



NOTICE IS HEREBY GIVEN THAT
THE SPECIAL GENERAL MEETING
OF HF HOLIDAYS LTD
WILL BE HELD VIRTUALLY
ON SATURDAY 12 DECEMBER 2020

HELEN BOADEN, PRESIDENT OF THE SOCIETY

REGISTRATION

To register to attend the Special General Meeting (SGM) please go to <https://events.streamgo.co.uk/HFHolidaysSGM2020>

Once you have registered, you will be sent a confirmation email with information on how to join the meeting. Remember to check your junk mail folder for this email. Please register by midday on 11th December 2020.

The SGM will start at 2pm on the 12th December 2020, and you can log on anytime from 1.30pm onwards. This will allow you some time to test that your technology works etc; however you will not hear any of the speakers until 2pm.

PROGRAMME

David Harrington, CEO will update on the following:

- A) The impact of Covid19 on the Society and our response to it
- B) The Society's requirement for additional capital

SGM AGENDA

Chaired by Helen Boaden, President

As part of our review of our business strategy and the desire to be able to demonstrate best practice, the Board of Directors has undertaken a full review of HF Holidays' governance processes and the Society's Rules.

To assist with this exercise, the Board of Directors commissioned Cooperatives UK to undertake a full review of the Rules to establish whether they complied with legislation, the Cooperative and Community Benefit Societies Act 2014, and followed best practice.

Cooperatives UK have proposed a number of changes to the Rules, which after having been approved by the Board of Directors, are contained in a new Rules document which is available on the Society's website. Whilst a significant number of the current Rules remain unchanged, the number of amendments/deletions and additions are enough to justify proposing a new set of Rules to the Membership.

These new Rules have been considered and by the Society's Registrar, the Financial Conduct Authority (FCA), to ensure that there are no concerns about the changes that are being recommended to the Membership by the Board of Directors. The FCA have confirmed the new Rule amendments are capable of registration.

Our current Rule book makes no provision for Members' meetings to be held online or for Members to attend and vote at a virtual meeting. We are currently operating under a relaxation of the regulations by the government designed to help all businesses to operate in these difficult times. This concession expires at the end of December 2020.

If we have not changed our Rules to adopt a new way of working by the end of December 2020 we will lose the capacity to include Members in the democracy of the Society until we are able to hold a physical meeting again. It could well not be until 2022 before HF Holidays' Members feel comfortable in attending a large gathering which is a risk the Board just cannot take.

The immediate Impact of not changing the Rules at this SGM would be that we would not be able to even hold a virtual SGM in April 2020 with all the complications that would bring.

Therefore, despite it being the preference of the Board to debate these Rule changes at a physical meeting, there really was no alternative but to convene a virtual SGM.

To ensure that the meeting runs smoothly and offers all Members the opportunity to take part and share their views and to enable the Board to respond to any concerns and questions, the following procedures have been agreed:

- Members are encouraged to submit their questions around the Resolutions, in writing, before the meeting so responses can be prepared and published on our website
- As there will be no facility for Members to directly address the meeting live, the Board of Directors are providing the opportunity for Members to create a 3-minute video or audio recording that contains the points they wish to make. These will be presented at the SGM as each Resolution is considered. Members can submit separate 3-minute contributions for each of the four Resolutions. Please submit recordings to sgm@hfholidays.co.uk. If there are repetitions, we will select accordingly for the SGM, and will display all submissions on our website. The recordings must be received by the Society by the 4th December 2020 to ensure they can be included. Members will not be offered a right of reply however they can ask subsequent questions on the day using the online 'chat' facility.
- Members can submit questions on the day via the online 'chat' facility
- Due to the online format of this meeting and the fact that Members may only cast one vote electronically, there will be a temporary suspension of proxy voting

The four Resolutions are below with reference to each Rule number set out on the subsequent pages of this agenda. The fourth resolution is split in two parts and will require a vote on each part:

Resolution 1: Corporate governance

To adopt a revised set of Rules of the Society, substituting the current Rules with the draft new Rules available online at www.hfholidays.co.uk/agm, excluding those Rule changes dealt with in Resolutions 2, 3,4, below. The revised Rules reflect changes required by law or recommended by Cooperatives UK that make a material change to the Rules and Society practice.

Resolution 2: Financial Regulations

Amendments following guidance from the FCA and to support best governance practice, including the provision to set the Interest Rate payable on Share Capital in advance of the period it relates to.

Resolution 3: Electronic Engagement with Members

An amendment to allow the Society to comply with the Cooperative and community Benefit Societies Act 2014 in its communications with its Members and permit the use of electronic communications where Members have specifically opted in to receive Society communications electronically. This is also in response to concerns raised by Members about the use of resources and presented as a Member motion by Bob Gomersall at the 2019 AGM.

The Resolution will also expand the definition of 'attendance' to allow virtual attendance at Board meetings and Members meetings. Our experience through this Covid19 period is that this has improved attendance and engagement.

Resolution 4a: Board of Directors Maximum service

To adopt the proposal to limit the period a Director can serve on the Board to a maximum of 12 years.

Resolution 4b: Qualification to stand for election to the Board

The key proposal is to remove the restriction on a retiring Director from standing in Board elections after their first term of office. This will provide the opportunity for Members to vote for a retiring

Director so that, if they are successful, they can serve one further term, thereby allowing HF Holidays to take advantage of the skills and knowledge that the individual will have acquired over their initial term of office.

A retiring Director may have only served for a limited period, for example 1 year if they have filled a casual vacancy. It does therefore feel reasonable for them to be given the opportunity to put themselves forward for election for another term.

This concession would only be available to a Director once in their entire service on the Board.

The Rules also provide transitional arrangements for the current Directors to ensure continuity.

SUMMARY OF THE RULE CHANGES

1. Corporate governance

Major changes

Old Rule 8, Membership by shareholding, New Rule 8: Membership:

This Rule has been updated to include local clubs within the definition of Members that are corporate bodies and, as a consequence, old Rule 10, which made separate reference to this type of Member, has been removed from the Rules.

Reference to voting at General Meetings has been removed from this Rule and moved to **New Rule 20: General Meetings**. New Membership applications will not be processed during the week before the Notice for a General Meeting nor during the Notice period itself, giving a cut-off date for confirmation of Members eligible to receive the Notice of General Meeting. This is included to ensure clarity around entitlement to attend General Meetings.

Old Rule 11, New Rule 9: Termination of Membership

The 2014 Act only permits Members to be removed from the Register when they cease to be a Member therefore old Rule 11.1.4 has been deleted as it did not agree with the Act. New sections have been added to the **New Rule 9** describing more clearly the procedure that the Board of Directors must follow if it considers expelling a Member, including more detail about the right of reply for a Member that the Board of Directors has expelled from Membership, with a strict timetable for the procedure to take place. There is a greater level of detail relating to the withdrawal of Share Capital held by an expelled Member.

Old Rule 16 Vacancies on Board of Directors, New Rule 15: Termination of Office

The Rules have been updated and extended to include best practice around disqualification of a Board Member from holding office.

In the current rules Rule 16.1.4 makes reference to the removal of a Director by the Board without providing details of any process or any safeguards for the Director involved in the process. This amendment seeks to bring clarity to the position.

It is proposed that a Member of the Board can be removed by the Board of Directors for not acting in the best interests of the Society or by failing to meet the standards of behaviour that a Director agrees to upon their appointment and are contained in the Board Information Booklet that Directors endorse every year. This requires a properly constituted motion to be put to the Board and approved by two thirds of the Directors. The Director concerned will have the opportunity to appeal to a panel consisting of two from the group of President/Vice Presidents and Independent person with

appropriate qualifications or experience, who will chair the panel. The power for a Member of the Board to be removed by Members in a General Meeting remains in the Rules and has not been amended.

Old Rules 17 Powers and Proceedings of the Board, New Rules 16.4-16.11 Proceedings of the Board
For best practice, these additions clarify the proceedings of the Board relating to voting, written resolutions, quorum for meetings and declaration of interest.

Old Rule 19, New Rule 18: Chief Executive:

Updated to clarify the responsibility of the Chief Executive and remove the function of Secretary from the Chief Executive's remit. The reference to officers in the old Rule has been amended to refer to senior employees.

Old Rule 20, New Rule 19: Secretary:

This Rule has been updated to reflect current best practice by removing the role of Secretary from the Chief Executive.

Old Rule 21 General Meetings, New Rule 20: General Meetings

To reflect best practice, reference to Special General Meetings, has been deleted. A General Meeting may be called to pass a special or ordinary resolution.

New Rule 20.11: Quorum

Introduces the requirement to have a quorum at General Meetings as current best practice.

Old Rule 27, New Rule 26: Audit

The Rule has been updated to reflect current best practice relating to appointment and removal of auditors.

New Rule 16.3 Additional Rule: Calling a meeting of the Board of Directors

This clarifies the procedures for calling a meeting of the Board of Directors.

Old Rule 21, New Rule 20: General Meetings

Old Rule 21.2.5, **New Rule 20.2.5** Has been amended to clarify the procedure around accepting Motions for consideration at the Annual General Meeting.

Old Rule 24, New Rule 23: Investments

Old Rule 24.3 has been deleted as it seemed to suggest that the Board of Directors could appoint a Member to hold an investment on its behalf in another corporate body. The Rules permit the Society to invest by holding an investment in its own name.

Old Rule 34, New Rule 33: Statutory Applications to the Registrar

This Rule has been updated to reflect the requirements of the 2014 Act, removing reference to the Authority and adding reference to the Registrar.

Old Rule 38, New Rule 39: Interpretation and Construction

This Rule has been amended to update and define terms used within the New Rules.

New Rule 38: Indemnity and Insurance

This Rule has been added to reflect current best practice to indemnify Board of Directors when they have acted in good faith.

Minor changes

Old Rule 3, New Rule 3: Use of Seal and Name

This Rule is updated to give custody of the Seal to the Secretary and to confirm who can be an authorised signatory, introducing certainty to administrative processes.

Old Rule 9: Associates

This Rule has been deleted as Associates do not form part of the governance of the Society.

Old Rule 10: Local Clubs

This Rule has been deleted; reference to Local Clubs can now be found in **New Rule 8: Membership**.

New Rule 12: Lien

This has been included in the Rules as it reflects best practice and enables the Society to use a Member's share capital to offset any debt the Member may owe to the Society.

Old Rule 14: Cancellation of Shares

This Rule has been deleted in its entirety as its content now forms part of other Rules; some administrative details have been removed.

Old Rule 14.7 Lost Contact, New Rule 13: Untraced Members

This new Rule reflects current best practice and sets out in detail the process to be followed to ensure that all reasonable steps are taken by the Society to remain in contact with its Members.

Old Rule 28, New Rule 27: Transmission of Interest Nomination to Members Property in the Society

This Rule has been completely updated to reflect current best practice.

Old Rule 29, New Rule 28: Death or Bankruptcy of a Member

Old Rule 29 has been deleted and replaced with new wording to reflect current best practice.

Old Rule 35, New Rule 34: Amalgamations, Transfers of Engagements and Conversions

Part of the old Rule 35.1 has been deleted and the new Rule reflects the requirements of the 2014 Act and best practice.

2. Financial Regulations

Major changes

Old Rule 8, Membership by shareholding, New Rule 8: Membership:

The nominal amount of each share has been included in this Rule by adding the £ sign (to agree with the designation in **New Rule 10: Capital**). The criteria for Membership are either as set out in the Rules or as agreed by the Board of Directors. Membership can only be refused if an applicant does not meet the criteria.

Old Rule 12, New Rule 10: Capital

This Rule has been amended to include a **New Rule 10.3** to ensure compliance with FCA registration guidance that payment of interest on share capital is to be treated as a cost of capital and not an application of Surplus. Following FCA guidance, the interest rate will be determined by the Board of Directors in advance of the period in which it is intended to be paid. This section has also been extended to permit differential rates of interest to be paid according to the amount of share capital held by a Member; with a new maximum rate of interest stated.

Old Rule 12.4, **New Rule 10.4**: This has been amended to remove the date on which this provision was introduced in 2013.

Old Rule 12.5.2, **New Rule 10.5.2**: The wording has been amended to clarify that a Member may purchase additional shares to at least the minimum Membership shareholding requirement.

Old Rule 12.6, **New Rule 10.6**: this Rule has been reworded to provide clarity.

Old Rule 25, New Rule 24: Allocation of resources

Old Rule 25.1. has been deleted and the wording is amended and has become part of **New Rule 10.3**.

Old Rule 13, New Rule 11: Withdrawal of Share Capital

This Rule removes the £5,000 maximum limit on withdrawals in any accounting year and clarifies that the interest payable on a withdrawal made during the year will be calculated on a pro rata basis.

3. Electronic Engagement with Members

Major changes

Old Rule 15.8, **New Rule 14.12**: This Rule updates the wording on voting methods to include voting by electronic means, which is now a defined term in the Rules; there is further definition of how ballots are undertaken in **New Rules 14.13 – 14.19**:

Old Rule 17 Powers and Proceedings of the Board of Directors, New Rule 16: Powers of the Board of Directors

This Rule is amended by **New Rule 16.3** to permit Board meetings to be held by electronic means and by telephone and clarified to refer to the Board's powers in relation to senior employees (adding the word "senior") and not employees generally.

Old Rule 21, General Meetings, New Rule 20: General Meetings

Old Rule 21.9, **New Rule 20.8** updates the Rules relating to Notice and what information is supplied to Members and in what manner. This permits a link to be supplied to Members to access documents such as the Annual Report and Accounts online, allowing the Society to reduce its use of paper.

Old Rule 22, Conduct of General Meetings, New Rule 21: Conduct of General Meetings

New Rule 21.3 The Board of Directors are given the power to permit attendance, voting and speaking at a General Meeting including by electronic means. References to postal ballots have been removed.

Old Rule 31, New Rule 30: Alteration to Rules

The procedure to amend the Rules has been updated to permit voting by electronic means.

Old Rule 37, New Rule 36: Notices

Updated to include documents sent by electronic means and inclusion of the auditor to receive all notices and communications relating to General Meetings.

New Rule 37: Means of Communication

Specifies that the Society must receive a Member's specific consent to receive communications from the Society by electronic means in place of by post. Where no specific consent has been received, the Society must communicate with the Member by postal means. There is also some clarification about the Society's communications with Board Members.

4a. Board of Directors Term of Office

Major changes

Old Rule 15, New Rule 14: Board of Directors

It is proposed to change this Rule to limit the period that a Director can serve on the Board of Directors to a maximum of 12 years which is in line with the Corporate Code of best practise and also the Cooperative Code. It has been recognised, from a range of studies around business failures that, after a period of time, a Non-Executive Directors ability to bring fresh ideas and challenge diminishes. The Corporate Code puts this at around 9 years and therefore recommends this as a limit on service. In recognition of the HF Holidays traditions the Board agreed to propose to extend this to 12 years.

4b. Qualification for standing for election to the Board

All Directors will continue to stand down at the end of their Term of Office. It is proposed however to allow a Director, who has served for their first Term, to qualify to stand for re-election. This is to provide the opportunity for the Members to take advantage of the knowledge and experience that the retiring Director has accrued.

This change does not convey an automatic right for a Director to serve for an additional term. It clearly remains a decision of the Members who is elected to the Board. If a Director has been elected for two terms, totalling up to 8 years, the Director must take a break, of at least a year, before they will be eligible to stand in elections for the Board.

Transitional arrangements for those Directors who are currently on the Board or will be when the new Rules come into force are included to ensure continuity over the change period.

The new Rule also includes clarification of the requirements for election of Directors and the removal of some administrative detail, which will be included in an Elections Manual to be prepared by the Governance Committee later in the year.

This is the standard practise in the majority of other businesses, including Cooperatives, where it has been recognised that it is a significant challenge for an elected Director to make an effective contribution in a complex business environment over the early period of their service on the Board. There is also considerable evidence that Directors are at their most effective during their second term in office.

Part of old Rule 15.4, now part of New Rule 14.7: An addition has been made to give the Board discretion over the eligibility of a Director, who has been removed from office for not acting in the best interests of the Society, to stand for re-election to the Board.

Old Rule 15.6 has been deleted and replaced by New Rule 14.9: This amendment allows the Board to suggest a standard format for election statements to assist Members in comparing candidates. The content of the statements will remain the responsibility of the candidates.

Old Rule 15.7, New Rule 14.10: Sets out more detail about the eligibility criteria for candidates to the Board of Directors.