

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the Voting Members of North Melbourne Football Club Limited (“**the Club**”) to provide information about the proposed amendments to the Constitution to be considered at the Annual General Meeting of Members to be held at the offices of the Club at 204-206 Arden Street, North Melbourne, Victoria on 8 March 2017 at 6:00pm.

This Explanatory Memorandum is an important document and should be read by all Members in conjunction with the accompanying Notice of Annual General Meeting.

### **Amendments to the Constitution of the Club**

The current version of the Constitution of the Club was adopted on 29 October 2008 and was amended on 9 August 2011 and again on 12 March 2014. It is proposed that the Constitution of the Club be amended to:

1. introduce an Independent Nominations Committee, whose tasks and functions will include considering and either approving or disapproving nominations received for director elections to occur at annual general meetings of the Club;
2. include provisions that provide the Board with the authority to appoint and remove as a director of the Club the person holding the position of CEO of the Club;
3. remove the requirement to reappoint the auditor of the Club at each annual general meeting; and
4. update various provisions in the Constitution in order to better take advantage of developments in technology and electronic communications, and to reflect recent developments in company practice generally.

In accordance with section 136(2) of the *Corporations Act* 2001, the Club may amend its Constitution by passing a special resolution which must be passed by at least 75% of the votes cast by Members entitled to vote on the resolution and who vote at the meeting in person or by proxy.

A copy of the amended Constitution, marked up to show the proposed amendments, is available electronically on the Club’s website at [www.nmfc.com.au](http://www.nmfc.com.au). A hard copy of the amended Constitution may be requested from the Club directly on (03) 9320-2400 or may be inspected at the Club’s registered office at 204-206 Arden Street, North Melbourne, Victoria during normal business hours. Copies of the amended Constitution will also be available for inspection at the Annual General Meeting.

A summary of the proposed changes to the Constitution of the Club is set out below:

### **Independent Nominations Committee**

Various amendments are proposed to Rule 10.1 of the Constitution to introduce an Independent Nominations Committee (“**INC**”) and to describe the tasks and functions of the INC. The primary role of the INC will be to consider and assess nominations received for Members seeking to participate in a director election process at annual general meetings. Currently, any Voting Member is entitled to nominate for any available director position, regardless of their level of experience, skills, expertise or suitability for the role of director of the Club. If a director election occurs as part of an annual general meeting, due to the involvement of independent voting services (such as Computershare) together with the costs of printing and postage to Voting Members, a director election costs the Club between \$20,000 and \$30,000. As the Membership of the Club grows, so too does the cost of an election process. Accordingly, the Club is seeking to ensure that such cost and time is spent in circumstances where the nominee(s) for any available director roles have the necessary and essential skills and experience which would add to or complement the effectiveness of the Board, prior to their nomination being accepted. To ensure independence from the existing Board, the INC will be comprised of two members who are independent of the Board and one member who is a current director. As a further safety net for Members, the INC approval

requirements only apply to the annual director election processes at annual general meetings and is not required for any director elections which may occur at a properly convened extraordinary general meeting.

### **Managing Director**

It is proposed that Rule 10.2 of the Constitution be amended to provide for mechanisms relating to the appointment of a managing director, who is also the chief executive officer of the Club. The purpose of the amendment is to provide that the managing director will be exempt from retirement from the Board as part of the ordinary director rotation requirements, and for the managing director to also be excluded when determining the number of directors who are required to retire by rotation. Currently, directors must retire from the Board (and cannot be re-elected) after serving three terms. The proposed amendments would exclude the managing director from that requirement.

### **Appointment of Auditor**

Rule 8.4(d) of the Constitution currently requires that Members vote upon the appointment of the Club's auditor at each annual general meeting. It is intended that this obligation be removed, given that the auditor of the Club has not changed for several years and the existing requirement is considered cumbersome and unnecessary. Any change to the incumbent auditor would still require approval of the Members.

### **Proceedings of Directors**

It is proposed that Rule 10.8 of the Constitution (to be renumbered Rule 10.9) is to be amended to allow for the Board to take advantage of improvements in technology to permit:

1. meetings of the Board to be called by notice given by email, text message or other technologies as agreed by the directors; and
2. directors to pass circular resolutions without a meeting of the Board, including by confirming agreement by email or other electronic means.

### **Notices**

The proposed amendments to Rule 17 of the Constitution are intended to take further advantage of technological advancements and the increased willingness of Members to receive notices from the Club via electronic means. Where possible, the Club is desirous of avoiding the costs and environmental impact of traditional postage, and these proposed amendments are intended to allow for the various methods of service to be utilised by the Club more readily and efficiently. The amendments will not override any specific direction given by a Member as to their preferred method of service (whether that be by way of post, fax, or email).

### **Membership Year**

Proposed amendments have been made to the definitions of "Membership Year" and "Voting Members" in order to align the Membership Year (and associated voting entitlements) with the Club's financial year (which is each year ending 31 October). The amendments are also intended to provide greater clarity in respect of the relationship between the AFL Season and the Membership Year.

### **Board Recommendation**

The Board of Directors of the Club has formed the view that it is in the best interests of the Club to amend the Constitution of the Club as described above and unanimously recommend that the Members vote in favour of the resolution to amend the Constitution of the Club, as set out in the Notice of Annual General Meeting.