

**THE PROPOSED RULES OF THE
SHEPPARTON RETIREMENT VILLAGES INCORPORATED**

**PURSUANT TO THE
*ASSOCIATIONS INCORPORATION REFORM ACT 2012 (Vic)***

EXPLANATORY MEMORANDUM

Background

The current Rules of Shepparton Retirement Villages Incorporated (**SRV**) have been in place for 50 years and during that time there have been numerous amendments made to these Rules to keep abreast of the organisation's growth and changes to modern governance requirements.

In 2012, Model Rules were proposed under the *Associations Incorporation Reform Act 2012* (Vic) (**Act**) that included detailed provisions relating to grievance procedures. In addition, the Model Rules were set out in a more simplified manner than previous model rules.

In light of the above events, the Board has undertaken an extensive process of reviewing the current Rules with a view to proposing a new set of rules that incorporates most provisions of the current Rules into the Model Rules, whilst providing for additional modern day governance processes.

Purposes

The proposed purposes of SRV have been modified to take into account the fact that SRV is now in the business of undertaking home care services off site.

Proposed Rules

As previously stated, the proposed Rules adopt most provisions of the current Rules. In addition to some minor technical changes and some simplified re-wording, the following significant alterations to the current Rules are proposed:

1. Division 3 of Part 3 sets out a grievance procedure.
2. Rules 30 and 43 no longer provide for any extension of time to the deadline of 45 days prior to the annual general meeting for nominations for board directors to deliver to the Chief Executive Officer. The reason for this change to the Rules is that the regulatory requirements for assessing whether a prospective board director is eligible (police and insolvency checks, soundness of mind issues etc) is now quite onerous and cannot be undertaken in any lesser period than the requisite 45 days.
3. Rule 40 changes the composition of the Board (currently 12 board directors) to a minimum of 9 board directors and maximum of 11 board directors. The Board sees this from a governance perspective as the appropriate number of board directors for a larger not for profit organisation such as SRV.
4. Rule 42 simplifies the wording regarding the eligibility of a board director and clarifies the position where a board director who turns 75 years of age during a term shall be entitled to complete that term.
5. Rule 44(1) (b) introduces a provision where at the annual general meeting the number of eligible candidates duly nominated for board directorship is less than the number of vacancies to be filled, the Chairperson of the annual general

meeting must declare any vacancy as a vacant position to be filled by the Board.

The reason for creating a casual vacancy on the Board (as opposed to seeking further nominations from the floor of the annual general meeting) is to:

(i) ensure that the onerous regulatory requirements for assessing whether a prospective board director is eligible (police and insolvency checks, soundness of mind issues etc) can be properly satisfied prior to any member being elected as a board director; and

(ii) enable the Board to find a suitable candidate for the casual vacancy whilst having particular regard to the various skillsets required on the Board from time to time (something that is not uncommon to modern governance procedures with larger organisations such as SRV).

6. Rules 46 and 48 introduce a requirement that board directors can only be elected to a maximum of 4 terms (in addition to a casual vacancy period if applicable). As the current Board has several members who have already exceeded this new requirement of 4 terms, it is proposed that a transition period be adopted whereby any board director currently serving a term that is more than their fourth consecutive term shall be entitled to complete that term and an additional term.
7. Rule 49 introduces a new provision that enables the Board to obtain director insurance for a board member provided that any liability does not arise out of conduct involving wilful breach of any duty that person has or had under the Act. Such a provision is not uncommon amongst modern governance procedures with larger organisations such as SRV.
8. Rule 55 clarifies the position that a board director may participate in a board meeting by the use of technology that allows that board director and the board directors present at the meeting to clearly and simultaneously communicate with each other.
9. Rule 60 allows the Board to grant a board director leave of absence from board meetings for a period not exceeding 6 months (is 3 months under the current Rules).
10. Rule 62 clarifies that the management of SRV's funds shall always be in accordance with resolutions and/or policies determined from time to time by the Board.
11. Rules 63 and 64 introduce new provisions based on the Model Rules that deal with requirements for financial records and statements.