

Notice of Annual General Meeting

25 May 2009

By order of the Board

9 April 2009

Lisa Nicholson

Company Secretary

NOTICE is hereby given that the Annual General Meeting of Members of CPA Australia Ltd (“**the Company**”) will be held at Level 28, 385 Bourke Street, Melbourne, Victoria on Monday 25 May 2009 at 5.30 pm (Melbourne time).

Ordinary Business

Receipt of Annual Financial Report

Receive and consider the Company’s Financial Report, the Directors’ Report and the Auditor’s Report for the year ended 31 December 2008.

Special Business

To consider and, if thought fit, pass the following resolutions as special resolutions*:

Resolution 1: Adoption of new Constitution

“That with effect from 1 July 2009, the existing Constitution of the Company be repealed, and the Company adopt in its place the form of constitution which has been made available at the Company’s registered office for inspection by members of the Company, and on the Company’s website from 4 May 2009 (as tabled at the meeting and signed by the Chair for the purposes of identification).”

Resolution 2: Divisional Councils

“That, subject to passing the special resolution numbered 1 above, and with effect from 1 July 2009, the Constitution of the Company adopted pursuant to the special resolution numbered 1 above, be modified by making all of the proposed amendments marked-up in Annexure A to the Notice of this Meeting.”

*Note: for these resolutions to be passed at least 75% of the votes cast must be in favour.

How to vote

You may cast your vote in one of two ways:

- a. attend the Annual General Meeting in person at the date, time and place specified in the Notice of Meeting and cast your vote personally;

or

- b. complete the details requested in the Proxy Voting Form, detach it from this Notice of Meeting and send it to the Company Secretary at Level 28, 385 Bourke Street, Melbourne 3000 or on facsimile +61 3 9602 1163.

Notes

1. A Member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. The foregoing note is a Corporations Act requirement, even though it does not apply to the Company, as a company limited by guarantee.
2. The proxy appointed by a Member need not themselves be a Member of the Company.

Annexure A

Resolution 2

Divisional Councils

66. Terms of Divisional Councillors

- a. Subject to Article 66(b), Divisional Councillors shall:
- i. hold office for a term of 3 years commencing on 1 January in the year following the year during which the Divisional Councillor is elected, and expiring on 31 December of the third year of that term. ~~Divisional Councillors shall retire on the expiry of their terms; and~~
 - ii. on the expiry of each such term ~~retire shall~~ and be eligible for re-election for a further term of 3 years, ~~provided that serving a further 3 year term would not result in that Divisional Councillor holding office for more than 6 consecutive years (for these purposes, excluding any time served as a Divisional Councillor while filling a casual vacancy, and any time served as a Divisional Councillor prior to 31 December 2008).~~
- b. If a Divisional Councillor would be ineligible for re-election pursuant to Article 66(a)(ii) at the expiry of their current term but for the operation of this Article 66(b) and that Divisional Councillor:
- i. holds office as a Divisional President during the last year of his or her current term as a Divisional Councillor, then that Divisional Councillor shall be eligible for re-election for a further 1 year term as a Divisional Councillor but shall not be eligible for any further subsequent re-election; or
 - ii. holds office as a Divisional Deputy President during the last year of his or her current term as a Divisional Councillor, then that Divisional Councillor shall be eligible for re-election for a further 2 year term as a Divisional Councillor but shall not be eligible for any further subsequent re-election.
- c. If a Divisional Councillor is ineligible for re-election pursuant to Article 66(a) or 66(b), he or she shall not be eligible to be elected as a Divisional Councillor for a period of 2 years following the expiry of his or her current term as a Divisional Councillor.

Explanatory Notes

Resolution 1: Adoption of new Constitution – overview

A new Constitution will be considered for adoption at the Annual General Meeting of CPA Australia Ltd (**CPA Australia**) on 25 May 2009 in Melbourne.

The new Constitution is written in plain English, will be overall simpler to understand, and is intended to replace the existing Constitution which is now showing its age.

The existing Constitution lacks internal consistency in a number of areas as a consequence of the many amendments made to it over the years on an ad hoc basis. Many of the provisions it contains are outdated and inconsistent with current legislation such as the Corporations Act.

To address these issues, the Constitution has been reviewed in its entirety and revised. The proposed new Constitution is intended to update CPA Australia's procedures, take into account relevant legislative changes and modernise the CPA Australia's corporate governance rules. It also provides a platform to achieve consistency in style, approach and presentation across all governance and policy documents such as the By-Laws.

Main differences

The new Constitution, though broadly similar to the existing Constitution, contains several important new provisions, omits outdated provisions and generally consolidates the structure of the Constitution. For the purposes of simplifying the Constitution, it is proposed to relocate some matters, including procedural matters relating to Divisions and Divisional Councils, to the By-Laws. The following notes provide a more detailed explanation.

Key structural features of CPA Australia's governance – for example, the Representative Council and the Board – remain unaltered.

Information for members

The proposed new Constitution can be viewed on the CPA Australia website or – upon request to the Company Secretary – at the registered office of CPA Australia in Melbourne.

Explanatory Notes

New Articles 2(a)(viii) and 76 (Transition): no equivalent provision – New Articles 2(a)(viii) and 76 are aimed at facilitating the transition from the existing

Constitution to the proposed new Constitution. All appointments to offices made, Divisions, Branches and other groups and bodies established, and delegations made under the existing Constitution are proposed to be preserved and recognised under the new Constitution. This is intended to minimise the disruption to CPA Australia if the new Constitution is adopted and to maintain continuity during the transition.

New Article 4 (Enforcement): no equivalent provision – Under new Article 4(a), Members would submit (on a non-exclusive basis) to the jurisdiction of the courts of Victoria, the Federal Court of Australia and relevant courts of appeal. This reflects the location of CPA Australia's head office.

New Article 5 (Objects): Existing Clause 1C – New Article 5 proposes to consolidate CPA Australia's objects. It distils the objects as the promotion of excellence, enterprise and integrity amongst Members, the education of Members and prescribing the highest professional standards for Members. Replication of the detailed sub objects and the listing of activities to be undertaken to achieve the objects in the existing Constitution is not proposed.

New Article 6 (Application of income and property): Existing Clause 1D – New Article 6 proposes to clarify the exemptions to the general prohibition on CPA Australia making a payment to a Member, to recognise the potential need for CPA Australia to make payments for certain matters for example, for services provided, to reimburse out-of-pocket expenses incurred on CPA Australia's behalf, or payments to Directors in accordance with new Article 45 (see below).

New Article 7(e) (Membership status and distinctions): Existing Clause 9 – New Article 7(e) proposes to no longer require the Board to pass a "special resolution" to admit a person as an Honorary Member. It also clarifies the rights and obligations of an Honorary Member.

New Article 7(f) (Membership status and distinctions): Existing Clause 10 – New Article 7(f) proposes to no longer require the Board to pass a "special resolution" to admit a person as a Life Member. It also clarifies the rights and obligations of a Life Member.

New Article 7(g) (Membership status and distinctions): Existing Clause 23 – Replication of the restrictions on Members regarding use of designations currently imposed by Clauses 23(2) and 23(3) (i.e. on use in conjunction with indications of membership of another accounting or bookkeeping body and on use which may

suggest that all persons related to an entity are members of CPA Australia) is not proposed. It is intended that these restrictions would instead be included in the By-Laws.

New Articles 10(c) and (d) (Agreements and consents): Existing Clauses 3(2) and 41 – Presently, Clause 3(2) provides that a Member consents to CPA Australia disclosing the fact of his or her membership of CPA Australia and the relevant membership status. In order to increase demand for the CPA designation by creating a profile of where Members are currently employed (including by industry, employer and sector), it is proposed that under new Article 10(c), each Member would additionally consent to CPA Australia disclosing the Member's current employer. Consistent with this approach, it is proposed that under new Article 10(d), Members be obliged to notify a change in employer, in addition to the existing requirement to notify a change of their principal place of residence.

New Article 11(a) (Resignation of a Member): Existing Clause 24(1) – Compared to Clause 24(1) under the existing Constitution, proposed new Article 11(a) simplifies the procedural requirements for a Member to resign by allowing Members to resign at any time by giving CPA Australia written notice. New Article 11(a) would also clarify that the resignation takes effect immediately on the giving of notice to CPA Australia, unless stated otherwise in the notice. The requirements that a Member must return his or her certificate of membership and must pay all monies owing to CPA Australia (previously both pre-conditions to resignation) are now separately provided for in new Article 13(a).

New Article 12 (Other cessation events): no equivalent provision – New Article 12 would provide that a Member's membership ceases in certain circumstances, including if the Member dies or becomes of unsound mind.

New Articles 14, 41(d) and 41(e) (Readmission to and reinstatement of membership): Existing Clause 34 – It is proposed that new Article 14 would broaden the circumstances in which a person may apply for readmission to membership. In contrast to Clause 34 of the existing Constitution which only applies to persons whose memberships have been forfeited, it is proposed that new Article 14 would also apply to a person who has resigned or otherwise ceased to be a Member. Whilst notice of a determination regarding an application for readmission must be given, the previous internal right of appeal from that decision (in Clause 34(4)) is proposed to be removed. This will only apply to former Members and is made to bring the treatment into line with applicants

for membership. It is also proposed under new Article 14 to require applicants for readmission to meet the admission requirements in force at the time of the application for readmission, unless the Board determines to the contrary. Currently, there is no equivalent requirement under Clause 34 of the existing Constitution.

Reinstatement to membership (i.e. following a person's membership having been suspended rather than forfeited or otherwise ceased) would now be dealt with separately from readmission (in Article 41(d)) as a Board discretion, rather than an express right to apply for reinstatement.

New Article 15(a) (Setting of fees): Existing Clause 20 – Clause 20 of the existing Constitution currently provides that annual subscriptions are generally payable on 1 January each year. Article 15(a) proposes to delete this fixed date. Instead, the due date for payment of fees (including annual subscriptions) would be determined by the Board. Notice of any fee and the time for payment must be given under proposed new Article 16(a).

New Article 17(d) (Payment of fees): no equivalent provision – New Article 17(d) would introduce certain matters which will be taken as proved (if an appropriate source document such as the register of members establishes the matter) in a proceeding to recover a subscription or fee. This is aimed at facilitating recovery of unpaid subscriptions/fees.

New Article 18 (Interest payable): no equivalent provision – New Article 18 proposes to enable CPA Australia to recover from a Member interest (at a rate determined by the Board) on late payment of annual subscriptions or other fees and all costs and expenses incurred by CPA Australia due to the Member's failure to pay. It also provides the Board with a discretion to waive any payment or interest.

New Article 19 (Recovery of payments made in respect of Members): no equivalent provision – New Article 19 proposes to empower CPA Australia to recover from a Member or the legal personal representative of a deceased Member any governmental or tax payments which CPA Australia has made in respect of that Member. This is intended to enable CPA Australia to recover any such payments which would, in effect, have been paid on the Member's behalf.

New Article 21(a) (Calling meetings of Members): Existing Clause 49 – Consistent with the flexibility usually accorded a Board in this regard, Article 21(a) proposes that the location of a general meeting remain as a discretion of the Board but removes the current requirement that the Board must hold a general meeting in a capital city.

New Article 22(a) (Notice of meetings of Members):

Existing Clause 51 – Currently, the power to depart from prescribed matters regarding a notice to Members convening a general meeting (namely, the place, date, time and general nature of matters proposed to be dealt with) is vested in CPA Australia (apparently in general meeting, although it is unclear how this would be workable). So as to make this aspect more certain and workable, it is proposed to vest this power in the Board (rather than CPA Australia in general meeting), subject to compliance with the Corporations Act.

New Article 22(e) (Notice of meetings of Members):

no equivalent provision – Proposed new Article 22(e) would deem a person's attendance at a general meeting to operate as a waiver of any objection regarding notice of that meeting, unless the person objects at the beginning of the meeting.

New Article 23 (Business of meetings): Existing

Clause 50 – The thresholds to be met for Members to move a resolution or an amendment to a resolution at an annual general meeting (currently, 50 members, on not less than 6 weeks' notice) are proposed to be raised to be in alignment with the Corporations Act requirements (the lesser of 5% and 100 Members, on at least 2 months' notice).

New Article 24(b) (Quorum): Existing Clause 56 –

The quorum for a general meeting is proposed to be reduced from ten to six Members present personally or by proxy and entitled to vote.

New Article 24(c) (Quorum): Existing Clause 59 –

Article 24(c) proposes to remove the fixed rule in current Clause 59 which provides different processes if a quorum at a general meeting is not present within 15 minutes of the appointed time for commencement. Currently, a Member-convened meeting must be dissolved and any other meeting must be adjourned. It is proposed that the meeting be dissolved, irrespective of how it was convened, unless the chair of the meeting or the Board adjourns the meeting. Article 24(c) does not replicate the current position that a quorum for an adjourned meeting is formed by a reduced number of Members compared to the usual quorum.

New Article 26 (Conduct of meetings of Members):

no equivalent provision – Proposed Article 26 provides that the chair of a meeting of Members is responsible for the general conduct at and procedures for the meeting. For this purpose, Article 26 proposes to provide the chair with certain powers, including powers to make rulings to ensure the orderly conduct of that meeting, to determine any dispute regarding a vote, to terminate discussion or debate and require a vote on that matter, to refuse a

person admission or require a person to leave because of a matter that would undermine that meeting and to nominate a separate meeting place where necessary.

New Article 30(b) (Voting at meeting of Members):

no equivalent provision – Article 30(b) proposes to allow the Board to permit a Member who is entitled to attend and vote at a meeting to vote at that meeting without being present personally or by proxy. The rules and procedures governing such "direct voting" may be determined by the Board.

New Article 32(b)(iv) (Restrictions on voting rights):

no equivalent provision – This new Article would prevent a Member from voting on any resolution if a fee, fine or other amount payable to CPA Australia in respect of that Member's membership is more than 3 months overdue.

New Article 36(b) (Adjournments): Existing Clause

63 – The requirement for Members' consent to an adjournment is not proposed to be replicated. However, Article 36(b) proposes that the chair of a meeting may, at his or her discretion, obtain the consent of Members at the meeting to an adjournment.

New Article 37 (Cancellations and postponements):

no equivalent provision – It is proposed that, subject to the Corporations Act, the Board may cancel or postpone a meeting of Members or alter the meeting location. This cannot occur where the meeting has been called by Members in accordance with the Corporations Act or by the Board at the request of Members, unless a majority of those Members consent to that meeting being cancelled or postponed. It is proposed that notice of a cancellation or postponement or an alteration of the location of a Members' meeting may be given as the Board determines, however failure to give such notice will not invalidate the actions resolved upon at a postponed meeting or at a meeting held at a different location.

New Article 38 (Meetings of a class of Members):

no equivalent provision – It is proposed that the provisions of the new Constitution relating to a meeting of Members would also apply, where capable, to a meeting of a class of Members, with the exceptions that in a class meeting, any Member of the class could demand a poll and that a quorum would be 2 Members of the class (if there is only one Member in the relevant class, the quorum would be that Member). What constitutes a "class" of members will depend on the circumstances. An example may include differential rights or obligations between Members of the same membership status (e.g. Associates), depending on when the Member achieved that membership status (e.g. became an Associate).

New Articles 39(a)(i), 39(a)(ii)G, 39(a)(ii)H, 39(a)(iii) and 39(d) (Professional Conduct): Existing Clauses 27(1) and (3)

– In order to better protect the reputation of CPA Australia and its Members, especially in light of evolving community values, new Article 39 proposes some amendments to the grounds on which the Board may take action under the professional conduct provisions against a Member. The following aspects are proposed to be varied from Clause 27(1) of the existing Constitution:

- a. under new Article 39(a)(i), it is proposed that a Member who has obtained admission (to CPA Australia or another professional body) or renewed his or her membership by improper means, including by making a false declaration, could potentially be subject to the professional conduct provisions. Further, if the Board was of the reasonable opinion that these circumstances applied to a Member then the Board would have the power to pre-emptively suspend that Member's membership, pending a subsequent hearing. This would be in addition to the grounds on which the Board may currently exercise this power (including if a Member has become insolvent, been found to have acted dishonestly in civil proceedings before a court or been found guilty of a serious dishonourable practice);
- b. if a Member is guilty of an offence, the Board would need to be satisfied that this is likely to materially adversely reflect upon or affect the standing or reputation of CPA Australia before the Member could potentially be subject to the professional conduct provisions in relation to that offence. This contrasts with the current position, under which a Member who pleads guilty to or is found guilty of any offence (apart from a traffic infringement) could be potentially subject to the professional conduct provisions;
- c. the stage at which:
 - i. an adverse finding in relation to a Member's conduct, competence or recognition by a court, professional body, statutory or other regulatory authority;
 - ii. a finding of guilt against a Member in respect of a relevant offence (see discussion in paragraph (b) above); or
 - iii. a finding of dishonesty in any civil proceedings, may give rise to a Member potentially being subject
- d. to the professional conduct provisions is proposed to be brought forward, so as to deal with such a finding in a timely manner. A timely instigation of any professional conduct proceedings would protect the reputation of CPA Australia and its Members. Under Clause 27(1) of the existing Constitution, any appeal rights would need to have been exhausted before a Member could be potentially subject to the professional conduct provisions. In order to address concerns that CPA Australia may be prevented from taking action against Members against whom such "findings" have been made until possibly lengthy appeal periods/processes have expired or run their course, it is proposed that under new Article 39 this requirement be altered so that Members against whom such a "finding" has been made could potentially be subject to the professional conduct provisions at any time after a "finding" has been made, unless the "finding" has been overturned on appeal;
- d. similarly, under new Article 39(d) it is proposed to lower the level of "finality" required before the Board may require, when imposing a sanction on a Member, the Member to pay the costs and expenses of the investigation and determination. Currently, under Clause 27(d) of the existing Constitution, the Board only has such a power if no appeal is possible from its decision (or the decision of its delegate). Under new Article 39(d), it is proposed that the Board have such a power if its decision (or the decision of its delegate) is not subject to an appeal;
- e. presently, Clause 27(1)(f) provides that a Member could be potentially subject to the professional conduct provisions if he or she was, whilst a Member, "affiliated" with a Practice Entity which has become insolvent. Under new Article 39(a)(iii), it is proposed to refine this test, so that a Member could be potentially subject to the professional conduct provisions if he or she was "closely associated" with a Practice Entity which has become insolvent if he or she was so associated at the time it became insolvent or within the preceding 2 years; and
- f. under the current Constitution, a Member would be "affiliated" with an entity if the Member was a director or member of that entity, as well as if the Member was a "relative" of a director or member of that entity, a "relative" or a spouse of such a director or member, or a beneficiary of a trust of which the entity

is or has been trustee. "Relative" is broadly defined to include immediate family, together with a parent-in-law, sister-in-law, brother-in-law, step-child or grandchild. Additionally, being an employee, contractor, partner, joint-venturer or franchisee of, with or to an entity would also make a Member "affiliated" with the entity. In the interests of fairness, it is proposed that the test of whether a Member is "closely associated" with a Practice Entity for the purposes of new Article 39 would be narrower than the current test of whether a Member is "affiliated" with a Practice Entity. It is proposed that only Members with a sufficient degree of control over an entity, i.e. directors, officers and members (or unitholders) holding at least 15% of the shares (or units) in an entity would be taken to be "closely associated" with that entity. So for example, if a Member was a relative of a director/member of an insolvent Practice Entity, or an employee, contractor or franchisee of or to an insolvent Practice Entity, such a Member could no longer be potentially subject to the professional conduct provisions in respect of the insolvency of the Practice Entity under Article 39 (which they would be under current Clause 27).

New Article 40 (Non-payment of Fees): Existing Clause 21 – New Article 40 proposes to simplify the membership forfeiture regime under Clause 21 of the existing Constitution in relation to failure to pay any annual subscription or fee. Presently, under current Clause 21 an annual subscription must be 3 months overdue and CPA Australia must give the Member 1 month's notice of this fact before it can proceed to forfeiture. For amounts other than annual subscriptions, if payment is not made within 3 months of the receipt of the relevant notice, then the Board may remove or suspend the Member's rights.

New Article 40 would provide that if a fee (including an annual subscription) is overdue for 60 days, CPA Australia is required to give a Member a final notice and 30 days for that Member to pay the relevant subscription/fee before that Member's membership could be forfeited.

New Article 43 (Forfeiture of distinction): Existing Clause 25 – New Article 43 proposes to require the Board only to pass an ordinary resolution (as opposed to a "special resolution") to forfeit the distinction of Honorary or Life membership.

New Article 44 (Appointment of Directors): Existing Clause 72 – New Article 44 proposes a 1/3 Directors'

rotation model with the objective of maintaining the momentum of the Board whilst not unnecessarily interrupting its continuity. This approach has been taken after considering the current market practice, especially terms of directors and rotation models adopted by larger listed companies and similar membership bodies.

Under new Article 44, generally each Director would have a 3 year term, as compared to a 2 year term under the existing Constitution. Generally, the maximum consecutive tenure that a Director may serve is 6 years (i.e. 2 terms), which corresponds with the maximum consecutive tenure under Clause 72(5) of the existing Constitution. It is also proposed under the new Article 44 that the retirement/appointment date for Directors be switched from 31 March/1 April to 30 September/1 October.

A large part of this provision (Article 44(h)) is to accommodate the transition from the 2 year, half rotation model under the existing Constitution to the proposed 3 year, one third rotation model and the switch in the retirement/appointment date for Directors. During this transition period, the maximum consecutive tenure of most directors would exceed 6 years. It is further proposed, in order to facilitate the switch in the retirement/appointment date for Directors, that the current terms of the Directors (carried over from the existing Constitution) be extended by 6 months.

New Article 45 (Remuneration and benefits of Directors): Existing Clauses 81(o), (p) and (q) – Currently, Clauses 81(o), (p) and (q) of the existing Constitution permit CPA Australia, in each year commencing on 1 April and ending on 31 March in the next calendar year, to pay to:

- a. the employer of a Director who is also a Member (Member Director);
- b. a Practice Entity with whom a Member Director is "affiliated" (for a discussion of the meaning of this term, please see paragraph (g) of the discussion above in relation to Articles 39(a)(i), 39(a)(ii)B, 39(a)(ii) G and 39(a)(iii)); or
- c. if the Member Director is self-employed, the Member Director personally,

a percentage determined by the Board (within minimum and maximum limits specified in the Constitution) of the total annual salary package of the Auditor-General of Australia. However, such payments currently cannot be made until 1 April 2010, except in relation to the President and the Deputy Presidents (in relation to whom higher minimum and maximum limits apply). Directors

who are not Members (External Directors) are subject to the same minimum and maximum limits as the “non-President/Deputy President” Member Directors, but must be paid personally. External Directors are not subject to the restriction on payment prior to 1 April 2010, and so are already receiving directors’ fees.

It is proposed under new Article 45 to:

- a. preserve (with some minor modifications) the current director remuneration arrangements from the existing Constitution for an interim period only (ending on 31 March 2010), in order to accommodate arrangements that the current Directors have made in reliance on the current director remuneration arrangements in the existing Constitution continuing for this period. Thereafter (except as summarised in paragraph (c) below, which would commence on 1 July 2009), it is proposed to move to the new system described below, whilst still retaining the same minimum and maximum limits for these payments as are currently specified in Clauses 81(o), (p) and (q) of the existing Constitution, and the prohibition on payments to or in respect of Member Directors who are not the President or a Deputy President before 1 April 2010;
- b. from 1 April 2010 onwards, no longer require (or indeed, no longer permit) these payments in relation to Member Directors to be made to the employers of Member Directors or an “affiliated” Practice Entity, but instead:
 - i. to require these payments to be made to Directors personally (as is currently the case with External Directors); or
 - ii. if as a condition of a Director’s employment with his or her employer, a Director is not permitted to receive fees from CPA Australia personally, to allow an honorarium to be paid to the Director’s employer.

This change is designed to more closely align CPA Australia with current best practice in relation to Director remuneration.

- c. align the 12 month periods to which the minimum and maximum limits are referable with the proposed new retirement/appointment dates for Directors (30 September/1 October). In other words, the minimum and maximum limits would be referable to each 12

month period commencing on 1 October and ending on 30 September in the next calendar year, instead of each 12 month period commencing on 1 April and ending on 31 March in the next calendar year. In order to facilitate this switch, it is proposed that there be an initial 18 month transition period (1 April 2009 to 30 September 2010), during which the minimum and maximum limits would be adjusted on a pro rata basis; and

- d. from 1 April 2010 onwards, give CPA Australia a discretion to make an additional payment (which would not be counted towards the relevant minimum and maximum limits) to Directors who are resident overseas to compensate such Directors if they are required to pay the fees received from CPA Australia to an unrelated third party (for example, their full-time employer), are unable to claim a tax deduction or other offset and accordingly are subject to an amount of personal taxation on the fees received from CPA Australia. Alternatively, such payment may be made direct to the relevant taxation authority, rather than the Director. This change is aimed at ameliorating any unfavourable tax consequences that overseas residents may encounter by serving as a Director, with the overall objective of ensuring that CPA Australia is able to attract the best possible calibre of candidates to serve as Directors.

New Article 46(k) (Termination of office as Director): Existing Clause 74(5)

– Presently, if a “complaint” were to be made against a Member Director, or if a Member Director were to be investigated in relation to the professional conduct provisions, then that Member Director would be automatically suspended from office as a Director, until the complaint or the investigation was resolved or completed. Concerns have arisen with the arbitrary nature of this provision, especially given that the circumstances of a “complaint” can vary widely, so that a “hard and fast” rule does not appear advisable. Accordingly, it is proposed that there would be no prescribed consequence if a complaint were to be made against a Member Director or if a Member Director was to be investigated in relation to the professional conduct provisions.

However, under proposed new Article 46(k), the consequence of the membership of a Member Director being suspended is proposed to be changed to termination of office as a Director (rather than merely suspension from office during the membership suspension).

New Article 47 (Interests of Directors): Existing

Clause 75 – The proposed new Article 47 is consistent with the Corporations Act requirements in relation to disclosure of Directors’ personal interests and the restrictions on voting by Directors.

Clause 75 of the existing Constitution requires disclosure by Directors of all their direct or indirect interests in any contract or proposed contract with CPA Australia. New Article 47(b) replaces this requirement with a requirement for Directors to comply with the Corporations Act regarding disclosure of Directors’ interests. Accordingly, a Director who has a material personal interest in a matter that relates to the affairs of CPA Australia is required to disclose this interest to the other directors, subject to certain exceptions. This means that whilst non-material personal interests would need not to be disclosed under proposed new Article 47, the required disclosure is no longer limited to a “contract or proposed contract with [CPA Australia]”, so as to also include other interests, e.g. a Director having a substantial interest in a competitor of CPA Australia.

Similar amendments are proposed to be made to voting restrictions on Directors. The existing “safe harbour” of allowing a Director to hold 1% of the issued shares in a company interested in a contract or proposed contract with CPA Australia is proposed to be deleted. This “safe harbour” is potentially inconsistent with section 195 of the Corporations Act, which is mandatory for public companies such as CPA Australia. Section 195 requires that a director who has a material personal interest in a matter that is being considered at a Board meeting must not, subject to certain exceptions, be present while the matter is being considered at the meeting and must not vote on the matter. The Corporations Act does not refer to any specific percentage of shareholding as an exemption.

Under new Article 47(d), an interested Director who discloses his or her interest before the Board meeting would be permitted to vote on a relevant matter, if this is permitted under the Corporations Act.

New Article 50 (Indemnity and Insurance): Existing

Clause 117 – Consistent with current market practice, it is proposed to limit the indemnity that may be granted under the Constitution to Directors and Company Secretaries (the indemnity in current Clause 117 extends also to Representative Councillors, Divisional Councillors, executive officers, employees and committee members. Although it is not proposed to expressly provide for an indemnity to be granted to these persons, there is no prohibition under the Corporations Act on CPA Australia granting an indemnity to such persons, with the possible exception of executive officers, in respect of whom it is

not usual to provide for an indemnity in a company’s constitution. In any event, Representative Councillors and Divisional Councillors are covered by CPA Australia’s Directors and Officers insurance policy). Further, in contrast to current Clause 117 (which is an actual indemnity), proposed Article 50 permits CPA Australia to give an indemnity to an eligible officer. In other words, if it was decided to give an indemnity in a particular instance, that would be contained in a separate document.

Consistent with standard corporate practice, it is proposed that the scope of liabilities against which an indemnity may be given be extended to cover negligence.

New Article 52(a)(iii) (Specific powers of Board):

Existing Clause 39 – New Article 52(a)(iii) would empower the Board to determine to which Division or Branch a Member is attached (or if a Member is not so attached, how that Member is to be regulated; the Board would no longer necessarily exercise direct control over such Member, as is provided in Clause 39 of the existing Constitution).

New Article 52(d)(iii) (Special cases for admission to membership): Existing Clauses 6-8 – Rather than

requiring a “special resolution” of the Board to admit specified persons (largely members of another financial, accounting and business advisory professional group and persons with extensive experience in accountancy) to membership, it is proposed that the Board may pass By-Laws (by ordinary resolution) to deal with special cases for admission to membership.

New Article 62(e) (2 year “sit out” period for Representative Councillors who reach maximum tenure): no equivalent provision – It is proposed to

retain in new Article 62(d) the current maximum consecutive tenure for Representative Councillors of 6 years. However, it is proposed to additionally provide in new Article 62(e) that once Representative Councillors are ineligible for reappointment because they have reached this maximum consecutive tenure, they would be ineligible to be appointed again as a Representative Councillor for a period of 2 years.

New Article 63(c) (Quorum for Meetings of the Representative Council): Existing Clause 78(6) – It is

proposed that new Article 63(c) would empower the Representative Council to determine the quorum for its meetings, provided that this cannot be less than half the number of the then appointed Representative Councillors, plus one. Presently, the quorum of Representative Council meetings is a “procedural requirement” and so determined by the Board.

New Article 64(a)(v) (Termination of office as Representative Councillor): Existing Clause 79(3) –

Consistent with automatic termination of office of a Director, as envisaged by new Article 46(k) (see above), it is proposed that the consequence of the membership of a Representative Councillor being suspended is termination of office as a Representative Councillor, rather than merely suspension from office during the duration of suspension from membership.

Also consistent with the proposed approach relating to the termination of office of a Director, it is proposed that there would be no prescribed consequence if a complaint were to be made against a Representative Councillor or if a Representative Councillor was to be investigated in relation to the professional conduct provisions.

New Article 67 (Election of President and Deputy Presidents): Existing Clause 96 – Clause 96 of the existing Constitution provides that only the newly elected directors elect the President and Deputy Presidents from amongst themselves. This approach may result in new elected Directors voting on a candidate who they may not know and who thus may not have worked with on the Board. It may also lead to a loss of continuity and result in too small a pool of suitable candidates being eligible for these offices.

Under proposed new Article 67, the Board at the time of the election of the President and Deputy Presidents (i.e. inclusive of out-going Directors as well as continuing Directors, but excluding newly-appointed Directors whose terms are yet to commence) would elect the President and Deputy Presidents. The pool from which these positions may be filled would comprise the continuing as well as newly elected Directors.

Consistent with the switch in the retirement/appointment date for Directors, the retirement/appointment date for the President and Deputy President is proposed to be switched from 31 March/1 April to 30 September/1 October. In order to facilitate this switch, it is proposed that the terms of the current President and Deputy Presidents (carried over from the existing Constitution) be extended by 6 months (from 12 months to 18 months). On expiry of these extended terms:

- a. the President would be ineligible for re-appointment;
- b. any Deputy President who was originally appointed to office on 1 October 2007 and reappointed for a further term commencing on 1 April 2009 would be ineligible for re-appointment; and

- c. any Deputy President who was first appointed to office on 1 April 2009 would be eligible for re-appointment (for a further 12 month term).

New Articles 69 to 73 (Notices): no equivalent provision – The existing Constitution does not contain provisions detailing what constitutes proper notice to Members, Directors or CPA Australia. Notice provisions are instead contained in the existing By-Laws. New Articles 69 to 73 prescribe how notices to Members, Directors and CPA Australia are to be given, including by post, facsimile and other means.

New Article 75 (Winding up): Existing Clause 1F – Under proposed new Article 75, it is proposed to alter the manner in which any surplus assets of CPA Australia would be distributed on the winding up of CPA Australia. Currently, under Clause 1F of the existing Constitution, any surplus assets would be distributed to a body having similar objects to CPA Australia selected by the Members. If no such body existed, or the Members failed to make such a selection, then any surplus assets would be distributed as determined by a court. As is currently the case under Clause 1F of the existing Constitution, it is proposed that under new Article 75, the “first preference” recipient of any surplus assets would be a body having similar objects to CPA Australia selected by the Members. However, under new Article 75, it is proposed to amend the “fallback” recipients of any surplus assets. If no body having similar objects to CPA Australia existed, it is proposed under new Article 75 that any surplus assets would be distributed to a charitable organisation selected by the Members. In the event that the Members failed to make a relevant selection, under new Article 75, it is proposed that the Board would distribute the surplus assets (either to a body having similar objects to CPA Australia, or a charitable organisation, as appropriate), subject to Court approval.

Partially deleted: Existing Clause 5 – Unlike Clause 5 of the existing Constitution, the new Constitution (Article 7(d)) does not expressly contemplate applications being made for advancement of membership status. Rather, the new Constitution reflects the reality that most such advancements (Associates advancing to become Certified Practising Accountants) occur automatically upon a Member satisfying the requisite criteria. The By-Laws already include a requirement for Certified Practising Accountants wishing to advance to become Fellow Certified Practising Accountants to submit an application in a prescribed form.

Deleted: Existing Clause 17(1) (Fees and Subscriptions) – The ability of a Divisional Council (acting in accordance with the Board’s directions) to

excuse a Member from having to pay subscriptions or fees is proposed to be removed, so that it would be solely a matter for the Board.

Deleted: Existing Clause 21(3) (Fees and Subscriptions) – The power of CPA Australia to add a Member’s unpaid fees or charges to their annual subscription amount in the following subscription year is not proposed to be replicated, as it is proposed that CPA Australia have enhanced enforcement powers (eg forfeiture) in respect of such unpaid amounts (see Article 40).

Moved to By-Laws: Existing Clause 22 (Certificates) – It is proposed that the previous, very detailed provisions concerning certificates of membership not be replicated and that certain of these be instead included in the By-Laws. For example, in the interests of producing a more streamlined Constitution, it is proposed to remove from the Constitution the requirement on CPA Australia to issue a certificate (although no change is proposed to the practice of issuing certificates), provisions regarding ownership of the certificate and provisions regarding replacement certificates.

Deleted: Existing Clauses 36 and 40 (Divisional attachment) – It is proposed that the rules for attachment of Members to Divisions be determined by the Board. It is currently proposed that the Board would make By-Laws in this regard. Presently, the Board can override the general rule that Divisional attachment reflects a Member’s place of residence.

Clause 40 of the existing Constitution provides that a Member’s attachment to a Division is automatically transferred if a Member changes his or her principal place of residence. It is proposed that this provision would not be replicated in the new Constitution and instead would be addressed in the By-Laws.

Largely deleted: Existing Clauses 47, 82 to 92, parts of 93 to 104 (Matters concerning Divisions) – Clause 47 of the existing Constitution provides for the holding of Divisional annual general meetings, to receive and consider the report of the Divisional Council for the preceding year and to consider any other business relating to the Division’s activities.

Clauses 82 to 91 deal with various matters relating to Divisional Councils, including how Divisional Councillors are elected, the terms of Divisional Councillors, rotation of Divisional Councillors and the filling of vacancies on Divisional Councils.

Clause 92 sets out the powers of a Divisional Council, which are subject always to the control of the Board.

The foregoing provisions (apart from those relating to the election of Divisional Councillors which are proposed to be retained in the new Constitution – see new Articles 65 and 66) are not proposed to be replicated in the new Constitution, as it is intended that these matters will now be dealt with in the By-Laws. This change is proposed to reflect the current situation, where many Divisional matters are, or able to be, determined by the Board, and also to produce a more streamlined Constitution. Consistent with this approach, to the extent that existing Clauses 93 to 104 relate to procedural matters affecting Divisional Councils (e.g. quorum of meetings and appointment of committees), those provisions would also be dealt with in the By-Laws.

Deleted: Existing Clause 71 (Votes of Members in General Meeting) – It is not proposed to replicate the ability of the Board to submit a resolution to Members through a postal ballot. However, pursuant to Article 30(b), “direct voting” by a group(s) of members may be permitted by the Board.

Deleted: Existing Clause 108 (Divisional Director) – Existing Clause 108 provides for the Board to appoint a Divisional Director for each Division and to determine their powers, duties and remuneration. Consistent with the approach of dealing with most matters relating to Divisions in the By-Laws, this provision is not proposed to be replicated in the new Constitution.

Resolution 2: Amendments to new Constitution – overview

If Resolution 1 is passed and the new Constitution adopted, it is further proposed to amend the new Constitution to introduce a maximum consecutive tenure for Divisional Councillors of 6 years (which would apply generally, but in some limited circumstances, the maximum consecutive tenure would be extended to 7 or 8 years). These changes are aimed at bringing the maximum consecutive tenures of Divisional Councillors into line with those of Directors and Representative Councillors, and are being put to Members as a further, separate special resolution because although considered appropriate and desirable, they are a separate structural change from the broader Constitution re-write exercise, and in order to ensure that Members are fully aware of this proposed change.

The following notes provide a more detailed explanation.

Explanatory Notes

The form of new Article 66 of the new Constitution proposed under Resolution 1 (the Unamended Article 66) preserves the current position under Clause 82 of the existing Constitution where Divisional Councillors are elected for 3 year terms, and are eligible for re-election on expiry of their terms, without restriction. To align the position of Divisional Councillors with those of Directors (following the initial transition period discussed above in relation to new Article 44) and Representative Councillors, it is proposed to amend the Unamended Article 66 to introduce a maximum consecutive tenure of 6 years for Divisional Councillors (subject to the exceptions described below), so that Divisional Councillors would not be eligible for re-election if serving a further 3 year term would result in them being in office for more than 6 years. For these purposes, time served prior to 31 December 2008 would be disregarded, to ensure that all current Divisional Councillors would be eligible to be re-appointed for at least one further 3 year term after 2009.

It is proposed that there be an exception to the 6 year maximum consecutive tenure rule if a Divisional Councillor holds office as a Divisional President or Divisional Deputy President during the last year of their 6 year allowable tenure. In these circumstances, a Divisional Councillor would be eligible to stand for re-election:

- a. in the case of a Divisional Councillor who holds office as a Divisional President, for a further 1 year term, to allow that Divisional Councillor to serve on the

Divisional Council as the immediate past Divisional President for that period; or

- b. in the case of a Divisional Councillor who holds office as a Divisional Deputy President, for a further 2 year term, to facilitate that Divisional Deputy President being eligible to serve as Divisional President in the first of those years, and to serve on the Divisional Council as the immediate past Divisional President in the second of those years.

Finally, consistent with the rule for Representative Councillors (discussed above in relation to new Article 62(e)), it is proposed to amend the Unamended Article 66 to provide that if a Divisional Councillor is ineligible for re-election, he or she would be ineligible to be appointed again as a Divisional Councillor for a period of 2 years.

Proxy Voting Form

I _____ of _____
(full name of member – please print) (address)

being attached to the _____ Division/Branch¹ of CPA Australia Ltd (**Company**), hereby appoint

_____ of _____
(Name of proxy – please print) Division/Branch¹

or failing such appointment or the absence of that person the Chair of the Meeting as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on Monday 25 May 2009 at 5.30pm (Melbourne time) at Level 28, 385 Bourke Street, Melbourne, Victoria and at any adjournment thereof.

Please tick (✓) one box only for each resolution. Unless otherwise instructed below, the proxy may vote as he or she thinks fit, or abstain.

Special Resolution One

For

Against

Abstain

That with effect from 1 July 2009, the existing Constitution of the Company be repealed, and the Company adopt in its place the form of constitution which has been made available at the Company's registered office for inspection by members of the Company, and on the Company's website from 4 May 2009 (as tabled at the meeting and signed by the Chair for the purposes of identification).

Special Resolution Two

That, subject to passing the special resolution numbered 1 above, and with effect from 1 July 2009, the Constitution of the Company adopted pursuant to the special resolution numbered 1 above, be modified by making all of the proposed amendments marked-up in Annexure A to the Notice of this Meeting.

Dated this _____ day of _____ 2009 Signed _____

Status _____ Membership Number _____ Print name _____

The deadline for lodging proxies is 5.30pm Melbourne time Saturday 23 May 2009

Directions

- No member shall be entitled to vote either personally or by proxy if:
 - the member's subscription is overdue for three months or more;
 - the member is an honorary member; or
 - the member is an Associate (unless the member: (i) was an Associate at 30 June 1990; or (ii) successfully completed the Associate program examination by 31 December 1990 and has complied with the requirements for advancement as an Associate in accordance with the By-Laws in force on 30 June 1990).
- The above instrument appointing a proxy must be submitted to the Company Secretary of CPA Australia Ltd at its registered office at Level 28, 385 Bourke Street, Melbourne Victoria or faxed to +61 3 9602 1163. The Company Secretary shall endorse on the instrument a certificate that the appointer is a member qualified to vote at the meetings to which such instrument relates.
- The above instrument must be lodged at the registered office of the Company not less than 48 hours before the time of the holding of the meeting at which the person named in such instrument proposes to vote.

Certificate of Company Secretary

I hereby certify that the appointer named above is a member qualified to vote, in accordance with the Constitution, at the meeting to be held on the date mentioned herein.

_____ Company Secretary _____ day of _____ 2009

Questions from Members

Members who are unable to attend the Annual General Meeting (**AGM**), or who prefer to register questions beforehand concerning the matters to be considered at the AGM are invited to do so. Your questions are important to us.

Please use this form to submit questions and return it to the Company Secretary, Level 28, 385 Bourke Street, Melbourne, fax to +61 3 9602 1163 by 5.30pm (Melbourne time) on Wednesday 20 May 2009.

Although we will not be able to reply to each question individually, we will respond to as many of the frequently asked questions as possible at the AGM and those answers will be posted on our website.

Member's name: _____

Division (etc): _____

Membership No: _____

Questions:

> _____

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