Notice of Annual General Meeting

Notice is given that the 116th Annual General Meeting (**AGM**) of The Royal Automobile Club of Queensland Limited (**RACQ**) will be held as follows:

Date	Tuesday, 23 November 2021
Time	2.00 pm (Brisbane time)
Location	RACQ's Corporate Offices, 2649 Logan Road, Eight Mile Plains, QLD 4113
Online platform available at	racq.com/liveAGM

The Meeting Information and Explanatory Memorandum accompanying this Notice of Meeting provides additional information on the matters to be considered at the AGM and forms part of the Notice of Meeting.

The AGM will be held as a hybrid meeting comprising a virtual meeting and in-person. In addition to the opportunity to attend in person, RACQ is pleased to provide members the opportunity to attend and participate through an online platform where members will be able to watch, listen, vote and submit written questions. Members will also be able to orally ask questions via telephone.

For the health and safety of stakeholders, members are able to attend the AGM via the online platform or to lodge a Voting Form prior to the meeting. For those attending in person, we will require strict compliance with our COVID-19 safe plan.

Instructions for attending the AGM via the online platform are contained in the Meeting Information accompanying this Notice of Meeting.

We also encourage members to monitor https://events.miragle.com/RACQ/home for updates (if any) post the issuing of this Notice.

Business of the meeting

Consideration of Reports

To receive and consider RACQ's financial reports and the reports of the directors and the auditor for the financial year ended 30 June 2021.

All members can view the Annual Statutory Report which contains the Financial Report for the year ended 30 June 2021 on RACQ's website. (racq.com/annualreports).

Items for approval

Resolution 1. Election of Honorary Life Member

To consider and, if thought fit, pass the following resolution as a special resolution:

"That pursuant to rule 4.5 of RACQ's constitution, Ms Fay Barker AM is elected an Honorary Life Member of RACQ."

Resolution 2. Election of Honorary Life Member

To consider and, if thought fit, pass the following resolution as a special resolution:

"That pursuant to rule 4.5 of RACQ's constitution, Mr Ian Gillespie AM is elected an Honorary Life Member of RACQ."

Resolution 3. Election of Honorary Life Member

To consider and, if thought fit, pass the following resolution as a special resolution:

"That pursuant to rule 4.5 of RACQ's constitution, the Honourable Paul de Jersey AC CVO is elected an Honorary Life Member of RACQ."

Resolution 4. Amendment to Constitution

To consider and, if thought fit, pass the following resolution as a special resolution:

"That the Constitution be modified by making the amendments as set out in the Explanatory Memorandum."

Further information about the proposed amendments to the RACQ Constitution is set out in the Explanatory Memorandum. A copy of the amended Constitution is available on RACQ's AGM website at racq.com/AGM.

Resolution 5. Director remuneration

To consider and, if thought fit, pass the following resolution:

"That pursuant to rule 9.22 of RACQ's constitution, the aggregate fee pool for the remuneration of the Board as a whole be increased from the current maximum limit of $1,300,000 to a maximum limit of $1,450,000."

RACQ will disregard any votes on this resolution by certain 'key management personnel' (**KMP**), or a 'closely related party' of a member of those KMP as defined by the Corporations Act 2001 (*Cth*). Further information about the applicable voting exclusions is set out in the 'Voting Restrictions' section of the Meeting Information section of this Notice.

Dated: 31 August 2021
By order of the Board

Brad Bowes
Group Company Secretary

Notes

(a) A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy. The proxy need not be a member of RACQ.

(b) A member who is entitled to cast a vote at the meeting is entitled to lodge a direct vote using the attached Voting Form or online at https://events.miragle.com/RACQ/home.

(c) To attend the AGM, a corporation must appoint a representative in accordance with the Corporations Act 2001 (*Cth*) in which case RACQ will require written proof of the representative's appointment to be lodged with or presented to RACQ before the meeting.

Meeting information

Attending the AGM

The AGM will be held as a hybrid meeting, meaning that while the meeting will be held at a physical location (RACQ's corporate offices, 2649 Logan Road, Eight Mile Plains, QLD 4113), members are also able to participate in the AGM virtually via the online platform at racq.com/liveAGM.

RACQ has prioritised the health and safety of its members and staff in planning for the AGM. We are closely monitoring the situation regarding COVID-19 and have contingency measures in place should the situation in relation to the holding of public events and physical gatherings change. Information will be available at https://events.miragle.com/RACQ/home if it is necessary or appropriate for RACQ to make alternative arrangements for the AGM.

We encourage members and proxyholders to participate in the AGM virtually via the online platform at racq.com/liveAGM. Members attending the meeting in person are encouraged to RSVP at https://events.miragle.com/RACQ/home. RACQ has a COVID-19 safe plan and there are protocols in place for attending RACQ's corporate offices. These include:

- reviewing and following all current Queensland Health guidelines
- using the Check in Qld app when entering an RACQ building
- passing through thermal detection cameras in the reception area
- following common hygiene measures and signage within the building.

There may be additional requirements in place due to changes in government restrictions.

Attendance via online platform

We recommend logging on at least 15 minutes prior to the scheduled start time for the AGM using the instructions set out below:

- enter racq.com/liveAGM into a web browser on your computer or online device
- members need to enter their member card number
- proxyholders will need their proxy code that Link Market Services will provide prior to the AGM.

Members unable to log into the online platform may be using an outdated member card number. Current card numbers can be confirmed by:

- logging into self-service at racq.com/selfservice, or registering for self-service if you are a first-time user
- logging out of any RACQ apps, and then logging back in to refresh account details
- visiting racq.com and click-to-chat or calling 13 1905 to speak to one of our consultants.

Please use the help details provided on the online platform if you have any other problems logging on.

You will be given details as to how to ask questions during the AGM once you have logged on. More information is contained in the Online Platform Guide available at https://events.miragle.com/RACQ/home.

Attendance by proxy

Members are welcome to appoint a proxy if they do not plan to attend the meeting either virtually or in person. A proxy has certain rights, such as the right to attend the meeting and speak on your behalf. Voting forms and online appointments of proxies must be received by Link Market Services by no later than 2.00 pm (Brisbane time) on Sunday, 21 November 2021. You can appoint a proxy by:

1. Appoint a proxy online

Go to https://events.miragle.com/RACQ/home and follow the below steps:

- log in using the number on your RACQ Membership card, and
- verify your identity with your post code.

Please use the help details provided on the site if you have problems logging on.

2. Lodge a Voting Form by post, email or fax

Complete the attached Voting Form in accordance with the instructions on the form and return it to Link Market Services by post, email or fax, as detailed in the form, by 2.00pm on Sunday, 21 November 2021.

Appointment of an attorney

If you have appointed an attorney to attend the AGM, or if your Voting Form is signed by an attorney, you must provide the power of attorney (or certified copy) to RACQ by no later than 2 pm, Sunday, 21 November 2021 in accordance with lodgement details set out under **Further Information** below.

Corporate representative

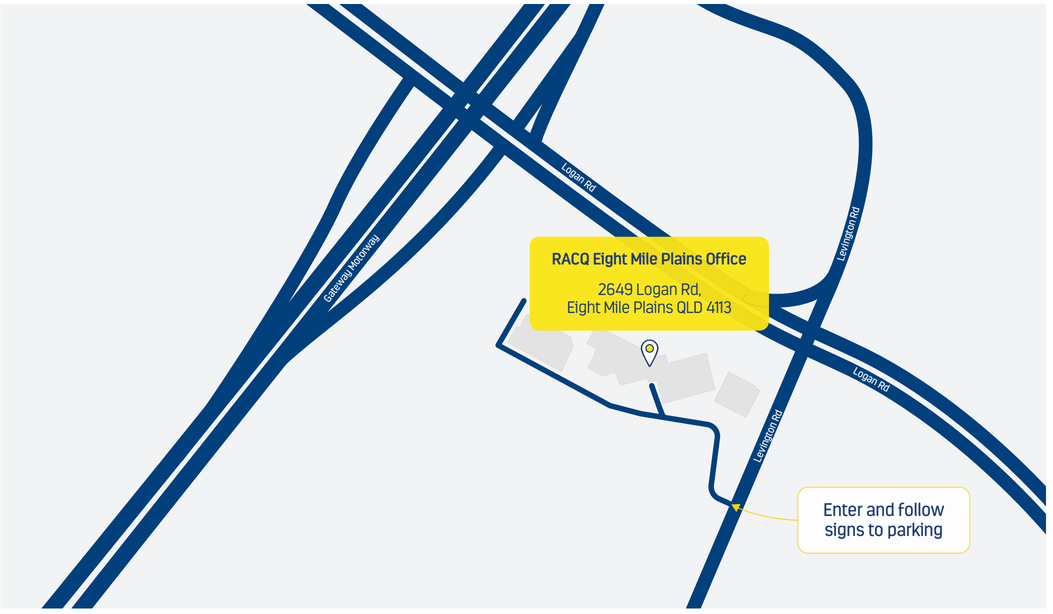
A corporation that is a member may appoint a representative to attend the AGM in accordance with the Corporations Act 2001 (*Cth*). Evidence of the representative's appointment must be provided at least 48 hours before the AGM using the details set out under **Further Information** below. The representative should also bring evidence of his or her appointment to the AGM if they attend in person.

Attendance in person

The AGM will also be held at RACQ's corporate offices, 2649 Logan Road, Eight Mile Plains. RACQ will comply with Government restrictions in force at the time of the AGM, including requirements for physical distancing due to the impact of COVID-19. RACQ will advise if any changes to Government restrictions may impact the location or other arrangements regarding the AGM. Please check https://events.miragle.com/RACQ/home for updates.

Please bring your membership card to assist with registering for the meeting if you are attending the meeting in person. Members are also encouraged to RSVP before attending the physical meeting at https://events.miragle.com/RACQ/home or by using the details set out under **Further Information** below.

Car parking will be available by turning off Levington Road into RACQ's corporate site and following the signs.



Voting

Voting on all resolutions will be by poll.

Eligible members can vote in the following ways:

- Direct vote prior to the AGM. Members can vote directly on the resolutions to be considered at the meeting by submitting a completed Voting Form or online at https://events.miragle.com/RACQ/home by 2.00pm, Sunday, 21 November 2021. If you lodge a direct vote, you are voting directly and not appointing a third party, such as a proxy, to act on your behalf
- Direct vote during the AGM. Members using the online platform racq.com/liveAGM will be able to vote directly at the AGM. There is more information on this below.
- Appointment of proxy. If you are entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. A proxy need not be a member of RACQ. If you appoint a proxy, you may either direct your proxy how to vote or give your proxy discretion to vote as they see fit. If you appoint the Chair of the Meeting as your proxy, and you do not direct your proxy on how to vote on a particular resolution, then by submitting the proxy appointment you will be expressly authorising the Chair to exercise your proxy on that resolution. The Chair intends to vote undirected proxies on, and in favour of, the proposed resolutions. Proxy appointments must be received by 2.00pm, Sunday 21 November 2021
- Appointment of an attorney. If you have appointed an attorney to attend and vote at the AGM, or if your Voting Form is signed by an attorney, you must provide the power of attorney (or certified copy) to RACQ by no later than 2.00pm, Sunday, 21 November 2021 in accordance with lodgement details set out in the Voting Form.
- Attend the meeting and cast your vote in person.

More information on the lodgement of direct votes or the appointment of proxies prior to the AGM is provided in the Voting Form and at https://events.miragle.com/RACQ/home

In accordance with rule 8.1 of RACQ's constitution, the Directors have determined that at the AGM a member who is entitled to attend and vote on a resolution at the AGM is entitled to a direct vote in respect of that resolution; and have approved the use of the online platform as means by which members may deliver their direct vote.

More information regarding online participation at the AGM (including how to vote and ask questions) is available in the Online Platform Guide available from https://events.miragle.com/RACQ/home. To ensure your browser is compatible, follow the instructions in the Online Platform Guide – we recommend confirming this prior to determining whether to participate in the AGM using the online platform.

Note: In accordance with RACQ's constitution, a new member must have been approved as a member for more than 3 months before they are entitled to vote at the AGM

Voting restrictions

For the purposes of section 250BD(1) of the Corporations Act 2001 (*Cth*) a vote must not be cast on resolution 5 by a member of certain 'key management personnel' (**KMP**), or a 'closely related party' of a member of those KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on resolution 5.

However, this voting exclusion does not apply if the member of KMP is the Chair of the AGM acting as proxy and their appointment expressly authorises the Chair of the AGM to exercise the proxy even if resolution 5 is connected directly or indirectly with the remuneration of a member of KMP of RACQ. For the purposes of this voting restriction, KMP are those persons having authority and responsibility for planning, directing and controlling the activities of RACQ's group, either directly or indirectly. This includes all Directors. A 'closely related party' of a member of KMP means:

- a spouse or child of the member
- a child of the member's spouse
- a dependent of the member or of the member's spouse
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the company or
- a company the member controls.

Questions from members

In accordance with the Corporations Act, the Chair of the Meeting will allow a reasonable opportunity at the AGM for members as a whole to ask questions or make comment about the management of RACQ (including an opportunity to ask questions of the auditor).

Members may submit written questions to RACQ if they are unable to attend the meeting, do not wish to appoint a proxy to attend on their behalf, or wish to submit the question beforehand. Questions can be submitted online at https://events.miragle.com/RACQ/home or by using the contact details set out under **Further Information** below. Written questions must be submitted by no later than 2.00pm, Sunday 21 November 2021.

A questions and comments phone line will be available during the AGM for members who do not attend the meeting in person. To utilise the questions and comments line, please call Link Market Services on 1800 257 297 by 2.00pm, Sunday, 21 November 2021, to register your participation and obtain the required access code.

If you have queries in relation to individual or personal matters, please contact us at racq.com or by calling 13 19 05. These questions will not be put to the meeting.

Members' special requirements

Members are asked to notify RACQ of any special requirements to enable them to attend or participate at the meeting, such as a sign language interpreter, by no later than Monday, 15 November 2021. RACQ may be contacted using the details set out under Further Information below.

Further information

No recording and broadcasting devices (including voice recorders, still cameras and video cameras) are permitted at the AGM unless authorised by the Chair.

Please use the contact details below if you need any further information about the AGM:

RACQ

C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

Telephone 1800 250 297
Email racq@linkmarketservices.com.au

Explantory Memorandum

This Explanatory Memorandum has been prepared for RACQ members in relation to the business to be conducted at the AGM. The Directors unanimously recommend members vote in favour of the resolutions. The Chair intends to vote undirected proxies on, and in favour of the proposed resolutions.

Resolutions 1, 2, 3 and 4 are special resolutions. At least 75% of the votes cast by members entitled to vote on these resolutions must be in favour of the resolutions for them to pass.

Financial statements and reports

The Corporations Act requires that the report of the directors, the auditor's report and the financial report be laid before members at the AGM.

Neither the Corporations Act nor the Constitution requires a vote of members at the AGM on the financial statements and reports. However, members will be given reasonable opportunity at the AGM to raise questions with respect to these reports.

RACQ's auditor, EY, will be present at the AGM and members will have an opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, RACQ's accounting policies, and the independence of the auditor.

The report of the directors, the auditor's report and the financial report are available at the RACQ website racq.com/annualreports.

Resolution 1 - Election of honorary life member

Members are asked to consider electing Ms Fay Barker AM as an Honorary Life Member of RACQ.

Ms Barker AM was Director of RACQ from 2001 until 2016 and chair of the RACQ Foundation from 2015 until December 2020. She was also director of several other RACQ Group entities and a member of the Group Capital and Investment Committee, Group Remuneration and Nomination Committee and Group Risk and Compliance Committee during her tenure. Ms Barker AM is a successful businessperson and has sat on several boards in the Townsville community, including as chair of the Townsville Hospital Foundation, director of the Townsville Port Authority and director of the Great Barrier Reef Marine Park Authority. She is also a former Townsville City Councillor.

During her tenure as chair of the RACQ Foundation, Ms Barker AM oversaw the introduction of drought funding and the commencement of Assistance Trips. RACQ staff including trained mechanics now travel to rural and regional communities for 1- 2 weeks and volunteer with drought impacted households and families. The Foundation also responded to significant weather events including Tropical Cyclone Debbie in 2017 and the Townsville monsoon flooding event in 2019 as well as supporting community organisations impacted by the COVID-19 pandemic in 2020.

In total, the RACQ Foundation approved funding of over $4.3m to more than 170 community organisations during Ms Barker's time as chair.

The Directors recommend you vote in favour of resolution 1.

Resolution 2 - Election of honorary life member

Members are asked to consider electing Mr Ian Gillespie AM as an Honorary Life Member of RACQ.

Mr Gillespie AM was CEO of the RACQ Group from 2006 until his retirement in 2019. He was a director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Foundation Pty Ltd, RACQ Operations Pty Ltd and several other RACQ Group and related entities. He was also a director of the Confederation of Australian Motor Sport, the Business Council of Cooperatives and Mutuals (BCCM), Chairman of Australian Motoring Services Pty Ltd and Chair of the Global Mobility Alliance. He continues as Chair of the Global Mobility Alliance. Mr Gillespie AM has more than 35 years' experience at general management and chief executive level in a broad range of industries in Australia and internationally.

His achievements as CEO included the reintegration of RACQ Insurance as a wholly owned subsidiary and the establishment of RACQ Bank and RACQ Foundation. He oversaw a period of significant growth and change at RACQ. In 2006, RACQ's membership was 1.1 million, its revenue was $140 million, and its net assets were $480 million. In December 2019, RACQ's membership was 1.77 million, revenues exceeded $1.46 billion, and net assets were over $1.4 billion. Total assets of the club exceeded $5.0 billion and member value generated grew to more than $145 million annually.

During his tenure, RACQ's roadside assistance was acknowledged as world's best practice and RACQ was recognised as one of the most trusted brands in Australia.

RACQ completed a historic merger with QT Members Bank Limited during his time CEO. This was a significant milestone in RACQ's progress towards being a truly multi-faceted mutual and RACQ now offers members an alternative to traditional banks.

The RACQ Foundation was established in 2011 following Cyclone Yasi and the Brisbane Floods. It assists community organisations recover from natural disasters including flood, cyclones, drought and bush fires, and supported community organisations impacted by the COVID-19 pandemic. It has distributed funding of over $10.3 million to more than 300 Queensland community groups. Mr Gillespie AM remains a director.

The Directors recommend you vote in favour of resolution 2.

Resolution 3 - Election of honorary life member

Members are asked to consider electing the Honourable Paul de Jersey AC CVO, the RACQ Patron from 2014 to 2021, as an Honorary Life Member of RACQ.

The Honourable Paul de Jersey AC CVO was born in Brisbane in 1948, the third son of school teacher parents Ronald and Moya (both now deceased). His Excellency won a Commonwealth Scholarship to The University of Queensland, and graduated with degrees in Arts in 1969 and Laws (with Honours) in 1971. Also in December 1971, the Governor married Kaye Brown. His Excellency and Mrs de Jersey have three children and three grandchildren.

The Governor was called to the Bar at the end of 1971 and was appointed as Her Majesty's Counsel (QC) in 1981. The Governor was appointed as a Judge of the Supreme Court of Queensland in 1985, when aged 36 years, becoming the 17th Chief Justice of Queensland on 17 February 1998, and served in that role for more than 16 years until 8 July 2014.

In recognition of his contribution to the Australian community, the Governor was appointed a Companion of the Order of Australia in 2000, and awarded a Centenary Medal in 2003. He holds honorary doctorates from The University of Queensland (2000) and the University of Southern Queensland (2008), and Griffith University (2014).

His Excellency was appointed the 26th Governor of Queensland on 29 July 2014, and was appointed Patron of RACQ shortly thereafter. Her Majesty The Queen appointed His Excellency a Commander of the Royal Victorian Order (CVO) in the 2021 Queen's Birthday Honours List (UK) in recognition of services as Her Majesty's Governor of Queensland.

It has been practice for past patrons to be nominated for Honorary Life Membership. Recent examples of this practice are The Honourable Dame Quentin Bryce AD CVO and The Honourable Ms Penelope Wensely AC, who were both elected to Honorary Life Membership in 2014.

The Directors recommend you vote in favour of resolution 3.

Resolution 4 - Amendment of constitution

Background

This resolution is part of the continuous process of governance modernisation at RACQ.

The reasons for and impacts of the proposed amendments are explained in more detail below. In short they are intended to complete one particular aspect of RACQ's governance modernisation program of the last decade. They will, if accepted, complete the shift away from what was in the past a selection process for the RACQ board based purely on a zonal geographic-representation system, with separate specialist skills-based boards for the insurance and bank subsidiaries. These changes enable the full shift to directors of RACQ being selected on the basis of requisite skills and experience whilst also achieving a good geographic spread of directors across Queensland, ensuring that separate specialist boards are not required for the insurance and bank subsidiaries. At the same time the measures proposed represent a more transparent and democratic approach to election of the Queensland based directors for the reasons outlined below.

Currently, the Constitution only allows members to vote for Directors from the geographical area in which they live, and the vote is only counted if at least 5 percent of members from that area cast a vote. Historically, voter turnout in these elections has been low, with the result that Directors have been appointed and re-elected without member votes being counted.

A key pillar of the proposed changes is the abolition of this '5 percent' rule so that members will be able to vote for all Elected Director positions on the RACQ Board. This represents a more appropriately democratic approach in a large mutual club such as RACQ.

Under the new model, the Board will be comprised of four to six Queensland-based Elected Directors – being a balance of two to three Directors to be chosen from regional Queensland and two to three from south-east Queensland, and two to four Directors to be appointed by the Board to add additional required skills, if needed.

In addition, the majority of RACQ's Board would need to reside in Queensland and the Chair would always need to reside in Queensland to ensure there is an enduring and deep understanding of Queensland represented on the Board.

Importantly, as mentioned, this approach is a shift away from a zonal representational Board system. Unlike the present Constitution, the changes guarantee that Directors will in the future be drawn from geographically diverse backgrounds across Queensland. However, in the proposed model, Directors are not elected to represent particular regions. Directors are seen as bringing the equally critical skills and perspectives needed for RACQ in the 21st Century and all Directors (including those appointed to the Board from outside Queensland) are rightly held to account for ensuring that RACQ delivers value for all of its members right across Queensland.

These changes will result in a more transparent, accountable, democratic and effective director election process, where a member's vote counts across all of Queensland and not just in a geographical region, resulting in a stronger board composition. Ultimately, this will mean a more representative Club for members.

An overview of the key components of the proposed changes is provided below. By necessity, not all detail of the proposed changes are included. Members are encouraged to review the proposed amended Constitution, along with a table of all changes, on RACQ's AGM website: racq.com/AGM.

The Directors recommend you vote in favour of Resolution 4.

Overview of proposed amendments

1. Changes to board structure

The current Zone system

Currently, the Board must have a minimum of six Directors, and members can increase or decrease the minimum number of Directors at a general meeting. Of these Directors:

- a majority must have been elected to represent a Zone (**Zonal Directors**); and
- up to three Directors may be appointed who are not elected by members and do not represent a Zone (**Appointed Directors**).

The Board is presently made up of:

- one Director elected from the Northern Zone
- one Director elected from the Central Zone
- one Director elected from the South West Zone
- up to three Directors elected from the South East Zone and
- up to three Directors appointed by the Board who do not represent a Zone.

Members can only vote to elect Directors nominated to represent the Zone they live in.

However, the Board can create and abolish Zones as they see fit, and set the number of Directors required to represent a Zone. This has occurred twice in the past ten years such that there are now three regional Zones, in addition to the South East Zone, down from the five regional Zones that were in place in 2011.

Proposed change

It is proposed that the Zone system be replaced by a new system whereby the Board is made up of:

- a minimum of four and maximum of six Elected Directors; and
- a minimum of two and maximum of four Appointed Directors.

Two to three Elected Directors would, under the new approach, be chosen from each of South East Queensland and Regional Queensland.

The area covered by South East Queensland will be the same as the area covered by the existing South East Zone. The area covered by Regional Queensland will be the same as the area covered by the existing Northern, Central and South West Zones.

Unlike the current model, all members would be able to vote for all Elected Director positions, regardless of where they live.

Appointed Directors would be appointed by the Board and not required to live in either of these areas.

These changes will simplify the composition of the Board and ensure a member’s vote counts across all of Queensland.

2. Changes to election cycles and tenure

Current election cycles

Currently, Directors elected to represent a Zone will usually serve a four year term. Appointed Directors who do not represent a Zone serve for a period of time determined by the Board, and their appointment must be reviewed every four years. All Directors are eligible to stand for re-election or be re-appointed unless they have served 12 years or more on the Board of RACQ.

Proposed change

It is proposed that the election cycle for Directors would be reduced from 4 year to 3 year terms. To make sure election cycles are appropriately staggered, no more than one third of all Elected Directors (rounded up to the nearest whole number) would be required to retire at one AGM. Appointed Directors would hold office for a term of three years, or a shorter period if determined by the Board.

All Directors would still be subject to a maximum tenure of 12 years from the date of their first election or appointment (the ‘12 year’ rule) as under the current Constitution, including any time served on the Board of an RACQ subsidiary. Under the current Constitution, it only includes time served on the Board of RACQ. This change will mean there is sufficient renewal of Directors on the RACQ Board.

If the Chair of RACQ is serving their first term in this role and would not be able to stand for re-election because of the 12 year rule, the Board would have the discretion to set aside the 12 year rule to let them serve one more term of up to three years. It is not uncommon for a Director to be elected as Chair in their final term. This change would bring more stability to this important leadership position and afford each Chair the opportunity to implement their objectives for the Club.

3. Changes to the election process

Current election process

Currently, members who meet the qualification requirements for a director position representing a Zone can be nominated by 30 other members to stand for election as a Director. If the number of nominations for a Zone is less than the number of positions that need to be filled, then those candidates are automatically elected.

If the number of nominations for a Zone is more than the number of positions that need to be filled, then an election is conducted. Members can only vote for candidates for the Zone they live in.

If the total number of votes cast is less than 5% of the number of members eligible to vote for that position, then no candidate is elected and the Board can fill the position as a casual vacancy under the rules of the Constitution.

Proposed change

It is proposed that members would be able to nominate a candidate for the position of an Elected Director prior to the AGM as they do under the current Constitution.

However, after receiving nominations, the Board would have the discretion to determine which nominees are eligible to stand for election at the AGM. In making this determination, the Board must have regard to the qualification requirements for the position of Elected Director under the Constitution, including any additional requirements set by the Board relating to the structure or composition of the Board. Those requirements may include further requirements as to a person's eligibility to be a Director of RACQ.

Under the proposed changes, a person nominated for the position of an Elected Director may not necessarily be selected to stand for election at an AGM. If the Board determines that a person nominated is not eligible to stand for election at the AGM, they must notify the person, however they are not required to provide reasons for their decision.

The rationale for these changes is to ensure that, in addition to geographic spread, the Board is comprised of Directors with an appropriate mix of skills, experience and other personal attributes that best serves the interests of members and the broader strategic direction of RACQ.

After determining which nominees are eligible to proceed to election, an election would be conducted at the AGM as follows:

- if there are more candidates than the number of Elected Director positions to be filled, the candidates with the most votes would be elected
- if there are equal to or fewer candidates than the number of Elected Director positions to be filled, then a candidate would only be elected if a majority of members who vote are in favour of them
- if a candidate's election is not approved by members, then the Board can fill the position as a casual vacancy and
- if there are fewer candidates than the number of Elected Director positions to be filled, then the board can fill the positions that do not proceed to election as a casual vacancy.

A key change to the election process is the removal of the '5% rule'. Candidates who receive the highest number of votes in a contested election will now be elected even if fewer than 5% of members cast a vote in the election. Additionally, if an election is uncontested, the candidates are not automatically elected. Members would get a say on whether these candidates are elected or not.

These changes will make director elections more democratic and provide members with a greater say in the composition of the Board.

4. Changes to casual vacancy rules

Current rules

Currently, a person appointed by the Board to fill a casual vacancy is entitled to hold office for the remainder of the term of the Director whose position they are appointed to fill. They are not required to retire from office and stand for election until this term has expired.

Proposed change

It is proposed that any person who fills a casual vacancy must retire from office at the AGM immediately following their appointment. If they wish, they can stand for re-election at that AGM so long as they have not served for 12 years or more on the Board of RACQ or an RACQ subsidiary.

This change will reduce the period over which persons appointed to fill casual vacancies in an Elected Director position can serve as Directors without having to submit themselves to members for election.

5. Changes to Chair rules

Current rules relating to the election of the Chair

Currently, the Board is required to elect one of the existing Directors as Chair no later than 3 months prior to the end of financial year, and they take office after the AGM. The Chair is elected for one year, and can be re-elected for up to two more terms of one year each. During their term, the Chair is not subject to the same rotation rules as other Directors, and they are not required to stand for re-election as a Director at each AGM. The Chair does not need to reside in Queensland.

Proposed change

It is proposed that the Chair would be subject to the same retirement rules as other Directors, and would hold the position in addition to their position as a Director. They would be elected following each AGM, and hold office for a period equal to their term as a Director, or a shorter period if the Board determines otherwise. There would be no limit on the number of times they could be re-elected for a further term, provided they are still a Director.

The proposed changes also introduce a requirement for the Chair to reside in Queensland. The rules for the election of the Deputy Chair are also changed so they are similar to the intended process of electing the Chair.

6. Transitional provisions

The proposed changes to the Constitution also include a number of provisions aimed at transitioning existing Directors who represent a Zone or who are appointed by the Board to 'Elected Director' or 'Appointed Director' positions (as appropriate) and preserving, to the extent possible, the existing terms of those Directors. The table below summarises how Directors in office prior to this AGM would transition to the new board structure if the proposed changes are adopted.

Director position under current Constitution	Director position under amended Constitution
Director representing the Northern Zone	Elected Director representing Regional Queensland. Term will expire at AGM to be held in 2022.
Director representing the South West Zone	Elected Director representing Regional Queensland. Term will expire at AGM to be held in 2023.
Director representing the South East Zone	Elected Director representing South East Queensland. Term will expire at AGM to be held in 2022.
Appointed Director	Appointed Director. Expiry date of term will be the expiry date under the current Constitution.

Resolution 5 - Director remuneration pool

For the purpose of rule 9.22 of the Constitution, member approval is sought to increase the maximum limit of the aggregate fee pool for RACQ director fees from $1,300,000 to $1,450,000.

The current $1.3 million cap has proved sufficient for the 8 years since it was last increased (2013) but is not expected by the board to be satisfactory to attract, retain and properly compensate directors for future years.

Whilst the increase requested represents an 11.5% increase to the aggregate director fee pool, several points should be considered, namely:

- the aggregate director fee pool is the maximum total amount that can be paid to <u>all</u> of the Directors of RACQ each year (i.e. it <u>does not</u> represent the amount payable to any individual Sirector)
- if approved by the members, this would be the first increase to the aggregate Director fee pool since the 2013 AGM
- in the intervening 8 years (2013-2021) the total amount paid to the Directors of RACQ has remained within the previously approved $1.3 million cap even though the Brisbane Consumer Price Index increase for that same period was 15.4%; and, amongst other things, the number of members has grown from 1.20 million to 1.77 million and the net assets of RACQ increased from $1,070 million to $1,519 million
- just as the previous cap of $1.3 million provided a sufficient pool from which to remunerate Directors for 8 years, it is envisaged that the proposed cap of $1.45 million would also be sufficient to provide for remuneration of RACQ Directors for several years to come (noting that Directors are for the time being paid additionally and separately for their roles as Directors of the Bank and Insurance subsidiary companies)
- the annual fee which is paid to each Director is reviewed and calculated based on director workload and is benchmarked against comparable organisations' Directors fees, drawing on independent expert advice every two years (most recently in 2020) and
- the annual fees paid to each RACQ Director out of the pool is fully disclosed in the RACQ annual report, along with full details of the additional remuneration that is paid to each of the directors on account of their additional roles as directors of APRA-regulated subsidiaries in the Group, RACQ Insurance and RACQ Bank (note: the aggregate Director fee pool is <u>not</u> used to remunerate the Directors of RACQ Insurance and RACQ Bank, and instead RACQ Insurance and RACQ Bank Directors fees are determined in accordance with their separate constitutions).

The Directors recommend you vote in favour of resolution 5.