall be authorised to pay any dividends required under the terms of the MCI without confirmation from a general meeting of Members.
- Making it explicit that the Board, subject to complying with the Company's obligations under the terms of any MCIs, may give preference to the interests of Non Shareholder Members over the interests of Shareholder Members.
- In the unlikely event that the organisation was wound up, MCI holders will only be entitled to dividends that have been accrued but not paid, and any additional amount specified in the terms of the MCI (but limited to the issue price), with such payments able to be made in priority to Non Shareholder Members (to the extent allowed by the Constitution at that

time). Otherwise, an MCI does not confer on its holder any right to participate in the profits or assets of the Company, including on winding up.

- MCIs can be transferred, subject to the Board's overriding discretion. A new definition of "Transmission Event" has been inserted specifically for the purposes of Shareholder Members which is required to facilitate the transfer of MCIs upon the death or bankruptcy of an individual holder, or in the case of a Shareholder Member becoming of unsound mind. Where a body corporate that holds an MCI is being dissolved or passing on its assets and liabilities, there will be a Transmission Event.
- Rights attached to an MCI may be varied or cancelled by passing a special resolution at a meeting of the class of MCIs, or with the written consent of at least 75% of votes in the class of MCIs. In relation to such class meeting of MCI holders (or for the purpose of a written resolution of MCI class members), each Shareholder Member has one vote per MCI. Otherwise, Shareholder Members can only have a maximum of one vote (in their capacity as a Shareholder Member) at a general meeting of the Company.

A lack of capital can limit our growth and potentially affect our ability to develop and invest in new products or services. Having the ability to issue MCIs may open new capital raising opportunities and permit us to consider innovations into new business areas that may not have previously been possible. It may also allow us to take advantage of investment opportunities that due to the restricted access to capital have previously meant that these funds were not available. These changes assist in leveling the playing field and allow us to serve you, our members, better into the future.

We are not proposing to issue any MCIs at this stage but amending our constitution will allow us to be ready to take advantage of these regulatory changes. Further, it will also give us the scope and flexibility that should the need arise to invest in working capital to fund a new initiative it can now be done in a way free of the difficulties currently faced by mutuals.

(b) Remove to Eligibility criteria for membership

Feedback from our members via surveys and discussion has been that the most confusing aspect of membership is our restricted eligibility criteria.

The majority of mutuals in the banking, finance and superannuation sectors have removed eligibility restrictions to enable anyone to become a member.

We seek to do the same, as such clause 10 of the existing Constitution will be removed in its entirety. Upon adoption of the amended Constitution, the Board may accept any applicant for membership as a Non Shareholder Member who meets the requirements determined by the Board from time to time.

Membership as a Shareholder Member, subject to the Constitution being amended, will only occur by virtue of being a registered holder of an MCI.



To be passed this special resolution to affect the changes outlined in (a) and (b) above requires the approval of at least 75% of the votes validly cast by members. The Board unanimously supports this special resolution and encourages members to vote in favour of the resolution at the AGM.

A copy of the Constitution marked-up with the proposed amendments is available on our website at www.apsbenefitsgroup.com.au

Alternatively, members can request a copy by emailing agm@apsbenefitsgroup.com.au
A copy will also be available to view at the Annual General Meeting.

PROXIES

A member may appoint a proxy to attend and vote on his or her behalf. Proxy forms, available from our website, or by contacting our office at agm@apsbenefitsgroup.com.au, or on 1300 131 809, must be received at agm@apsbenefitsgroup.com.au or at PO Box 326 North Melbourne 3051 no later than 48 hours before the scheduled start of the meeting.

ANNUAL REPORT

The Annual Report, including audited Financial Statements, is available in the downloads section at www.apsbenefitsgroup.com.au. Members requiring a printed copy should email agm@apsbenefitsgroup.com.au or contact our office.

By order of the Board.

Craig Walden
Company Secretary
17 September 2020

Please note: If you would like to attend, please email us at agm@apsbenefitsgroup.com.au and we will send you the meeting link and the amended Constitution.