



MEMBER INFORMATION DOCUMENT

**MERGER BY WAY OF A
TOTAL TRANSFER OF BUSINESS**

FROM

**AUSTRALIAN FRIENDLY SOCIETY LTD
(ABN 29 087 648 851)**

TO

**KEYINVEST LTD
(ABN 74 087 649 474)**

IMPORTANT NOTICE

This Member Information Document contains important information about the proposed transfer of business of Australian Friendly Society Ltd ABN 29 087 648 851 ("**AFS**") to KeyInvest Ltd ABN 74 087 649 474 ("**KeyInvest**") by way of a voluntary total transfer of business under the *Financial Sector (Transfer and Restructure) Act 1999* (Cth).

THE DIRECTORS OF KEYINVEST AND AFS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE RESOLUTIONS REQUIRED TO APPROVE THE TRANSFER OF BUSINESS.

Disclaimer

This Member Information Document is dated 20 September 2022. It has been issued by each institution under an approval dated 20 September 2022 by the Australian Prudential Regulation Authority ("**APRA**") under Rule 9 of the Transfer Rules 2017 – Voluntary Transfers contained in the *Financial Sector (Business Transfer and Group Restructure) determination No. 2 of 2017* (Cth) made pursuant to the *Financial Sector (Transfer and Restructure) Act 1999* (Cth). In deciding whether to approve this Member Information Document, APRA has consulted with the Australian Competition and Consumer Commission ("**ACCC**"), the Australian Securities and Investments Commission ("**ASIC**") and the Australian Taxation Office ("**ATO**"). None of APRA, the ACCC, ASIC nor the ATO, nor any of their respective officers, is liable for the accuracy of the information contained in this Member Information Document.

WHY HAVE YOU BEEN SENT THIS DOCUMENT?

This Member Information Document is sent to you as a voting member of either AFS or KeyInvest.

This Member Information Document provides important information to AFS Members and KeyInvest Members to explain, and assist them in understanding, the proposed transfer of business of AFS to KeyInvest by way of a voluntary total transfer of business pursuant to the Transfer of Business Legislation, including:

- the voluntary total transfer of the AFS Transferring Business from AFS to KeyInvest;
- the distribution of the AFS Management Fund in accordance with the Transfer Deed and the Actuarial Scheme; and
- the deregistration or winding up of AFS.

This Member Information Document has been jointly prepared by AFS and KeyInvest. A glossary of defined terms referred to in this Member Information Document is located in Section 8 of this Member Information Document.

AFS Members and KeyInvest Members should read this Member Information Document carefully. If you have any questions about the information in this Member Information Document, please contact your institution using the details below:

FURTHER QUERIES

AFS Members

Telephone: 1300 092 424

KeyInvest Members

Telephone: 1300 658 904

RESOLUTIONS SEEKING YOUR VOTE IN FAVOUR OR AGAINST THE TRANSFER OF BUSINESS TAKING PLACE ARE IN THE ACCOMPANYING NOTICE OF MEETING. ALL RESOLUTIONS INCLUDED IN EACH NOTICE OF MEETING MUST BE PASSED BY AFS MEMBERS AND KEYINVEST MEMBERS (AS APPLICABLE) ENTITLED TO VOTE BY THE REQUIRED MAJORITIES FOR THE TRANSFER OF BUSINESS TO PROCEED.

IMPORTANT DATES*

Event	Date
Special General Meeting of AFS Members	28 October 2022
Special General Meeting of KeyInvest Members	28 October 2022
Proposed Completion Date**	31 October 2022

*This important dates section is indicative only. AFS and KeyInvest reserve the right to change any of the dates in this important dates section.

**The Completion Date is the date that the Transfer of Business becomes effective and is subject to change depending on the date that APRA issues the Certificate of Transfer under section 18 of the Transfer Act.

Neither APRA, the ACCC, ASIC, nor the ATO, nor any of their respective officers, is liable for the accuracy of the information contained in this Member Information Document.

TABLE OF CONTENTS

1.	LETTER FROM THE CHAIRMEN	5
2.	SUMMARY OF TRANSFER OF BUSINESS	6
3.	DIRECTORS' RECOMMENDATIONS AND REASONS FOR THE TRANSFER OF BUSINESS	10
4.	INFORMATION ABOUT AFS	15
5.	INFORMATION ABOUT KEYINVEST	22
6.	DETAILS OF THE TRANSFER OF BUSINESS	27
7.	INFORMATION ABOUT KEYINVEST AFTER THE TRANSFER OF BUSINESS	37
8.	GLOSSARY	42
	ANNEXURE A – COMPARISON OF MEMBER RIGHTS AND LIABILITIES IN AFS' CONSTITUTION AND KEYINVEST'S CONSTITUTION	45

1. LETTER FROM THE CHAIRMEN

The proposed transfer of business of AFS to KeyInvest by way of a voluntary total transfer of business under the Transfer of Business Legislation will create a friendly society with combined funds under management of approximately \$400 million and approximately 49,800 members. If the Transfer of Business proceeds, the Merged Society will be more competitive in the marketplace as it develops new and innovative products and provides even greater service to members in the future.

The Transfer of Business has the unanimous support of the AFS directors and the KeyInvest directors who recommend that you vote in favour of all resolutions at the Special General Meeting of each institution.

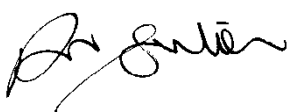
We expect that it will not only deliver a superior outcome for our respective members, but will also attract more members in the future.

You are encouraged to vote on the proposed Transfer of Business by attending and voting in person at the Special General Meeting of your organisation on 28 October 2022. If you cannot attend, you may complete and return the proxy form that accompanies this Member Information Document.

You will find further details of the Special General Meeting outlined below in this Member Information Document and the Notice of Meeting for your institution that accompanies this Member Information Document.

The Special General Meeting of your institution will provide a forum for you to raise questions. The Chairman of each Special General Meeting will act as moderator to facilitate discussions in relation to the proposed Transfer of Business at the relevant Special General Meeting. No independent moderator will be appointed. We encourage you to raise any questions that you may have in relation to the Transfer of Business before the Special General Meeting of your institution. Contact details of your institution are set out on page 2 of this Member Information Document. The Chairman of each Special General Meeting will endeavour to address as many of the more frequently raised relevant questions and comments as possible during the course of the relevant Special General Meeting. However, there may not be sufficient time available at the relevant Special General Meeting to address all of the questions and comments raised. Please note that individual responses will not be sent to AFS Members or KeyInvest Members.

On behalf of the AFS Board and the KeyInvest Board, we would like to thank you for your continued support and encourage each of you to vote in favour of this Transfer of Business.



Dr Roger N Sexton AM
Chairman



Robert Taylor
Chairman

2. SUMMARY OF TRANSFER OF BUSINESS

2.1 About the Transfer of Business process

The AFS Board and the KeyInvest Board have agreed to pursue a merger following extensive discussions between AFS and KeyInvest.

The merger of AFS and KeyInvest is being undertaken in accordance with the Transfer of Business Legislation, which involves a voluntary total transfer of business by AFS to KeyInvest. If the Transfer of Business proceeds, AFS will transfer the AFS Transferring Business (being all of AFS' assets and liabilities as at the Completion Date, including the AFS Benefit Funds and the AFS Management Fund) to KeyInvest and **KeyInvest will become responsible for the future administration of the AFS Benefit Funds.**

The legal effect of the Transfer of Business is described in Section 6 of this Member Information Document. In general terms, KeyInvest will become the successor in law of AFS with respect to the AFS Transferring Business. KeyInvest will become responsible for the investment of the assets of the AFS Benefit Funds. **AFS Benefit Fund Members will become KeyInvest Members and continue to be members of the relevant AFS Benefit Funds to which their policies relate.**

AFS Policy Owners will become policy owners of KeyInvest in respect of the relevant AFS Benefit Funds to which their policies relate. Any person that has been assigned a policy by an AFS Benefit Fund Member and, as a consequence, became an AFS Policy Owner did not become an AFS Benefit Fund Member and will therefore not become a KeyInvest Member if the Transfer of Business proceeds. However, **each such person will continue to be a policy owner, with such policy being administered by KeyInvest.**

In addition, AFS General Members will remain AFS Members and will not become KeyInvest Members under the Transfer of Business. If the Transfer of Business proceeds, AFS will cease operating as a friendly society and AFS will apply for the deregistration or winding up of AFS. Following the deregistration or winding up of AFS, AFS General Members will cease to be members of AFS and no longer have any rights in respect of AFS.

In connection with the Transfer of Business, all of the assets of the AFS Management Fund (not the AFS Benefit Funds in which AFS Benefit Fund Members and AFS Policy Owners hold an interest) will be distributed in accordance with the Transfer Deed and the Actuarial Scheme. This distribution of the AFS Management Fund is explained in Section 6.5 of this Member Information Document.

For the Transfer of Business to proceed, it must be approved by APRA. APRA is the body responsible for the prudential regulation of life insurance friendly societies (including AFS and KeyInvest) and for overseeing the Transfer of Business process.

APRA will only approve the Transfer of Business once it is satisfied that the AFS Members and the KeyInvest Members have been appropriately informed of the terms of the Transfer of Business and have both Adequately Adopted the Transfer of Business. To Adequately Adopt the Transfer of Business, the Transfer of Business must be approved by at least 75% (i.e. a special resolution) of the voting members of each of AFS and KeyInvest voting (whether in person or by proxy) on the resolution at a meeting of members of KeyInvest or AFS (as applicable).

If the Transfer of Business proceeds, AFS is required to cancel its Australian Financial Services Licence, apply to APRA for the revocation of its registration under the Life Act and apply for the deregistration or winding up of AFS within 45 days of the date of the Certificate of Transfer or as soon as possible thereafter.

The AFS Members and the KeyInvest Members entitled to vote will be asked to vote on a special resolution approving the Transfer of Business at respective Special General Meetings to be held on 28 October 2022.

If the Transfer of Business is Adequately Adopted by both AFS Members and KeyInvest Members entitled to vote, APRA gives the necessary approvals, and all other conditions precedent in the Transfer Deed (as described in Section 6.2.2 of this Member Information Document) are satisfied (including the KeyInvest Members entitled to vote passing the resolutions approving the amendments to KeyInvest's Constitution described in Section 6.12 of this Member Information Document and the appointment of the AFS Nominee Directors), it is proposed that the Transfer of Business will take effect on the Completion Date (being 31 October 2022 or such other date on which the Transfer of Business is stated to come into force in the Certificate of Transfer issued by APRA).

If either of the AFS Members or KeyInvest Members do not Adequately Adopt the Transfer of Business, or if APRA does not give the necessary approvals, or any other condition precedent in the Transfer Deed (as described in Section 6.2.2 of this Member Information Document) is not satisfied (including the KeyInvest Members failing to pass a resolution approving the amendments to KeyInvest's Constitution described in Section 6.12 of this Member Information Document or a resolution approving the appointment of either AFS Nominee Director), the Transfer of Business cannot proceed and the AFS Transferring Business will remain with AFS.

The Special General Meeting of your institution will provide a forum through which you may raise questions. The Chairman of each Special General Meeting will act as moderator to facilitate discussions in relation to the proposed Transfer of Business at the relevant Special General Meeting. No independent moderator will be appointed. We encourage you to raise any questions that you may have in relation to the Transfer of Business before the Special General Meeting of your institution. Contact details of your institution are set out on page 2 of this Member Information Document. The Chairman of each Special General Meeting will endeavour to address as many of the more frequently raised relevant questions and comments as possible during the course of the relevant Special General Meeting. However, there may not be sufficient time available at the relevant Special General Meeting to address all of the questions and comments raised. Please note that individual responses will not be sent to AFS Members or KeyInvest Members.

2.2 How to vote

2.2.1 Details of the Special General Meetings

The details of the Special General Meeting of each of AFS and KeyInvest are as follows:

AFS

Date: 28 October 2022
Time: 2.30pm (Melbourne time)
Place: Bendigo and Adelaide Bank, 120 Harbour Esplanade, Docklands VIC 3008

An AFS Member that is unable to attend the Special General Meeting of AFS can watch the webcast of AFS' Special General Meeting live at www.australianfriendlyociety.com.au/merger/. If an AFS Member decides to watch the webcast of AFS' Special General Meeting, that AFS Member will not be able to participate at AFS' Special General Meeting. AFS Members are therefore encouraged to complete and return the Proxy Form that accompanies the AFS Notice of Meeting and this Member Information Document to ensure that their votes are counted towards the resolution in the AFS Notice of Meeting.

KeyInvest

Date: 28 October 2022
Time: 10.00am (Adelaide time)
Place: Level 5, 121 King William Street, Adelaide SA 5000

A KeyInvest Member that is unable to attend the Special General Meeting of KeyInvest can watch the webcast of KeyInvest's Special General Meeting live at www.keyinvest.com.au/merger/. If a KeyInvest Member decides to watch the webcast of KeyInvest's Special General Meeting, that KeyInvest Member will not be able to participate at KeyInvest's Special General Meeting. KeyInvest Members are therefore encouraged to complete and return the Proxy Form that accompanies the KeyInvest Notice of Meeting and this Member Information Document to ensure that their votes are counted towards the resolutions in the KeyInvest Notice of Meeting.

Each Special General Meeting will consider, and if thought fit, pass the special resolution approving the Transfer of Business. In addition, KeyInvest's Special General Meeting will consider, and if thought fit, pass special resolutions approving the amendments to KeyInvest's Constitution described in Section 6.12 of this Member Information Document and ordinary resolutions approving the appointment of the AFS Nominee Directors. Details of the resolutions for each institution are contained in the Notice of Meeting that accompanies this Member Information Document.

All resolutions included in the Notice of Meeting for each of AFS and KeyInvest must be passed by AFS Members and KeyInvest Members (as applicable) entitled to vote by the required majorities for the Transfer of Business to proceed.

Please note that the proposed Transfer of Business is being submitted for approval by each institution's members as a total package. The members can only choose to approve or not approve the Transfer of Business in its entirety as described in this Member Information Document.

For the Transfer of Business to be Adequately Adopted, votes in favour must be received from at least 75% of the voting members of the relevant institution, who are present and voting either in person or by proxy at the relevant institution's Special General Meeting.

A notice of the Special General Meeting for your institution accompanies this Member Information Document.

2.2.2 Voting at the Special General Meeting

You may vote at your institution's Special General Meeting:

- (a) in person by attending the Special General Meeting;
- (b) by attorney appointed to vote on your behalf. Those persons attending as an attorney must bring the original power of attorney, or certified copy, unless the institution has already noted it;
- (c) by corporate representative appointed to vote on behalf of a member that is a body corporate. Those persons attending as a corporate representative must provide an appointment of corporate representative form (a copy of which can be obtained from your institution upon request) executed by the member prior to admission which evidences the appointment of that corporate representative on behalf of the member; or
- (d) by proxy. To be valid, a proxy form must be received by the Company Secretary for your institution at least 48 hours before the time for commencement of your institution's Special General Meeting. For further information on proxy voting, please refer to the detailed instructions contained in the proxy form that accompanies this Member Information Document.

2.2.3 Voting by poll

Voting at the Special General Meeting of each institution will be conducted by way of a poll. Each KeyInvest Member (other than any KeyInvest Member who is under the age of 16 years) will have one vote at the Special General Meeting of KeyInvest. Each AFS Member (other than any AFS Member who is under the age of 18 years and any AFS Member who was entered into the register of members less than 6 months prior to the date of the Special General Meeting of AFS) will have one vote at the Special General Meeting of AFS.

2.3 What if the Transfer of Business does not proceed?

If either of the AFS Members or KeyInvest Members do not Adequately Adopt the Transfer of Business, APRA does not give the necessary approvals, or any other condition precedent in the Transfer Deed (as described in Section 6.2.2 of this Member Information Document) is not satisfied (including the KeyInvest Members failing to pass a resolution approving the amendments to KeyInvest's Constitution described in Section 6.12 of this Member Information Document or a resolution approving the appointment of either AFS Nominee Director), the Transfer of Business will not proceed.

If the Transfer of Business does not proceed, the AFS Transferring Business will remain with AFS and the operations of AFS and KeyInvest will continue to operate as they do today.

3. DIRECTORS' RECOMMENDATIONS AND REASONS FOR THE TRANSFER OF BUSINESS

3.1 AFS Board recommendation

The AFS directors unanimously recommend that you vote in favour of the proposed Transfer of Business.

The AFS directors unanimously consider that, for the reasons set out in this Member Information Document, the Transfer of Business is in the best interests of AFS Members as a whole. Each director of AFS that is a voting member of AFS intends to vote in favour of the Transfer of Business.

In making their recommendation and determining how to vote on the Transfer of Business, the AFS Board have considered the advantages and disadvantages of the Transfer of Business. The AFS Board has also considered alternatives to the proposed Transfer of Business. Further information on these alternatives is set out in Section 3.2.

In considering whether to vote in favour of the Transfer of Business, the AFS Board encourages you to read this Member Information Document carefully and in its entirety.

3.2 Other alternatives considered by AFS

The AFS Board considered a range of alternatives prior to concluding that it should recommend the Transfer of Business to the AFS Members. In consultation with regulators and external consultants, the AFS Board considered various new business and product options that would generate new revenue streams, taking into consideration the requirements for further marketing resources, management time and future viability of the business.

The alternatives considered by the AFS Board included:

3.2.1 Option 1 – AFS develop new products and business lines

With plans already afoot to issue an investment-linked Funeral Benefit Fund, the AFS Board concluded that bringing a new product such as this to the market, whilst growing funds under management to a suitable scale within an acceptable timeframe, would prove challenging.

For any new business or new product initiative to be feasible, it would have to be self-funding, scalable and profitable within a short period of time. As such, the AFS Board concluded that this would represent an unacceptable level of risk to AFS and current AFS Benefit Fund Members and AFS Policy Owners.

The AFS Board concluded that with the current profile of the AFS Members, the ever increasing costs of meeting legislative and regulatory compliance and the limited likelihood of successful expansion into new businesses and new products, the benefits for AFS Members and AFS Policy Owners would be better protected and enhanced by a merger created through the total transfer of business to a larger, better resourced friendly society.

3.2.2 Option 2 – Continue operations in wind-down and reduce operating costs

The AFS Board has taken steps to reduce operating costs within the AFS Management Fund, having successfully negotiated terms to a new Administration Services Agreement between it and KeyInvest in October 2021. KeyInvest commenced as AFS' service and administration provider under the Administration Services Agreement on 1 March 2022.

However, due to the recent low interest rate environment, AFS Benefit Fund investment returns have typically not exceeded the AFS Management Fund fee rate and as a result, this has compromised AFS' ability to charge full management fees.

Given the recent volatility in investment markets and the future uncertainty surrounding investment returns, the AFS Board concluded that the risk of continuing low management fees receipts coupled with a fixed operating cost structure, could lead to a diminution of the AFS Management Fund, such that it would not be able to sustain APRA prudential capital requirements.

Therefore the AFS Board concluded that continuing operations in wind down while reducing operating costs was not in AFS' or AFS Benefit Fund Members' and AFS Policy Owners' best interests.

3.2.3 Option 3 – Demutualise AFS

The AFS Board has considered the question as to whether AFS should be demutualised. Due to the scale of AFS' operations and the nature of the AFS Benefit Funds, the AFS Board considered that it is unlikely that the underlying economic value of AFS' assets could be realised for AFS Members at this stage and into the medium term and so rejected this option.

Furthermore, if AFS were to be demutualised, its market capitalisation would be very small compared to most other publicly listed financial services companies and so it would be unlikely that the underlying economic value of AFS' assets could be realised for AFS Members.

3.2.4 Option 4 – Merge with a listed non-mutual friendly society or another Life Act entity

AFS could potentially merge with a larger listed non-mutual friendly society that could receive the transfer of the AFS Benefit Funds and the AFS Management Fund. In effect, AFS would be integrated into the operations of the larger non-mutual friendly society and the AFS Members could seek a shareholding in the listed non-mutual friendly society.

This alternative was rejected because the size of AFS and its specialised AFS Benefit Fund business was not likely to be attractive to large non-mutual friendly societies (including those controlled by ASX listed entities).

3.2.5 Option 5 – Wind-up AFS Benefit Funds and AFS Management Fund and distribute assets

The AFS Board considered whether to wind up the AFS Benefit Funds and the AFS Management Fund and distribute the assets. This alternative was rejected because of legal, taxation and other factors resulting from the winding up of the AFS Benefit Funds and the inability to alter the obligations for honouring the contractual terms of AFS Benefit Fund policies. Also, issues relating to the concessional tax and social security status of the AFS Capital Guaranteed Fund policies could have triggered negative consequences for many AFS Benefit Fund Members and AFS Policy Owners. The AFS Board did not believe that this alternative was in the best interests of AFS Members and AFS Policy Owners.

Conclusion

The AFS Board believes that none of the above alternatives to the proposed Transfer of Business, or any combination of the alternatives (to the extent possible), would provide a positive outcome for the AFS Members as a whole.

KeyInvest's experience and familiarity with the AFS' business (as a consequence of being appointed as AFS' service and administration provider), the number of AFS Members and AFS Policy Owners and the ease with which both can be integrated into the KeyInvest business, make the Transfer of Business a relatively attractive proposition for AFS Members and Policy Owners, as well as for KeyInvest.

In the current economic and legislative environment, the AFS Board believes that the Transfer of Business is a desirable and appropriate way of securing the future of AFS Benefit Fund Members and AFS Policy Owners (and their investments).

The AFS Board members have considered the proposed merger by way of Transfer of Business. Together as a Board they have carefully considered the advantages, disadvantages and alternatives, including continuing to operate AFS as an independent entity. The AFS directors unanimously recommend the proposed Transfer of Business to AFS Members so as to best protect the interests of AFS Members. The AFS Board encourages you to vote “YES” to this proposal.

3.3 KeyInvest Board recommendation

The KeyInvest directors unanimously recommend that you vote in favour of the proposed Transfer of Business.

The KeyInvest directors unanimously consider that, for the reasons set out in this Member Information Document, the Transfer of Business is in the best interests of KeyInvest Members as a whole. Each director of KeyInvest that is a voting member of KeyInvest intends to vote in favour of the Transfer of Business.

In making their recommendation and determining how to vote on the Transfer of Business, the KeyInvest Board have considered the advantages and disadvantages of the Transfer of Business. The KeyInvest Board has also considered, but has not been able to identify, alternatives to the proposed Transfer of Business that would be likely to result in benefits to KeyInvest Members and policy owners of KeyInvest that are comparable to those benefits that are anticipated to be delivered as a result of the Transfer of Business. If the Transfer of Business does not proceed, the AFS Transferring Business will remain with AFS and the operations of AFS and KeyInvest will continue to operate as they do today. There is no guarantee that KeyInvest will be able to undertake a merger with another friendly society to achieve the benefits for KeyInvest Members and policy owners of KeyInvest that are anticipated to be delivered as a result of the Transfer of Business.

In considering whether to vote in favour of the Transfer of Business, the KeyInvest Board encourages you to read this Member Information Document carefully and in its entirety.

3.4 Reasons why you should vote in favour of the Transfer of Business

The following is a summary of the reasons why you should vote in favour of the Transfer of Business. The Transfer of Business is expected to provide:

- An improvement in the overall capital position of the Merged Society for the benefit of AFS Benefit Fund Members, AFS Policy Owners, KeyInvest Members and policy owners of KeyInvest. Such increased balance sheet strength will allow the Merged Society to pursue revenue generating opportunities.
- An increase in funds under management of the Merged Society allowing improved overall profitability that will flow from economies of scale.
- A merged membership base in excess of 49,800 members.
- An expanded distribution network.
- Increased organisational capacity to provide enhanced specialist products.
- Immediate access to enhanced product features such as unitised investment options.
- The removal of, or decrease in, duplicate costs relating to operational costs, including director fees, insurance, regulatory licensing fees, auditing, actuarial, legal, information technology, and marketing.
- Access for AFS Benefit Fund Members and AFS Policy Owners to KeyInvest’s more advanced member management system.
- Lower annual management fee in respect of the AFS Capital Guaranteed Fund following completion of the Transfer of Business. In particular, the annual management fee

(excluding external investment fees) charged by KeyInvest for the AFS Capital Guaranteed Fund will be reduced from 1.75% to 1.45% per annum, and capped for a minimum period of 3 years in accordance with the recommendation of the Scheme Actuary under the Actuarial Scheme. Thereafter the annual management fee (excluding external investment fees) shall not exceed the rate charged by KeyInvest from time to time to post June 2013 policies of the KeyInvest Funeral Bond Capital Guaranteed Fund (which, as at the date of this Member Information Document, is 1.495% per annum). External investment fees are payable in addition to the annual management fees charged by KeyInvest and AFS.

- The opportunity for the Merged Society to leverage KeyInvest's long established investment management framework and relationships.
- The transfer of knowledge to the Merged Society resulting from the appointment of two AFS directors to the KeyInvest Board.

3.5 Reasons why you may choose not to vote in favour of the Transfer of Business

The following are reasons why you may choose not to vote in favour of the Transfer of Business.

3.5.1 Implementation risks

There are risks and costs associated with a merger of this scale. These risks may compromise the Merged Society's ability to realise any or all of the proposed benefits that have been identified in this Member Information Document.

For example, recent volatility in geo-political and general economic conditions that are outside the control of boards and management have generated market instabilities that, if prolonged, could challenge the timeframes in which synergies are realised or place upward pressures on merger and integration costs. In turn, these conditions could impact the Merged Society's anticipated future performance and not meet members' expectations.

However, it would be anticipated that any such geo-political and general economic conditions would also affect each of AFS and KeyInvest should each society remain as a smaller, independent friendly society.

3.5.2 AFS General Members will not transfer

As noted above in Section 2.1, AFS General Members (being AFS Members who are not members of an AFS Benefit Fund) will remain AFS Members and will not become KeyInvest Members under the Transfer of Business. If the Transfer of Business proceeds, AFS will be deregistered or wound up as a company, after which time AFS General Members will cease to have any rights in respect of AFS.

3.5.3 KeyInvest will assume all of AFS' liabilities

If the Transfer of Business proceeds, in addition to receiving all of the assets of the AFS Transferring Business, KeyInvest will assume all of the liabilities of AFS with respect to the AFS Transferring Business.

As noted below in Section 5.9, KeyInvest has undertaken extensive due diligence investigations on AFS and the AFS Transferring Business (including to identify any liabilities that will transfer to KeyInvest under the proposed Transfer of Business).

While the due diligence enquiries undertaken on behalf of KeyInvest did not identify any matters that would be expected to materially affect the KeyInvest Members if the Transfer of Business completes, it is possible that there are liabilities of AFS not identified in the due diligence investigations which may be identified in the future and

KeyInvest Members should be aware that KeyInvest will assume any such liabilities under the Transfer of Business.

3.6 Other relevant considerations

There are some relevant considerations relating to the Transfer of Business which both AFS Members and KeyInvest Members should take into account when deciding whether or not to vote in favour of the Transfer of Business.

3.6.1 Prospects for each institution as a standalone entity

The AFS Board and the KeyInvest Board recognise that both institutions operate in an extremely competitive market, and in order to provide value to members, it is vital to have the necessary scale to deliver suitable products at competitive prices in order to achieve continued growth. Whilst capital levels must be above the prudentially regulated minimum requirements, declining fee income, coupled with increased operating costs, may well put each institution under further economic pressure and potentially affect service provision to members.

The relative size of each institution may make it difficult to continue to produce sufficient levels of revenue to support sustained growth, maintain capital levels and deliver suitable products to members. Recent volatile stock, currency and interest rate markets have, at times, highlighted this issue.

As smaller institutions, individually the opportunities to look forward to business expansion plans and new product launches are limited. As a Merged Society, a stronger balance sheet should provide growth potential, making enhanced product choice and operational improvements. A merged business will be 'stronger together'. A merged business will 'go forward together'.

3.6.2 Consequences of members not approving the Transfer of Business

If the Transfer of Business does not proceed, each institution will continue to operate their business as a standalone entity. However, they will face an environment of increased competition and growing regulatory costs.

For the reasons outlined above, both the AFS Board and the KeyInvest Board believe the Transfer of Business is beneficial for both AFS Members and KeyInvest Members, respectively.

4. INFORMATION ABOUT AFS

4.1 Introduction

AFS has for over 50 years been solely engaged as a friendly society in the provision of funeral benefits and investment products to its members or their dependants. It currently has funds under management of approximately \$160 million and approximately 30,300 members.

The Australian Funeral Bond and Bendigo Funeral Bond products issued from the AFS Capital Guaranteed Fund cater for “at need funerals” (where the funeral bond ownership is retained by the investor and the bond proceeds are paid on death towards funeral expenses and the investor becomes an AFS Benefit Fund Member). The AFS Benefit Funds also cater for “prepaid funeral arrangements” (where ownership of the funeral bond is assigned by the investor to a funeral director under a prepaid funeral arrangement to meet future funeral expenses). AFS Benefit Fund Members who assign their policies retain membership of AFS and the AFS Capital Guaranteed Fund. Funeral directors that are assigned policies by AFS Benefit Fund Members become AFS Policy Owners in respect of the relevant AFS Benefit Fund, however those funeral directors do not become AFS Members or members of the relevant AFS Benefit Fund.

4.2 Licensing and Constitution

In 1999, along with other friendly societies, AFS became incorporated under the Corporations Act as a public company limited by guarantee. At the same time, it also became registered as a friendly society under the Life Act. AFS has Australian Financial Services Licence number 247028, issued under the Corporations Act which grants AFS the authority to operate a financial services business by providing general financial product advice with respect to various financial products, certain dealing services with respect to various financial products, and to provide claims handling and settling services to retail and wholesale clients. AFS has a mutual status.

The company’s operations are governed by AFS’ Constitution, which can only be changed by a special resolution (i.e. at least 75% approval) passed by AFS Members entitled to vote at a general meeting.

4.3 AFS service and administration arrangements

AFS and KeyInvest entered into an Administration Services Agreement in October 2021. KeyInvest commenced as AFS’ service and administration provider under the Administration Services Agreement on 1 March 2022. KeyInvest provides administrative systems and support to AFS under this arrangement and has transitioned AFS’ business operations across to its Garradin Software.

4.4 AFS Members and AFS Policy Owners

AFS Members have certain rights under AFS’ Constitution, including:

- (a) unless the AFS Member is under the age of 18 years or was entered into the register of members less than 6 months prior to the date of the relevant AFS Members’ meeting:
 - (i) the right to attend and vote at AFS Members’ meetings; and
 - (ii) the right to elect directors of AFS; and
- (b) the right to a share in any surplus assets of AFS in the event that AFS is wound up.

Following completion of the Transfer of Business, AFS Benefit Fund Members will become KeyInvest Members and will be bound by KeyInvest’s Constitution. As noted Section 6.12 of this Member Information Document, KeyInvest is seeking the approval of KeyInvest Members to amend KeyInvest’s Constitution to annex the rules of the AFS Benefit Funds to KeyInvest’s Constitution and to make the Director and General Meeting Amendments. A version of KeyInvest’s Constitution which sets out the proposed Director and General Meeting Amendments (as described in Section 6.12) in mark-up can be accessed in the manner

described in Section 6.13 of this Member Information Document. A comparison of the member rights and liabilities in AFS' Constitution and KeyInvest's Constitution, as amended, (which will apply after completion of the Transfer of Business) is set out in Annexure A.

All AFS Members and AFS Policy Owners can inspect a copy of AFS' Constitution free of charge at Level 5, 49 Gawler Place, Adelaide SA 5000.

Following completion of the Transfer of Business, AFS General Members will remain AFS Members and will not become KeyInvest Members. If the Transfer of Business proceeds, AFS will cease operating as a friendly society and AFS will apply for the deregistration or winding up of AFS. Following the deregistration or winding up of AFS, AFS General Members will cease to be members of AFS and no longer have any rights in respect of AFS.

The following table shows the changes AFS Benefit Fund Members can expect as part of KeyInvest if the Transfer of Business proceeds:

Current position with AFS	Position in KeyInvest following completion of the Transfer of Business
AFS Benefit Fund Member or AFS Policy Owner holds a funeral policy with AFS	AFS Benefit Fund Member or AFS Policy Owner will continue to hold the same funeral policy in the relevant AFS Benefit Fund, under the same policy conditions, other than in respect of annual management fees (as described below this table).
AFS product names and AFS Policy Owner reporting	<p>KeyInvest will report to AFS Policy Owners as "AFS" under their designated product names and in a form in which they are accustomed to receive.</p> <p>This should assist in alleviating any confusion following the Transfer of Business or any concern that AFS Benefit Fund Members and AFS Policy Owners may have in relation to their investments (including the security of those investments).</p>
AFS Benefit Fund Members have rights and entitlements of the AFS Benefit Funds	<p>AFS Benefit Fund Members will retain their full membership and policy entitlements as AFS Benefit Fund Members and will become KeyInvest Members (along with existing KeyInvest Members). As KeyInvest Members, the AFS Benefit Fund Members will have full voting rights (along with existing KeyInvest Members) on matters at general meetings of KeyInvest, such as the appointment of directors of KeyInvest and approving any changes to KeyInvest's Constitution.</p> <p>AFS Benefit Fund Members will retain their full AFS Benefit Fund rights, including:</p> <ul style="list-style-type: none"> ▪ full voting rights on matters at meetings of the relevant AFS Benefit Fund, such as approving any restructure of that AFS Benefit Fund, approving changes to the rules of that AFS Benefit Fund, and termination of that AFS Benefit Fund; and ▪ rights to receive annual statements and reports on their investments and rights under the Life Act to request KeyInvest's financial

Current position with AFS	Position in KeyInvest following completion of the Transfer of Business
	statements and annual returns given to APRA.
AFS Benefit Fund Members have mutual membership rights	AFS Benefit Fund Members will no longer have rights in AFS which will be ceasing operations, but will have membership rights in KeyInvest following the Transfer of Business (including an entitlement to attend and vote at meetings of KeyInvest Members). AFS Benefit Fund Members will continue their membership of the same AFS Benefit Fund after completion of the Transfer of Business.
Fees and charges on AFS' products	A table comparing the fees charged by AFS on its products with those charged by KeyInvest is set out below in this Section 4.4 of this Member Information Document.
Security and protections of separate AFS Benefit Fund structures	<p>KeyInvest must legally hold each of the transferring AFS Benefit Funds as "distinct and separate" funds. This ring-fences each AFS Benefit Fund into a discrete pool of investment assets to be strictly applied only in meeting the contractual liabilities to AFS Benefit Fund Members and AFS Policy Owners with "interests" in that particular AFS Benefit Fund.</p> <p>Importantly, each AFS Benefit Fund as a separate fund has certain protections from financial problems (e.g. liquidation or winding-up) that could occur in respect of KeyInvest or any of its other investment portfolios.</p>

A comparison of the annual management fee charged by AFS for the AFS Capital Guaranteed Fund against the annual management fee charged by KeyInvest in relation to the KeyInvest Funeral Bond Capital Guaranteed Fund is set out in the table below.

	AFS	KeyInvest
Annual management fee (% pa)	1.75%	1.495%

Following completion of the Transfer of Business, the annual management fee (excluding external investment fees) charged by KeyInvest for the AFS Capital Guaranteed Fund will be reduced from 1.75% to 1.45% per annum, and capped for a minimum period of 3 years in accordance with the recommendation of the Scheme Actuary under the Actuarial Scheme. Thereafter the annual management fee (excluding external investment fees) shall not exceed the rate charged by KeyInvest from time to time to post June 2013 policies of the KeyInvest Funeral Bond Capital Guaranteed Fund (which, as at the date of this Member Information Document, is 1.495% per annum). External investment fees are payable in addition to the annual management fees charged by KeyInvest and AFS.

4.5 The AFS Board

The AFS Board comprises the following directors:

Robert Taylor
Chairman and Independent Non-Executive Director
Appointment Date: 6 March 2008

Tony Hodges
Deputy Chairman and Independent Non-Executive Director
Appointment Date: 11 July 2014

Lesley Fensom
Independent Non-Executive Director
Appointment Date: 1 December 2016

Mary-Anne Nunan
Independent Non-Executive Director
Appointment Date: 17 June 2019

Georgina Pickett
Independent Non-Executive Director
Appointment Date: 30 July 2019

Travis Pretty
Non-executive Director
Appointment Date: 2 May 2022

4.6 Financial position – AFS Management Fund

AFS Management Fund Assets

The table below contains a summary of the assets and liabilities of the AFS Management Fund as at 30 June 2020 (audited), 30 June 2021 (audited) and 30 June 2022 (unaudited).

(Actual \$)	As at 30 June 2020 (rounded)	As at 30 June 2021 (rounded)	As at 30 June 2022
Total assets	9,777,000	10,855,000	11,054,521
Total liabilities	842,000	734,000	1,207,122
Net assets	8,935,000	10,121,000	9,847,399

AFS does not have any external borrowings.

AFS Management Fund Performance

The table below contains a summary of AFS' income statement for years ended 30 June 2020 (audited), 30 June 2021 (audited) and 30 June 2022 (unaudited).

(Actual \$)	As at 30 June 2020 (rounded)	As at 30 June 2021 (rounded)	As at 30 June 2022
Total revenue	2,628,000	3,896,000	2,464,120
Total expenses	2,913,000	2,641,000	2,877,618
Operating profit (loss) before income tax	(285,000)	1,255,000	(413,498)
Income tax (expense) / benefit	183,000	(69,000)	140,397*
Operating profit (loss) after income tax	(102,000)	1,186,000	(273,101)

* The 2022 income tax (expense) / benefit is an unaudited estimate.

The AFS Board has confirmed that, other than matters disclosed in the financial reports of AFS, the financial position of AFS has not, to the knowledge of the AFS Board, materially changed since 30 June 2021, except as a result of normal trading and investment activities.

The Scheme Actuary has detailed in the Actuarial Scheme the expected net asset position of the AFS Management Fund as at 30 September 2022 and its expected treatment as a result of the Transfer of Business (including the distribution of the AFS Management Fund in accordance with the Transfer Deed and the Actuarial Scheme). For further information, please refer to the Actuarial Scheme which can be accessed in the manner described in Section 6.13 of this Member Information Document.

4.7 AFS products and the AFS Benefit Funds

AFS' current product range comprises the AFS Capital Guaranteed Fund. The AFS Diversified Funeral Benefit Fund is yet to be launched.

4.7.1 Asset and liquidity position

The AFS Capital Guaranteed Fund is invested in a mixture of short-term and longer term deposits, interest bearing bank accounts, hybrids and credit securities.

4.7.2 Description and value of the AFS Benefit Funds

The table below contains the value of the AFS Benefit Funds as at 30 June 2022 (unaudited).

AFS Capital Guaranteed Fund

Net Assets (\$000)	Member Liabilities (\$000)
162,035	159,829

AFS Diversified Funeral Benefit Fund

Net Assets (\$000)	Member Liabilities (\$000)
0	0

4.8 AFS' due diligence investigations

AFS has undertaken extensive due diligence investigations on KeyInvest. This has included the AFS Board considering operational, legal and financial aspects of KeyInvest's operations.

The due diligence process has involved KeyInvest giving AFS access to records, personnel and professional advisers.

The due diligence enquiries undertaken on behalf of AFS found that none of the findings were material to the interests of AFS Members determining whether or not to transfer the AFS Transferring Business to KeyInvest.

4.9 AFS directors' declarations

Other than for the payment of benefits and entitlements to the retiring directors of AFS (as described in Section 6.5.2.1 of this Member Information Document), no director of AFS:

- (a) has a personal interest in the proposed Transfer of Business other than any benefit to which they may be entitled as members or policy owners of either institution's benefit funds; and
- (b) will receive payments, gratuities or additional benefits, of whatever nature, prior to or as a result of the Transfer of Business, other than director fees in respect of AFS up to the Completion Date and, in respect of the AFS Nominee Directors only, any director fees in respect of their appointment as directors of KeyInvest on and from the Completion Date.

Other than for the payment of benefits and entitlements to the retiring directors of AFS (as described in Section 6.5.2.1 of this Member Information Document) or, in respect of the AFS Nominee Directors only, any director fees in respect of their appointment as directors of KeyInvest on and from the Completion Date, no offers of incentives or compensation will be paid to directors, officers, members, policy owners or investors of AFS in relation to the Transfer of Business (other than any benefit to which they may be entitled as members or policy owners of either institution's benefit funds), nor are there any arrangements or agreements with any such persons that are conditional on the Transfer of Business proceeding.

No director of AFS has any current agreement or arrangement with KeyInvest.

4.10 AFS' directors' Certification

The directors of AFS certify that:

- (a) the assets to be transferred do not include shares that would ordinarily be subject to the Corporations Act takeover regime;
- (b) no relief granted to AFS by ASIC or any of its predecessor regulators will be transferred to KeyInvest as part of the Transfer of Business;
- (c) on the Completion Date, the AFS Transferring Business (which includes all of the assets and liabilities of AFS as at the Completion Date, which comprises the AFS Benefit Funds and the AFS Management Fund), will be transferred to KeyInvest;
- (d) following the Completion Date, AFS will cease operating as a friendly society, AFS will seek the cancellation of its Australian Financial Services Licence and AFS will apply for the deregistration or winding up of AFS;
- (e) following the Completion Date, they will make any necessary application to APRA for deregistration of AFS as a life insurer under the Life Act;

- (f) on the Completion Date, they will physically transfer the AFS Transferring Business and books and records of AFS to KeyInvest;
- (g) following the Completion Date, they will prepare, sign-off and lodge financial statements in relation to any period prior to the Completion Date; and
- (h) AFS is not relieved of the need to lodge financial statements in relation to any period prior to Completion.

4.11 Other information material to the making of a decision in relation to the Transfer of Business

Except as set out in this Member Information Document, so far as the directors of AFS are aware, there is no other information that is material to the making of a decision by an AFS Member whether or not to approve the Transfer of Business, being information that is within the knowledge of the directors of AFS and has not previously been disclosed to AFS Members.

5. INFORMATION ABOUT KEYINVEST

5.1 Introduction

KeyInvest was registered as a friendly society life insurer in 1999 under the Life Act. Since its establishment in 1878, KeyInvest has grown its funds under management to over \$240 million and approximately 19,500 members.

KeyInvest has focused on product development and establishing its administration, corporate governance and compliance systems. It has established strong internal compliance capacities and sound risk management systems and procedures.

KeyInvest's core business is the manufacture of new investment products using its friendly society structure, establishing distribution networks and new business generation and its commercial property business.

Financial services

KeyInvest offers long-term financial and investment solutions through its investment bond products that provide members with tax, social security and estate planning benefits.

Its largest capital guaranteed investment, the KeyInvest Funeral Bond, includes three unitised low-cost funds which ensures its ongoing popularity with financial advisers who utilise its estate planning advantages and significant age pension test concessions for their clients.

The Life Events Bond is a unitised product delivering a competitive and low-cost menu of 44 investment choices. It offers a flexible, tax effective alternative to superannuation that can be accessed before retirement or utilised as a long-term investment vehicle for specific goals, such as funding children's education or other major life events.

KeyInvest also operates a contributory mortgage fund, the KeyInvest Select Mortgage Fund, offering mortgage investments to wholesale investors.

Commercial Property

KeyInvest operates two commercial investment properties, one in the Adelaide CBD and the other in Norwood, South Australia.

5.2 Licensing and Constitution

KeyInvest is licensed under the Life Act to operate as a friendly society. KeyInvest also has Australian Financial Services Licence number 240667 issued under the Corporations Act which grants KeyInvest the authority to operate a financial services business by providing financial product advice with respect to various financial products, certain dealing services with respect to various financial products, and to provide claims handling and settling services to retail and wholesale clients. KeyInvest Managed Investments Pty Ltd ABN 28 623 552 045, a wholly owned subsidiary of KeyInvest, holds Australian Financial Services Licence number 510440 which grants it authority to operate a financial services business by providing general financial product advice and dealing services with respect to interests in managed investment schemes and deposit products to wholesale clients.

KeyInvest is a company limited by shares and guarantee and is governed under the terms of KeyInvest's Constitution. KeyInvest has a mutual status.

5.3 KeyInvest Members

KeyInvest Members have certain rights under KeyInvest's Constitution, including:

- (a) the right to receive notice of, and to attend, KeyInvest Members' meetings, and receive copies of any reports to be provided to KeyInvest Members;
- (b) the right to vote at KeyInvest Members' meetings (unless the KeyInvest Member is under the age of sixteen); and
- (c) the right to elect directors of KeyInvest.

Other than as contemplated by the amendments to KeyInvest's Constitution (as described in Section 6.12), there will be no changes to the rights of KeyInvest Members under the proposed Transfer of Business.

For a summary of the effects of the Transfer of Business on KeyInvest, please refer to Sections 3.4 to 3.6.

5.4 The KeyInvest Board

The current KeyInvest Board comprises the following directors:

Dr Roger Sexton
Chairman and Independent Non-Executive Director
Appointed: 1 October 2003

Darryl Stillwell
Deputy Chairman and Independent Non-Executive Director
Appointed: 1 July 2005

Donny Walford
Independent Non-Executive Director
Appointed: 1 July 2005

Chantale Millard
Independent Non-Executive Director
Appointed: 11 October 2018

Geoff Vogt
Independent Non-Executive Director
Appointed: 27 May 2010

Marcus La Vincente
Independent Non-Executive Director
Appointed: 15 November 2011

Other than the appointment of the AFS Nominee Directors (as set out in Section 7.4.1 of this Member Information Document), it is not proposed that the KeyInvest Board will change as a result of the Transfer of Business.

5.5 Financial position – KeyInvest Management Fund

KeyInvest Management Fund Assets

The table below contains a summary of the assets and liabilities of the KeyInvest Management Fund as at 30 June 2020 (audited), 30 June 2021 (audited) and 30 June 2022 (unaudited).

(Actual \$)	As at 30 June 2020	As at 30 June 2021	As at 30 June 2022
Total Assets	30,342,915	29,982,066	28,890,920
Total liabilities	2,699,568	2,490,497	2,840,604
Net assets	27,643,347	27,491,569	26,050,316

KeyInvest does not have any external borrowings.

KeyInvest Management Fund Performance

The table below contains a summary of KeyInvest's income statement for years ended 30 June 2020 (audited), 30 June 2021 (audited) and 30 June 2022 (unaudited).

(Actual \$)	As at 30 June 2020	As at 30 June 2021	As at 30 June 2022
Total revenue	7,631,580	6,371,310	3,835,524
Total expenses	15,584,731	7,403,066	6,815,224
Operating profit (loss) before income tax	(7,953,151)	(1,013,756)	(2,979,700)
Income tax (expense) / benefit	2,662,967	879,978	1,538,446*
Operating profit (loss) after income tax	(5,290,184)	(151,778)	(1,441,254)

* The 2022 income tax (expense) / benefit is an unaudited estimate.

Other than matters disclosed in the financial reports of KeyInvest, the financial position of KeyInvest has not, to the knowledge of the KeyInvest Board, materially changed since 30 June 2021, except as a result of normal trading and investment activities.

5.6 KeyInvest products and the KeyInvest Benefit Funds

KeyInvest's current product range comprises the KeyInvest Funeral Bond and the Life Events Bond, a wrapped managed fund style product.

KeyInvest also operates two legacy funds, the Prearranged Funeral Fund and the Supersaver Fund, which are closed to new business.

KeyInvest also operates a contributory mortgage fund, the KeyInvest Select Mortgage Fund, offering mortgage investments to wholesale investors.

5.6.1 Asset and liquidity position

The KeyInvest Benefit Funds are invested in credit securities, cash and derivatives, supranational and sovereign bonds, and semi government bonds.

5.6.2 Description and value of the KeyInvest Benefit Funds

The table below contains the values of the KeyInvest Benefit Funds as at 30 June 2022 (unaudited).

Benefit Fund Name	Net Assets (\$)	Member's Liability (\$)
KeyInvest Funeral Bond – Capital Guaranteed	117,550,636	120,895,437
Pre-arranged Funeral Fund	18,025,075	18,569,495
Supersaver Fund	16,364,979	16,211,229
Life Events Bond Funds - Unitised	80,607,709	80,607,709
KeyInvest Funeral Bond – Unitised	9,987,223	9,987,223
Total	242,535,622	246,271,093

5.7 KeyInvest's capital position

5.7.1 KeyInvest's statutory capital level

KeyInvest is fully compliant (on a stand-alone basis) with APRA's prudential capital requirements and it has in place "buffer capital" over its minimum capital adequacy requirements.

As at 30 June 2022, the capital base of the KeyInvest Management Fund stood at \$23,590,770 (unaudited). The company's minimum statutory capital requirement under the Life Act is \$10 million, meaning that KeyInvest had a surplus capital component with approximately 2.35 times coverage over the APRA minimum statutory reserve requirement.

This excess coverage level is consistent with the company's target surplus policy for the KeyInvest Management Fund and consistent with its minimum capital adequacy requirements.

5.7.2 Capital needs and access to additional capital

Mutual organisations (including friendly societies) have traditionally been unable to raise external capital, however recent amendments to the Corporations Act now allow for mutual organisations to raise external capital via Mutual Capital Instruments. KeyInvest amended its Constitution in 2020 to allow the issuance of Mutual Capital Instruments to external shareholders as a means of raising capital. KeyInvest holds a significant amount of capital in excess of the minimum statutory capital requirement of \$10 million, however it now also has the ability to raise capital via Mutual Capital Instruments should the need or opportunity arise in the future.

As at the date of this Member Information Document, KeyInvest has not issued any Mutual Capital Instruments.

5.8 KeyInvest's business plans

KeyInvest has taken steps in recent years to consolidate its business through the divestment of its retirement villages in order to focus its resources and capital on the growth of its financial services business. KeyInvest aims to continue building on its strong growth in funds under management as it leverages recent investment in improved systems and technology and to expand the operations of the KeyInvest Select Mortgage Fund, a contributory mortgage fund launched by KeyInvest in March 2021.

The merger of KeyInvest and AFS pursuant to the proposed Transfer of Business brings together two complementary businesses offering the same product. The proposed Transfer of Business will deliver costs savings and synergies that will allow the Merged Society to remain competitive and the expanded capital base of the Merged Society will enable KeyInvest to pursue opportunities to enhance returns for members and the Merged Society as a whole.

5.9 KeyInvest's due diligence investigations

KeyInvest has undertaken extensive due diligence investigations on AFS and the AFS Transferring Business. This has included KeyInvest considering operational, legal and financial aspects of AFS' operations.

The due diligence process has involved AFS giving KeyInvest access to records, personnel and professional advisers.

The due diligence enquiries undertaken on behalf of KeyInvest did not identify any matters that would be expected to materially affect the KeyInvest Members if the AFS Transferring Business is transferred to KeyInvest.

5.10 KeyInvest directors' declarations

No director of KeyInvest:

- (a) has a personal interest in the proposed Transfer of Business other than any benefit to which they may be entitled as members or policy owners of either institution's benefit funds; and
- (b) will receive payments, gratuities or additional benefits, of whatever nature, prior to or as a result of the Transfer of Business, other than directors fees in respect of their appointment as directors of KeyInvest.

No offers of incentives or compensation will be paid to directors, officers, members, policy owners or investors of KeyInvest in relation to the Transfer of Business (other than any benefit to which they may be entitled as members or policy owners of either institution's benefit funds), nor are there any arrangements or agreements with any such persons that are conditional on the Transfer of Business proceeding.

No director of KeyInvest has any current agreement or arrangement with AFS.

5.11 Other information material to the making of a decision in relation to the Transfer of Business

Except as set out in this Member Information Document, so far as the directors of KeyInvest are aware, there is no other information that is material to the making of a decision by a KeyInvest Member whether or not to approve the Transfer of Business, being information that is within the knowledge of the directors of KeyInvest and has not previously been disclosed to KeyInvest Members.

6. DETAILS OF THE TRANSFER OF BUSINESS

6.1 Rationale for the Transfer of Business

As APRA regulated institutions, KeyInvest and AFS have a responsibility to ensure that the capital bases of the respective societies remain strong and able to support the capital guarantee underpinning their respective funeral bonds (and other capital guaranteed products in the case of KeyInvest).

The Prudential Capital Standards require friendly societies to take into account the ability of a society to generate returns from risk free bonds over the expected duration of its funeral bond liabilities.

Since 2018, risk free yields have progressively fallen to historic lows, with the 10 year government bond yield falling as low as 0.60% in March 2020 and remaining consistently at low levels until February 2022.

The advent of low bond yields created significant commercial pressures and capital pressures for friendly societies, insurance companies and the financial community in general, as world economies fought to combat the impacts of COVID-19. For capital guaranteed products in particular, continued low interest rates have meant that balance sheets were stretched to provide support for the guarantee in place.

Against this backdrop of declining yields, KeyInvest and AFS have also seen significant increases in the cost of keeping pace with consistent and substantial regulatory change from both a compliance resourcing perspective and through increasing regulatory licensing, insurance and information technology costs.

AFS does not have any employees. AFS had a long standing service arrangement with Sandhurst Trustees Limited ("**Sandhurst**") whereby Sandhurst provided all the administrative functions necessary to operate the business of the society. Sandhurst notified AFS that it did not intend to renew the service arrangement and as a result AFS approached KeyInvest to take on this role, given its long history as a friendly society. KeyInvest replaced Sandhurst as AFS' service and administration provider on 1 March 2022.

Recognising the challenging investment environment and growing cost pressures, KeyInvest and AFS commenced merger discussions in late 2021.

KeyInvest and AFS identified that the Merged Society would deliver the following benefits to members and policy owners:

- An improvement in the overall capital position of the Merged Society for the benefit of AFS Benefit Fund Members, AFS Policy Owners, KeyInvest Members and policy owners of KeyInvest. Such increased balance sheet strength will allow the Merged Society to pursue revenue generating opportunities.
- An increase in funds under management of the Merged Society allowing improved overall profitability that will flow from economies of scale.
- A merged membership base in excess of 49,800 members.
- An expanded distribution network.
- Increased organisational capacity to provide enhanced specialist products.
- Immediate access to enhanced product features such as unitised investment options.
- The removal of, or decrease in, duplicate costs relating to operational costs, including director fees, insurance, regulatory licensing fees, auditing, actuarial, legal, information technology, and marketing.
- Access for AFS Benefit Fund Members and AFS Policy Owners to KeyInvest's more advanced member management system.
- Lower annual management fee in respect of the AFS Capital Guaranteed Fund following completion of the Transfer of Business. In particular, the annual management fee

(excluding external investment fees) charged by KeyInvest for the AFS Capital Guaranteed Fund will be reduced from 1.75% to 1.45% per annum, and capped for a minimum period of 3 years in accordance with the recommendation of the Scheme Actuary under the Actuarial Scheme. Thereafter the annual management fee (excluding external investment fees) shall not exceed the rate charged by KeyInvest from time to time to post June 2013 policies of the KeyInvest Funeral Bond Capital Guaranteed Fund (which, as at the date of this Member Information Document, is 1.495% per annum). External investment fees are payable in addition to the annual management fees charged by KeyInvest and AFS.

- The opportunity for the Merged Society to leverage KeyInvest's long established investment management framework and relationships.
- The transfer of knowledge to the Merged Society resulting from the appointment of two AFS directors to the KeyInvest Board.

Both the AFS Board and the KeyInvest Board have agreed to undertake a merger via the Transfer of Business, which involves a voluntary total transfer of the AFS Transferring Business to KeyInvest.

Upon completion of the Transfer of Business, KeyInvest will have combined funds under management of approximately \$400 million and approximately 49,800 members, demonstrating the strength of KeyInvest for the protection of both present and future KeyInvest Members, policy owners of KeyInvest, AFS Benefit Fund Members and AFS Policy Owners.

If the Transfer of Business proceeds, KeyInvest intends to close the AFS Benefit Funds to new business and to direct all new business to KeyInvest's flagship product, the KeyInvest Funeral Bond. The KeyInvest Funeral Bond product will offer AFS' client base ready access to both capital guaranteed and unitised investment options.

6.2 Transfer Deed

6.2.1 Overview

AFS and KeyInvest have entered into the Transfer Deed. The Transfer Deed sets out the basis agreed between AFS and KeyInvest upon which the Transfer of Business (including the distribution of the AFS Management Fund in accordance with the Actuarial Scheme) is proposed to occur.

AFS Members and KeyInvest Members can access the Transfer Deed as described in Section 6.13 of this Member Information Document.

6.2.2 Conditions precedent

The Transfer Deed is not binding on AFS and KeyInvest unless and until KeyInvest gives the Treasurer of Australia a notice under the *Insurance Acquisitions and Takeovers Act 1991* (Cth) and the Treasurer of Australia gives AFS a "go-ahead decision" in relation to the Transfer of Business under the *Insurance Acquisitions and Takeovers Act 1991* (Cth).

Pursuant to the Transfer Deed, completion of the Transfer of Business is subject to various conditions precedent, including:

- obtaining certain approvals from APRA and/or the Treasurer of Australia required under the Transfer of Business Legislation, the Life Act and the *Financial Sector (Shareholding) Act 1998* (Cth);
- each of the AFS Members and the KeyInvest Members entitled to vote passing a special resolution to approve the Transfer of Business and any other resolutions required in connection with the Transfer of Business (including the KeyInvest

Members entitled to vote passing the resolutions approving the amendments to KeyInvest's Constitution described in Section 6.12 of this Member Information Document and the appointment of the AFS Nominee Directors);

- the issue of the Certificate of Transfer by APRA;
- there being no material adverse change in respect of AFS or KeyInvest (which is defined as an event, occurrence or matter which has resulted in, or is reasonably likely to result in, a diminution in the net assets of the AFS Management Fund or KeyInvest (as applicable) by an amount that is equal to or greater than 15% of the net assets as at 30 June 2021 and, in the case of AFS, excluding any diminution in the net assets of the AFS Management Fund directly related to the payment of reasonable costs and expenses of AFS' advisers in connection with the transactions contemplated by the Transfer Deed); and
- there being no prescribed occurrence in respect of AFS or KeyInvest (which includes the relevant institution's reputation being seriously damaged, the relevant institution suffering an insolvency event, or the cancellation of its Australian Financial Services Licence).

6.2.3 Exclusivity arrangements

The Transfer Deed contains certain exclusivity arrangements in favour of both AFS and KeyInvest.

These arrangements may be summarised as follows:

- **No shop:** AFS and KeyInvest must not solicit any enquiries, discussions or proposals from any third party in relation to an Alternative Transaction.
- **No talk:** Subject to a fiduciary exception, AFS and KeyInvest must not participate in, continue or recommence any discussions or negotiations in relation to an Alternative Transaction or participate in any agreement, understanding or arrangement that may be reasonably expected to lead to an Alternative Transaction;
- **No due diligence:** Subject to a fiduciary exception, AFS and KeyInvest must not provide any other third party with confidential information in connection with the development of an Alternative Transaction or otherwise cooperate with any effort to initiate an Alternative Transaction with another third party;
- **Notification:** AFS and KeyInvest must notify the other as soon as reasonably possible, and at least within two business days, if it receives a proposal from a third party in respect of an Alternative Transaction and provide reasonable details of the proposal and, if it determines that the Alternative Transaction is a superior proposal, it must notify the other party of that determination as soon as it is reasonably practicable to do so.

For the purposes of these exclusivity arrangements, an "**Alternative Transaction**" means:

- in respect of AFS, any proposal, agreement, arrangement or transaction, whether a voluntary partial or total transfer of business under the Transfer Act or under a transfer and amalgamation of life insurance business under Part 9 of the Life Act, which, if entered into or completed, would result in AFS transferring all or a material part of its undertaking to another life insurance company or AFS receiving all or a material part of the undertaking of another life insurance company (as defined in the Transfer Act) or result in AFS becoming a subsidiary of a third party, but

excludes the Transfer of Business to KeyInvest contemplated by the Transfer Deed; and

- in respect of KeyInvest, any proposal, agreement, arrangement or transaction, whether a voluntary partial or total transfer of business under the Transfer Act or under a transfer and amalgamation of life insurance business under Part 9 of the Life Act, which, if entered into or completed, would result in KeyInvest transferring all or a material part of its undertaking to another life insurance company (as defined in the Transfer Act) or result in KeyInvest becoming a subsidiary of a third party.

These exclusivity provisions end on the earlier of:

- completion of the Transfer of Business;
- termination of the Transfer Deed; or
- upon notification by either AFS or KeyInvest to the other that it has determined that an Alternative Transaction is a superior proposal and elected to enter into binding agreements to give effect to that Alternative Transaction.

6.2.4 Additional provisions

The Transfer Deed contains a number of other provisions relating to the procedure for effecting the Transfer of Business. For example, AFS is required, on the Completion Date or as soon as practicably possible after that date, to:

- deliver to KeyInvest all of its records in electronic form, including reconciled ledger balances for any bank accounts and investments relevant to each of the AFS Management Fund and the AFS Benefit Funds;
- deliver to KeyInvest control of the AFS Management Fund and the AFS Benefit Funds assets, including any bank accounts and investments relevant to each of the AFS Management Fund and the AFS Benefit Funds, including by taking such actions as are required to transfer these into KeyInvest's name;
- deliver to KeyInvest any other document or thing reasonably necessary to give full effect to the Transfer Deed as it relates to AFS; and
- take all such other actions as are necessary to transfer legal and beneficial title to the AFS Transferring Business to KeyInvest.

6.3 Transfer of Business

The proposed Transfer of Business will comprise the AFS Transferring Business (being all of the assets and liabilities of AFS as at the Completion Date, which comprises the AFS Management Fund and the AFS Benefit Funds).

The legal effect of the Transfer of Business will be that:

- KeyInvest will become the successor in law of AFS with respect to the AFS Transferring Business;
- AFS Benefit Fund Members will become KeyInvest Members and continue to be members of the relevant AFS Benefit Funds (which will be transferred to KeyInvest under the Transfer of Business) to which their policies relate;

- AFS Policy Owners will remain policy owners of the relevant AFS Benefit Funds to which their policies relate;
- the assets and liabilities of AFS with respect to the AFS Transferring Business will become assets and liabilities of KeyInvest, without any conveyance, transfer or assignment;
- in all documents with respect to the AFS Transferring Business (including, for example, contracts to which AFS has been a party) a reference to AFS becomes a reference to KeyInvest;
- all legal proceedings by or against AFS that are not finished when the Transfer of Business takes effect may be continued or finished by or against KeyInvest;
- the duties, obligations, immunities, rights and privileges applying to AFS with respect to the AFS Transferring Business will apply to KeyInvest. KeyInvest will be responsible for payment of any presently existing tax liability of AFS, as well as any tax liability that might arise in the future in respect of AFS' past activities; and
- KeyInvest becomes responsible for the investments of AFS Benefit Fund Members and AFS Policy Owners.

KeyInvest will not issue any Mutual Capital Instruments or any other class of shares in the capital of KeyInvest in connection with the Transfer of Business.

Under the Transfer of Business, AFS General Members will remain AFS Members and will not become KeyInvest Members. If the Transfer of Business proceeds, AFS will cease operating as a friendly society and AFS will apply for the deregistration or winding up of AFS. Following the deregistration or winding up of AFS, AFS General Members will cease to be members of AFS and no longer have any rights in respect of AFS.

Following completion of the Transfer of Business, the AFS Management Fund transferred to KeyInvest must be distributed in accordance with the Transfer Deed and Actuarial Scheme, as outlined in Section 6.5 of this Member Information Document.

In the event that KeyInvest is demutualised (which is where its legal structure changes from a mutual based member owned company to a shareholder owned company) following the date of the Certificate of Transfer, KeyInvest must ensure that any actuarial scheme prepared in support of the demutualisation is in accordance with section 9.4 and Annexure H of the Actuarial Scheme. For further information, please refer to the Actuarial Scheme which can be accessed in the manner described in Section 6.13 of this Member Information Document.

6.4 Actuarial reviews

Bruce Watson of Brett & Watson Pty. Ltd. ("**Scheme Actuary**") (who is responsible under the Life Act to annually evaluate KeyInvest's financial condition) has been appointed by AFS as the actuary to consider the proposed Transfer of Business (including the distribution of the AFS Management Fund) and has prepared the Actuarial Scheme (a copy of which can be accessed in the manner described in Section 6.13 of this Member Information Document).

Sean McGing of McGing Advisory & Actuarial Pty Ltd ("**Reviewing Actuary**") (who is responsible under the Life Act to annually evaluate AFS' financial condition) has reviewed the Actuarial Scheme prepared by the Scheme Actuary and prepared a report on the Actuarial Scheme (a copy of which can be accessed in the manner described in Section 6.13 of this Member Information Document).

Both the Scheme Actuary and the Reviewing Actuary have reviewed the terms of the Transfer of Business and the capacity of KeyInvest, following the Transfer of Business, to manage the

AFS Benefit Funds and its issued policies and remain fully compliant with APRA prudential capital requirements.

Both the Scheme Actuary and the Reviewing Actuary support the proposed Transfer of Business. In the view of the Scheme Actuary, the Transfer of Business is in the interests of AFS Benefit Fund Members, AFS Policy Owners, KeyInvest Members and policy owners of KeyInvest. The Reviewing Actuary agreed with the Scheme Actuary's assessment that the Transfer of Business is in the interests of AFS Benefit Fund Members and AFS Policy Owners but did not opine on whether the Transfer of Business is in the interests of KeyInvest Members and policy owners of KeyInvest.

In preparing the Actuarial Scheme, the Scheme Actuary considered KeyInvest's risk management framework and formed the view that the risk management framework is adequate.

6.5 Details of the distribution of the AFS Management Fund

Following completion of the Transfer of Business (which is intended to occur on 31 October 2022), KeyInvest will be legally obliged to fully distribute all of the assets of the AFS Management Fund in accordance with the Transfer Deed and the Actuarial Scheme (which has been prepared by the Scheme Actuary and reviewed and confirmed by the Reviewing Actuary). Further details of the actuarial reviews conducted in connection with the Transfer of Business is set out in Section 6.4 of this Member Information Document. Copies of the Actuarial Scheme and the Reviewing Actuary's Report can be accessed in the manner described in Section 6.13 of this Member Information Document.

In preparing the Actuarial Scheme, the Scheme Actuary has relied on established actuarial practice and legal precedent to distribute surplus assets.

6.5.1 Projected financial position – AFS Management Fund projected as at 30 September 2022

The Scheme Actuary has estimated that the distributable assets of the AFS Management Fund will be \$11.171 million as at 30 September 2022. Further details of this estimate is contained in paragraph 9.2.1 of the Actuarial Scheme.

6.5.2 Distribution of the AFS Management Fund

Paragraph 9.2.2 of the Actuarial Scheme sets out the method for determining the distributable assets of the AFS Management Fund as at the Completion Date. Pursuant to the Transfer Deed and the Actuarial Scheme, the distributable assets of the AFS Management Fund will be distributed as follows:

6.5.2.1 Retiring AFS Director entitlements

The directors of AFS presently have accrued director entitlements which are fully provided for in the annual financial statements. Under the proposed Transfer of Business, each director of AFS will retire as a director of AFS resulting in the payment of the following total entitlements to AFS directors (in aggregate):

\$469,043 (unaudited as at 30 June 2022)

(“Retiring AFS Director Entitlements”).

Pursuant to the Transfer Deed, the distributable assets of the AFS Management Fund will first be applied to the payment of the Retiring AFS Director Entitlements.

6.5.2.2 Other reserves in the Actuarial Scheme

Pursuant to the Transfer Deed, the distributable assets of the AFS Management Fund must then be applied to any other reserves recommended in the Actuarial Scheme. Pursuant to paragraph 9.2.3 of the Actuarial Scheme, these recommended reserves consist of any liabilities on the balance sheet of the AFS Management Fund with respect to amounts payable and accrued expenses to the extent these have not been paid prior to the Completion Date.

6.5.2.3 Distribution to KeyInvest

Once part of the distributable assets of the AFS Management Fund have been distributed in the manner described in Sections 6.5.2.1 and 6.5.2.2 of this Member Information Document, the remaining distributable assets of the AFS Management Fund must be distributed to the KeyInvest Management Fund.

6.6 Member approval – Adequately Adopted

In order for the Transfer of Business (including the distribution of the AFS Management Fund in accordance with the Transfer Deed and the Actuarial Scheme) to proceed, the Transfer of Business must be Adequately Adopted. To Adequately Adopt the Transfer of Business, the Transfer of Business must be approved by at least 75% (i.e. a special resolution) of the voting members of each of AFS and KeyInvest voting (whether in person or by proxy) on the resolution at a meeting of members of KeyInvest or AFS (as applicable).

If the Transfer of Business is Adequately Adopted by both AFS Members and KeyInvest Members entitled to vote, APRA gives the necessary approvals, and all other conditions precedent in the Transfer Deed (as described in Section 6.2.2 of this Member Information Document) are satisfied (including the KeyInvest Members entitled to vote passing the resolutions approving the amendments to KeyInvest's Constitution described in Section 6.12 of this Member Information Document and the appointment of the AFS Nominee Directors), the Transfer of Business will take effect on the Completion Date after which KeyInvest will become the successor in law of AFS with respect to the AFS Transferring Business. Other consequences of the Transfer of Business (including the distribution of the AFS Management Fund in accordance with the Transfer Deed and the Actuarial Scheme) are discussed in this Section 6 of this Member Information Document).

6.7 APRA approval and Certificate of Transfer

For the Transfer of Business to proceed it must be approved by APRA. This will only occur if:

- (a) APRA considers that an application to it to approve the Transfer of Business has been made in accordance with the Transfer of Business Legislation;
- (b) both AFS and KeyInvest are entities of the same kind (which condition is satisfied as AFS and KeyInvest are both registered friendly societies);
- (c) the Transfer of Business has been Adequately Adopted by the KeyInvest Members and the AFS Members entitled to vote (see Section 6.6 of this Member Information Document);
- (d) the Treasurer of Australia consents to the Transfer of Business (if required); and

- (e) APRA considers that the Transfer of Business should be approved having regard to:
 - (i) interests of both the AFS Members and the KeyInvest Members when viewed as a group;
 - (ii) the interest of the financial sector as a whole; and
 - (iii) any other matters APRA considers relevant.

Once APRA has considered the application for the Transfer of Business and received evidence that the KeyInvest Members and the AFS Members entitled to vote have Adequately Adopted it, APRA may formally approve the Transfer of Business by issuing a Certificate of Transfer. The Certificate of Transfer will set out any conditions to be complied with before or after the Transfer of Business and the date upon which the Transfer of Business is to take effect, which is expected to be 31 October 2022.

6.8 APRA consultation and application letters

Consultation with APRA has been undertaken on the proposed Transfer of Business (including the distribution of the AFS Management Fund in accordance with the Transfer Deed and the Actuarial Scheme). In accordance with the Transfer of Business Legislation, the first application letter to APRA has been made jointly by AFS and KeyInvest, and KeyInvest has lodged the second application letter with APRA.

6.9 IATA and FSSA

KeyInvest has made an application to APRA for approvals under the *Insurance Takeovers and Acquisitions Act 1991* (Cth) and the *Financial Sector (Shareholding) Act 1998* (Cth) in connection with the Transfer of Business.

6.10 Other regulatory consultations and approvals

Under the Transfer of Business Legislation, APRA has also undertaken consultations with ASIC, the ACCC and the ATO.

6.11 AFS Benefit Fund Member and AFS Policy Owner taxation and social security position

The following comments are general in nature and do not address all Australian tax and social security considerations applicable to AFS Benefit Fund Members and AFS Policy Owners as a result of the Transfer of Business proceeding.

6.11.1 Taxation consequences of the Transfer of Business

The AFS directors are confident that no taxation events arise for AFS Benefit Fund Members and AFS Policy Owners as a consequence of the proposed Transfer of Business.

6.11.2 Social security and veterans entitlements implications

The AFS directors confirm that the Transfer of Business will not involve adverse implications for AFS Benefit Fund Members who might be in receipt of means tested pensions or other benefits from Centrelink and the Department of Veterans Affairs.

6.12 Constitution and benefit fund rule changes

As KeyInvest is the continuing company, following completion of the Transfer of Business, KeyInvest's Constitution will continue in force and govern the future operations of the Merged Society. As part of the Transfer of Business process, KeyInvest is seeking the approval of KeyInvest Members to amend KeyInvest's Constitution to annex the rules of the AFS Benefit Funds to KeyInvest's Constitution.

In addition, KeyInvest is seeking the approval of KeyInvest Members to amend KeyInvest's Constitution relating to the appointment and retirement of directors. KeyInvest's Constitution currently requires directors of KeyInvest that are appointed at a general meeting of KeyInvest that is not its annual general meeting to retire at the next annual general meeting. KeyInvest's Constitution does not contain a mechanism for the retirement of directors of KeyInvest. Recent changes introduced to the Corporations Act allow a company to hold wholly virtual general meetings if expressly required or permitted by that company's constitution. KeyInvest's Constitution does not allow for wholly virtual general meetings to be held. KeyInvest's Constitution also permits KeyInvest and KeyInvest Members to deliver or receive notices and other documents (including proxy forms) by fax. It is therefore proposed that KeyInvest's Constitution will be amended so that:

- directors of KeyInvest appointed at a general meeting of KeyInvest that is not its annual general meeting will not be required to retire at the next general meeting of KeyInvest; and
- a mechanism for the retirement of directors of KeyInvest is included;
- wholly virtual general meetings can be held in the future; and
- the use of fax by KeyInvest and KeyInvest Members to deliver or receive notices and other documents (including proxy forms) is not contemplated by KeyInvest's Constitution,

("Director and General Meeting Amendments").

Importantly, the Director and General Meeting Amendments will allow for the AFS Nominee Directors to be appointed for a term that requires each AFS Nominee Director to retire no later than the annual general meeting of KeyInvest to be held in 2024 (at which time that AFS Nominee Director may stand for re-election in accordance with KeyInvest's Constitution) and will not require those AFS Nominee Directors to retire at the next annual general meeting of KeyInvest. The Director and General Meeting Amendments will also apply to other KeyInvest directors and will importantly set out the process for the retirement of all directors of KeyInvest (which is currently covered by a policy adopted by the KeyInvest Board).

All resolutions included in the Notice of Meeting (other than the special resolution in respect of the Director and General Meeting Amendments) for KeyInvest's Special General Meeting are subject to, and conditional on, each of the other resolutions in the Notice of Meeting (including the special resolution in respect of the Director and General Meeting Amendments) being passed. The special resolution in respect of the Director and General Meeting Amendments is **not** subject to, or conditional on, any other resolution included in the Notice of Meeting being passed. As a consequence, the Director and General Meeting Amendments will be effective if the relevant resolution is passed by the KeyInvest Members even if the other resolutions are not passed at KeyInvest's Special General Meeting. However, if any of the resolutions included in the Notice of Meeting for KeyInvest's Special General Meeting are not passed by the required majority, the Transfer of Business will not proceed.

As a consequence of rule 14 of KeyInvest's Constitution, AFS Benefit Fund Members will automatically become KeyInvest Members and entitled to the rights of KeyInvest Members under KeyInvest's Constitution.

This will confer voting rights in relation to matters affecting KeyInvest and the relevant AFS Benefit Fund of that AFS Benefit Fund Member.

All KeyInvest Members and policy owners of KeyInvest (including AFS Benefit Fund Members and AFS Policy Owners following completion of the Transfer of Business) can inspect a copy of KeyInvest's Constitution free of charge at Level 5, 49 Gawler Place, Adelaide SA 5000.

6.13 Access to documents relating to the Transfer of Business

AFS Members can access each of the following documents:

- the AFS Notice of Meeting;
- this Member Information Document;
- the Transfer Deed;
- the Deed of Amendment between AFS and KeyInvest dated 19 September 2022 in relation to the Transfer Deed;
- the Section 20 Statement;
- the Actuarial Scheme;
- the Reviewing Actuary's Report; and
- a version of KeyInvest's Constitution which sets out the proposed Director and General Meeting Amendments (as described in Section 6.12) in mark-up,

by:

- downloading a copy from AFS' website at www.australianfriendlysociety.com.au/merger/;
- inspecting a copy at Level 5, 49 Gawler Place, Adelaide SA 5000; and
- contacting AFS and requesting that a copy be sent to them. Contact details of AFS are set out on page 2 of this Member Information Document.

KeyInvest Members can access each of the following documents:

- the KeyInvest Notice of Meeting;
- this Member Information Document;
- the Transfer Deed;
- the Deed of Amendment between AFS and KeyInvest dated 19 September 2022 in relation to the Transfer Deed;
- the Section 20 Statement;
- the Actuarial Scheme;
- the Reviewing Actuary's Report;
- a version of KeyInvest's Constitution which sets out the proposed Director and General Meeting Amendments (as described in Section 6.12) in mark-up; and
- the rules of the AFS Benefit Funds,

by:

- downloading a copy from KeyInvest's website at www.keyinvest.com.au/merger/;
- inspecting a copy at Level 5, 49 Gawler Place, Adelaide SA 5000; and
- contacting KeyInvest and requesting that a copy be sent to them. Contact details of KeyInvest are set out on page 2 of this Member Information Document.

7. INFORMATION ABOUT KEYINVEST AFTER THE TRANSFER OF BUSINESS

7.1 Business premises and trading name

KeyInvest will be the continuing society following completion of the Transfer of Business and KeyInvest's head office at Level 5, 49 Gawler Place, Adelaide, South Australia will be the principal place of business for the Merged Society. The Merged Society will trade under KeyInvest's name.

7.2 Management, operational and investment capacities

7.2.1 KeyInvest's Management and Staff

Following completion of the Transfer of Business, KeyInvest's management team will be responsible for the ongoing operations of KeyInvest (including the AFS Benefit Funds transferred to KeyInvest). This team has extensive experience in financial services, particularly with friendly societies, covering product development, administrative processes, the regulatory, tax and legislative environment and corporate governance. KeyInvest's key management staff are:

- **Craig Brooke** (Chief Executive Officer) (commencing on 3 October 2022);
- **Tiffany Allen** (Chief Financial Officer);
- **Dion Silvy** (Company Secretary and Chief Investment Officer);
- **Derek Emery** (Chief Operating Officer);
- **Kerry Waiblinger** (Chief Risk Officer);
- **Andrew Meinel** (General Manager – Client Services); and
- **Di Ranger** (National Sales Manager – Financial Services).

7.2.2 KeyInvest's administration, operations and computer systems

Administration, systems and operational

KeyInvest's administration, systems and operational capacities include:

- compliance obligations via the services of a compliance manager;
- company, Board and committee secretarial functions;
- information system support functions;
- corporate and benefit fund management;
- corporate accounting functions;
- product development;
- production of marketing materials; and
- product sales and distribution.

KeyInvest's administrative operations

KeyInvest's business operates on Garradin's "Portfolio Manager Software". This is a state-of-the-art funds management system with unit pricing and unit registry and general ledger functionality specifically tailored for friendly society operations, particularly investment bond and funeral bond business.

Under arrangements with AFS entered into prior to the Transfer Deed, KeyInvest has been providing administrative systems and support to AFS and has transitioned AFS' business operations across to its Garradin Software.

If the Transfer of Business proceeds, KeyInvest intends to close the AFS Benefit Funds to new business and to direct all new business to KeyInvest's flagship product, the KeyInvest Funeral Bond. The KeyInvest Funeral Bond product will offer AFS' client base ready access to both capital guaranteed and unitised investment options.

7.3 KeyInvest's investment management arrangements

KeyInvest operates under both internal and outsourced investment management arrangements.

7.3.1 Internal investment management resources

KeyInvest maintains a Management Investment Committee which considers investment decisions in accordance with KeyInvest's Investment Management Policy and Risk Appetite Statement.

7.3.2 Outsourced investment management

KeyInvest outsources the investment management of its capital guaranteed Benefit Funds (the KeyInvest Funeral Bond, Pre-arranged Funeral Fund and Supersaver Fund) to Janus Henderson Investors (Australia) Institutional Funds Management Limited ("**Janus Henderson**"). Janus Henderson manages circa \$20 billion in fixed interest markets in Australia. KeyInvest intends to review the investment management framework of the Merged Society following completion of the Transfer of Business to determine whether there are any opportunities for consolidation.

7.3.3 KeyInvest's investment committee

KeyInvest's investment committee is responsible for overseeing the implementation of KeyInvest's investment process. This committee meets at least quarterly to review the investment performance, compliance, investment management appointments and all other benefit fund portfolios. The committee operates under a charter and has a defined process and functions.

7.4 Corporate governance and compliance

A summary of KeyInvest's corporate governance and compliance arrangements that will apply following completion of the Transfer of Business is set out below.

7.4.1 Board of Directors

KeyInvest's Board comprises independent non-executive directors.

Following completion of the Transfer of Business, all current directors of KeyInvest will remain on the KeyInvest Board. Under the Transfer Deed, subject to the approval of KeyInvest Members at the KeyInvest Special General Meeting, the following current directors of AFS will be appointed to the KeyInvest Board as independent non-executive directors from the Completion Date:

- Mary-Anne Nunan; and
- Travis Pretty,

("AFS Nominee Directors").

The KeyInvest Board confirms that the AFS Nominee Directors meet the KeyInvest Board's requirements and the fit and proper standards required for directors in APRA's Prudential Standard CPS 520 Fit and Proper. The KeyInvest directors unanimously support the appointment of the AFS Nominee Directors to the KeyInvest Board.

In accordance with KeyInvest's Constitution, the AFS Nominee Directors will retire no later than the annual general meeting of KeyInvest to be held in 2024 and, if eligible, may stand for re-election in accordance with KeyInvest's Constitution.

The AFS Nominee Directors will be entitled to director fees (and other remuneration and benefits) as directors of KeyInvest in accordance with KeyInvest's Constitution.

Personal details of the AFS Nominee Directors are referred to in the KeyInvest Notice of Meeting which accompanies this Member Information Document.

7.4.2 Board Committees

KeyInvest operates with an expansive Board committee system, with all committees chaired by directors:

- **Finance and Investment Committee** – its role is to advise the KeyInvest Board on the financial activities, investment policies and activities of KeyInvest. In particular, the committee is responsible for reviewing and recommending for approval to the KeyInvest Board of:
 - the annual budget of KeyInvest and each of its wholly-owned subsidiaries;
 - the bonus rates to be declared on capital guaranteed bonds; and
 - the financial viability of major projects, and the long-term financial positioning and investment strategies of KeyInvest;
- **Board Audit Committee** – its primary function is to assist the KeyInvest Board in fulfilling its responsibilities by providing an objective non-executive review of the effectiveness of KeyInvest's financial reporting and financial risk management framework, including:
 - financial statements and financial reporting;
 - any changes in financial reporting requirements and professional accounting requirements and standards, and advising or making recommendations to the board;
 - the scope of internal and external audit plans;
 - the performance and independence of internal and external auditors; and
 - the appointment and removal of the external auditor and internal auditor;
- **Board Risk and Governance Committee** – the primary function of the committee is to assist the KeyInvest Board in fulfilling its responsibilities by providing an objective non-executive oversight of the implementation and operation of KeyInvest's risk management and compliance framework, including:
 - reviewing and monitoring the risk culture, identifying any desired changes to it, setting the tone, and providing an environment with sound risk culture established and maintained;
 - advising the KeyInvest Board in relation to KeyInvest's current and future risk appetite and risk management strategy, and establishing an enterprise-wide view of KeyInvest's current and future risk position relative to its risk appetite and capital strength;
 - oversight of the governance framework;
 - reviewing and recommending amendments to benefit fund rules;
 - overseeing senior management's implementation of the risk management strategy, overseeing the effectiveness of the risk management framework (including compliance and internal controls), constructively challenging senior management's proposals and decisions on all aspects of risk management arising from KeyInvest's activities, and making recommendations on the appointment and removal of KeyInvest's appointed actuary;
 - reviewing the performance and setting the objectives of KeyInvest's Chief Risk Officer;
 - ensuring KeyInvest's Chief Risk Officer has unfettered access to the KeyInvest Board and KeyInvest's Board Risk Committee; and
 - oversight of the appointment and removal of KeyInvest's Chief Risk Officer; and

- **Remuneration and Nomination Committee** – its role is to review and make recommendations to the KeyInvest Board on remuneration and incentives applicable to the directors and senior management of KeyInvest in accordance with APRA's Prudential Standard CPS 510 Governance and KeyInvest's remuneration policy. It is also responsible for making recommendations regarding nominations and appointments of directors, fitness and propriety of directors, senior management, the external auditor, the internal auditor and the actuary, in accordance with APRA's Prudential Standard CPS 520 Fit and Proper.

7.5 APRA Supervision and Risk Management

7.5.1 APRA Prudential Supervision

KeyInvest operates under APRA's extensive and rigorous reporting and prudential monitoring regime. This includes:

- reporting quarterly to APRA on the assets and liabilities, capital, reserving, solvency and liquidity of all of the KeyInvest Benefit Funds and the KeyInvest Management Fund;
- being subject to the "Supervision Risk and Intensity Model" (SRI) conducted by APRA. This assists APRA's assessment of the probability and financial impact of a failure of KeyInvest. It undertakes this assessment and rating for all APRA supervised entities – i.e. banks, credit unions, friendly societies and life offices; and
- operating under an extensive risk management framework.

7.5.2 Annual financial condition report (FCR) and risk management

As a requirement of the Life Act and APRA Prudential Standards, KeyInvest is required to have its actuary prepare an annual financial condition report. This is an extensive review of the financial soundness of the company and the KeyInvest Benefit Funds.

The financial condition report reviews and analyses KeyInvest (including the KeyInvest Benefit Funds) from numerous perspectives, including solvency, capital adequacy and fee adequacy, and KeyInvest's actuary also undertakes a review of KeyInvest's risk management strategy in the financial condition report.

7.5.3 Risk management framework

KeyInvest has comprehensive policies and procedures designed to address APRA Prudential Standards for risk management, including market risk, liquidity risk, credit risk and operational risk.

The main elements of its risk management framework are:

- a documented risk management strategy with sound risk management policies and procedures for risk management, including market risk, liquidity risk, credit risk and operational risk;
- a review process to ensure the risk framework remains effective with clearly defined managerial responsibilities and controls;
- a risk register derived from regular risk analysis and review; and
- other documented plans including KeyInvest's Business Continuity Plan, Strategic and Business Plan, and Internal Capital Adequacy Assessment

Process, which includes KeyInvest's capital adequacy position under various risk scenarios that may impact KeyInvest and KeyInvest's Benefit Funds.

The adequacy of KeyInvest's compliance with these risk policies and procedures is subject to both external and internal audit review. Apart from this, KeyInvest's actuary also undertakes an annual review of the risk management framework in the financial condition report submitted to APRA.

Additionally, directors of KeyInvest must submit a risk management declaration to APRA on an annual basis.

7.5.4 Insurances

KeyInvest has insurances, including professional indemnity, fraud cover and business continuity risks. KeyInvest's insurances will be extended to cover the AFS Transferring Business.

7.6 External Auditors

KeyInvest's external auditors are Nexia Edwards Marshall.

7.7 Internal Audit

The internal audit function is established in accordance with an internal audit plan approved by KeyInvest's audit committee. The plan has fixed review items (i.e., unit pricing, deferred tax policy, risk profile) and discretionary / directed reviews (e.g. revenue collection, premises). The internal auditor also undertakes six monthly reviews of the KeyInvest's risk profile in accordance with the risk management strategy.

KeyInvest outsources its internal audit function to William Buck, an accounting firm with operations in Australia and New Zealand.

7.8 KeyInvest's Actuary

Bruce Watson of Brett & Watson Pty. Ltd. is KeyInvest's appointed actuary. Mr Watson prepared the Actuarial Scheme and will continue as the appointed actuary of KeyInvest following completion of the Transfer of Business.

8. GLOSSARY

References to a singular includes the plural.

Term	Meaning
“ACCC”	The Australian Competition and Consumer Commission.
“Actuarial Scheme”	The actuarial scheme dated 10 June 2022 prepared by the Scheme Actuary in relation to the Transfer of Business, a copy of which can be accessed in the manner described in Section 6.13 of this Member Information Document.
“Adequately Adopted” / “Adequately Adopt”	In respect of KeyInvest or AFS, a resolution of the KeyInvest Members or AFS Members (as applicable) for the Transfer of Business approved by at least 75% of the KeyInvest Members or AFS Members (as applicable) entitled to vote and voting (whether in person or by proxy) on the resolution at a meeting of members of KeyInvest or AFS (as applicable).
“AFS”	Australian Friendly Society Ltd ACN 087 648 851 of Level 5, 49 Gawler Place, Adelaide, South Australia 5000.
“AFS Benefit Funds”	The following benefit funds conducted by AFS under the Life Act: (a) the AFS Capital Guaranteed Fund; and (b) the AFS Diversified Funeral Benefit Fund, including all assets and liabilities referable to the above benefit funds.
“AFS Benefit Fund Member”	An AFS Member who is a member of an AFS Benefit Fund.
“AFS Board”	The Board of Directors of AFS.
“AFS Capital Guaranteed Fund”	The AFS Capital Guaranteed Fund is a benefit fund established by AFS under the Life Act for the purpose of meeting funeral expenses of AFS Benefit Fund Members for whom net contributions and declared bonuses are guaranteed by AFS.
“AFS General Members”	An AFS Member who is not an AFS Benefit Fund Member.
“AFS Management Fund”	The management fund (as defined in section 45(5) of the Life Act (through the application of section 16K of the Life Act)) of AFS, established under AFS’ Constitution.
“AFS Members”	The members of AFS, including both AFS General Members and AFS Benefit Fund Members, whose names and addresses are set out in its register of members.
“AFS Nominee Directors”	Has the meaning given to that term in Section 7.4.1 of this Member Information Document.

Term	Meaning
“AFS Policy Owners”	The owners of policies issued from an AFS Benefit Fund (including any funeral directors that are assigned any such policies).
“AFS Transferring Business”	All of the assets and liabilities of AFS as at the Completion Date, which comprises the AFS Benefit Funds and the AFS Management Fund.
“APRA”	The Australian Prudential Regulation Authority.
“ASIC”	The Australian Securities and Investments Commission.
“ATO”	The Australian Taxation Office.
“Certificate of Transfer”	A certificate of transfer within the meaning of section 18(1) of the Transfer Act, issued by APRA, stating the date on which the Transfer of Business is to take effect.
“Completion Date”	31 October 2022 or such other date on which the Transfer of Business is stated to come into force in the Certificate of Transfer.
“Constitution”	The Constitution of AFS or KeyInvest (as applicable).
“Corporations Act”	The <i>Corporations Act 2001</i> (Cth).
“KeyInvest”	KeyInvest Ltd ACN 087 649 474 of Level 5, 49 Gawler Place, Adelaide, South Australia 5000.
“KeyInvest Benefit Funds”	The following benefit funds conducted by KeyInvest under the Life Act: (a) KeyInvest Funeral Bond; (b) KeyInvest Funeral Bond Unitised Funds; (c) Pre-arranged Funeral Fund; (d) Life Events Bond Funds; and (e) Supersaver Fund, including all assets and liabilities referable to the above benefit funds.
“KeyInvest Board”	The Board of Directors of KeyInvest.
“KeyInvest Management Fund”	The management fund (as defined in section 45(5) of the Life Act (through the application of section 16K of the Life Act)) of KeyInvest.
“KeyInvest Members”	The members of KeyInvest whose names and addresses are set out in its register of members.
“Life Act”	The <i>Life Insurance Act 1995</i> (Cth).
“Member Information Document”	This member information document.
“Merged Society”	The combination of the business and operations of AFS and KeyInvest following completion of the Transfer of Business.

Term	Meaning
“Prudential Standards” “Reviewing Actuary”	The standards made under the Life Act. Has the meaning given to that term in Section 6.4 of this Member Information Document.
“Reviewing Actuary’s Report”	The report dated 10 June 2022 prepared by the Reviewing Actuary in relation to the Transfer of Business, a copy of which can be accessed in the manner described in Section 6.13 of this Member Information Document.
“Scheme Actuary”	Has the meaning given to that term in Section 6.4 of this Member Information Document.
“Section 20 Statement”	The statement prepared by AFS and KeyInvest for the purposes of section 20 of the Transfer Act which specifies, or specifies a mechanism for determining, things that are to happen, or that are taken to be the case, in relation to the Transfer of Business.
“Transfer Act”	The <i>Financial Sector (Transfer and Restructure) Act 1999</i> (Cth).
“Transfer Deed”	The Deed of Transfer of Business entered into by AFS and KeyInvest on 14 June 2022 in respect of the Transfer of Business, as amended by the Deed of Amendment dated 19 September 2022.
“Transfer of Business”	The voluntary total transfer of the AFS Transferring Business from AFS to KeyInvest and distribution of the AFS Management Fund in accordance with the Actuarial Scheme.
“Transfer of Business Legislation”	The Transfer Act and the Transfer Rules.
“Transfer Rules”	The Transfer Rules 2017 – Voluntary Transfers contained in the <i>Financial Sector (Business Transfer and Group Restructure) determination No. 2 of 2017</i> (Cth) in force under section 46 of the Transfer Act.

ANNEXURE A

COMPARISON OF MEMBER RIGHTS AND LIABILITIES IN AFS' CONSTITUTION AND KEYINVEST'S CONSTITUTION

	AFS' Constitution	KeyInvest's Constitution (as amended following completion of the Transfer of Business)
Type of Company		
Type	Public company limited by guarantee. <i>[Rule 2(b)]</i>	Public company limited by shares and guarantee. <i>[Clause 2]</i>
Shares		
Type	AFS is a public company limited by guarantee and therefore cannot issue shares.	KeyInvest may issue shares (including Mutual Capital Instruments). <i>[Clauses 64 and 65 and Schedule 1]</i>
Member Rights and Liabilities		
Application Fees	No application fee or admission fees are payable for admission to AFS membership other than in respect of any amount contributed by a person for the provision of a benefit from an AFS Benefit Fund. <i>[Rule 11.11(b)]</i>	KeyInvest may charge application fees or admission fees as determined by the KeyInvest Board. ¹ <i>[Clause 20]</i>
Delegation of power to admit members	The AFS Board may delegate the power to accept applications for membership to a committee of the AFS Board or any officer(s) of AFS. <i>[Rule 11.10]</i>	The KeyInvest Board may delegate the power to accept applications for membership to a committee of the KeyInvest Board or any officer(s) or employee(s) of KeyInvest. <i>[Clause 19]</i>
Cessation of membership	<p>A person will cease to be an AFS Member:</p> <ul style="list-style-type: none"> • where the person is expelled by the AFS Board in accordance with Rule 11.16; • where any contract of membership is rescinded on the ground of misrepresentation or mistake; • where the AFS Member is dissolved (if the AFS Member is a body corporate); • where the AFS Member becomes bankrupt; • where the AFS Member dies; or 	<p>A KeyInvest Member that is a member of a KeyInvest Benefit Fund (which will include an AFS Benefit Fund Member after completion of the Transfer of Business) will cease to be a KeyInvest Member:</p> <ul style="list-style-type: none"> • where any contract of membership is rescinded on the ground of misrepresentation or mistake; • where the KeyInvest Member is dissolved (if the KeyInvest Member is a body corporate); • where the KeyInvest Member becomes bankrupt; • where the KeyInvest Member dies;

¹ KeyInvest does not currently charge any application or admission fees.

	AFS' Constitution	KeyInvest's Constitution (as amended following completion of the Transfer of Business)
	<ul style="list-style-type: none"> where the person resigns from membership. <p><i>[Rules 11.14(a) and 11.16]</i></p> <p>If the person is an AFS Member as a result of being a Benefit Fund Member, that person will cease to be an AFS Member where the person ceases to be an AFS Benefit Fund Member.</p> <p><i>[Rule 11.14(b)]</i></p>	<ul style="list-style-type: none"> where the person resigns from membership; where the person fails to pay any monies to KeyInvest required to be paid on approval as a KeyInvest Member; or where the person's contract with KeyInvest for the provision of benefits from a KeyInvest Benefit Fund is terminated following receipt of the benefits for which the person has contracted. <p><i>[Clause 23]</i></p>
Dividends	AFS must not pay any dividends to its members. <i>[Rule 5.2(b)]</i>	KeyInvest may pay dividends to holders of Mutual Capital Instruments but otherwise must not pay any dividends to its members. <i>[Clause 6.1 and Schedule 1]</i>
Winding up	<p>AFS is not permitted to pay or transfer any portion of the income and property of AFS to AFS Members (including on a winding up). <i>[Rule 5.2(b)]</i></p> <p>The liability of each AFS Member (or person who was an AFS Member within one year prior to AFS being wound up) on a winding up is limited to \$2.00 per AFS Member. <i>[Rules 10 and 34.2]</i></p>	<p>Other than to KeyInvest Members that hold Mutual Capital Instruments (who may be entitled to accrued but unpaid dividends and an amount up to the issue price per share of the Mutual Capital Instrument), KeyInvest is not permitted to pay or distribute any income or property of KeyInvest to KeyInvest Members (including on a winding up). <i>[Clause 6.1 and Schedule 1]</i></p> <p>Any property that remains on a winding up (after payment of accrued benefits to KeyInvest Members and satisfaction of all debt and liabilities) must be paid to a person or body within a similar structure and similar objects as KeyInvest (as determined by the KeyInvest directors). <i>[Clause 87]</i></p> <p>The liability of each KeyInvest Member that is a member of a KeyInvest Benefit Fund (or person who was a member of a KeyInvest Benefit Fund within 12 months prior to KeyInvest being wound up) is limited to \$1.00 per such KeyInvest Member. <i>[Clauses 7 and 8]</i></p>

	AFS' Constitution	KeyInvest's Constitution (as amended following completion of the Transfer of Business)
General Meetings		
Convening member meetings	The AFS Board must convene general meetings in accordance with the Corporations Act (including upon requisition of AFS Members as provided for in the Corporations Act). <i>[Rules 20.1 and 20.5]</i>	The KeyInvest directors may call a general meeting of KeyInvest Members, when and where the KeyInvest directors decide. <i>[Clause 29.1]</i> The KeyInvest must call a general meeting of KeyInvest Members when requested by the KeyInvest Members in accordance with the Corporations Act. <i>[Clause 29.2]</i> The KeyInvest Members may call a general meeting in accordance with the Corporations Act. <i>[Clause 29.3]</i>
Quorum	Two AFS Members present at the general meeting. <i>[Rule 21.2(a)]</i>	Five KeyInvest Members who are entitled to vote and are present in person or by proxy at the meeting. <i>[Clause 31.1]</i>
Voting rights	An AFS Member who is under the age of 18 years may not vote at a general meeting of AFS. <i>[Rule 11.7(b)ii]</i> All other AFS Members (including AFS General Members) have the right to: <ul style="list-style-type: none"> • receive notice of and to attend general meetings of AFS (and receive copies of reports required to be provided to AFS Members under the Corporations Act or other law); and • vote at a general meeting of AFS. <i>[Rule 11.6]</i> Each AFS Member has one vote provided that the AFS Member has been entered in the register of members for at least 6 months prior to the meeting. <i>[Rule 21.10]</i>	A KeyInvest Member who is under the age of 16 years may not vote at a general meeting of KeyInvest. <i>[Clause 16.2.1]</i> All other KeyInvest Members have the right to: <ul style="list-style-type: none"> • receive notice of and to attend general meetings of KeyInvest (and receive copies of reports required to be provided to KeyInvest Members under the Corporations Act or other law); and • vote at a general meeting of AFS. <i>[Clause 15]</i> Each KeyInvest Member has one vote (including in respect of a KeyInvest Member that is both a member of a KeyInvest Benefit Fund and a holder of a Mutual Capital Instrument). <i>[Clause 38]</i>
Directors		
Number	A minimum of 5 AFS directors and a maximum of 7 AFS directors, with the actual number determined by the AFS Board from time to time. <i>[Rule 14.1.1]</i>	A minimum of 5 KeyInvest directors and a maximum of 10 KeyInvest directors, subject to any increase to the minimum number or reduction to the maximum number approved by the KeyInvest Members in general meeting. <i>[Clause 41]</i>

	AFS' Constitution	KeyInvest's Constitution (as amended following completion of the Transfer of Business)
Appointment and election of directors	<p>The AFS directors may appoint a person as a director of AFS to fill a casual vacancy or in addition to the AFS Board (but subject to the maximum number of directors permitted). Any such director must retire at the next annual general meeting and may stand for re-election. <i>[Rule 14.5(a)]</i></p> <p>The AFS Members may elect a person as director of AFS in accordance with the procedures in AFS' Constitution. <i>[Rule 14.6]</i></p>	<p>The KeyInvest directors may appoint a person as an addition to the KeyInvest Board and to fill a casual vacancy. Any such director must retire at the next annual general meeting and may stand for re-election. <i>[Clauses 42 and 43]</i></p> <p>The KeyInvest Members may appoint a KeyInvest director at a general meeting. <i>[Clause 42.6]</i></p>
Eligibility	<p>A person is not eligible to be a director of AFS if the person:</p> <ul style="list-style-type: none"> • is under the age of 18 years; • is not an AFS Member (or the appointed representative of an AFS Member that is a body corporate); • is a joint member other than the primary joint members; • is an employee of AFS (subject to certain exclusions); • is prohibited or disqualified from being a director under the Corporations Act; or • does not qualify as a responsible person under APRA Prudential Standard CPS 520 Fit and Proper. <p><i>[Rule 14.3]</i></p>	<p>A person is eligible to be a KeyInvest director if the person is, in the opinion of the KeyInvest directors, a fit and proper person. <i>[Clause 42.1]</i></p> <p>There must be a majority of independent KeyInvest directors at all times. <i>[Clause 42.3]</i></p>
Remuneration	<p>The AFS Board may determine remuneration for AFS directors provided that the total remuneration payable to all AFS directors does not exceed the total aggregate remuneration approved by the AFS Members at each annual general meeting. <i>[Rule 14.11]</i></p>	<p>The KeyInvest Board may determine remuneration for KeyInvest directors provided that the total remuneration payable to all KeyInvest non-executive directors does not exceed the total aggregate remuneration approved by the KeyInvest Members in general meeting. <i>[Clause 46.1]</i></p>
Retirement benefits	<p>An AFS director that has served a minimum period of 3 years will be paid on retirement a retirement benefit calculated at the maximum rate provided for in the Corporations Act. <i>[Rule 14.14]</i></p>	<p>N/A. KeyInvest's Constitution does not contain any provisions in relation to the payment of retirement benefits to KeyInvest directors.</p>

	AFS' Constitution	KeyInvest's Constitution (as amended following completion of the Transfer of Business)
Miscellaneous		
Dispute resolution	<p>The AFS Board must appoint a person to settle disputes between AFS (including the AFS Board and any officer) and an AFS Member (in the capacity as an AFS Member) and establish procedures for the settlement of such dispute. If any dispute is not settled by these procedures, it must be referred for mediation within 14 Business Days with the costs of mediation to be shared equally. This procedure only applies to the extent that AFS has not adopted a procedure specific to the type of dispute that has arisen to satisfy an industry code of conduct or legislative requirement. <i>[Rule 32]</i></p>	<p>N/A. KeyInvest's Constitution does not contain any provisions in relation to the resolution of disputes between KeyInvest and any KeyInvest Member.</p>
Audit requirements	<p>AFS must appoint a qualified person or firm as auditor of AFS in accordance with the Corporations Act and/or Life Act provided that such person or firm has consented to their appointment. The person appointed as auditor must qualify as a responsible person under APRA Prudential Standard CPS 520 Fit and Proper. <i>[Rule 24.1(a) and 24.2]</i></p> <p>AFS' auditor holds office, is able to be removed and has the powers and duties as specified in the Corporations Act, the Life Act and Rule 24 of AFS' Constitution. <i>[Rule 24.1(b)]</i></p> <p>AFS' auditor may be removed upon ceasing to qualify as a responsible person under APRA Prudential Standard CPS 520 Fit and Proper. Except as provided for in the Corporations Act and/or the Life Act, AFS' auditor may also be removed from office by special resolution at a general meeting of AFS. <i>[Rule 24.3]</i></p> <p>The AFS Board may fix the auditor's reasonable fees without approval of AFS Members at a general meeting. <i>[Rule 24.5]</i></p>	<p>The financial records of KeyInvest must be audited as required by the Corporations Act. <i>[Clause 95.2]</i></p> <p>KeyInvest's Constitution does not contain any provisions in relation to the eligibility and procedures for the appointment and removal of KeyInvest's auditor.</p>

	AFS' Constitution	KeyInvest's Constitution (as amended following completion of the Transfer of Business)
	<p>The AFS Board must take reasonable steps to ensure that the accounts of AFS are audited as and when required by the Corporations Act and/or the Life Act. <i>[Rule 24.6]</i></p> <p>AFS' auditor also has various powers in respect of meetings of AFS, including to receive notice of and attend general meetings of AFS and meetings of AFS Benefit Funds and to be heard at any such meeting on any part of the business concerning AFS' auditor. <i>[Rule 24.7]</i></p>	
<p>Actuary requirements</p>	<p>AFS must appoint a person as an actuary to AFS as required under the Life Act provided that such person has consented to their appointment. The person appointed as actuary must qualify as a responsible person under APRA Prudential Standard CPS 520 Fit and Proper. <i>[Rule 25.1(a) and 25.2]</i></p> <p>AFS' actuary holds office, is able to be removed and has the powers and duties as specified in the Life Act and Rule 25 of AFS' Constitution. <i>[Rule 25.1(b)]</i></p> <p>The AFS Board must take reasonable steps to ensure that the actuary prepares written financial condition reports of AFS as and when required and in the manner provided for by the Life Act. The actuary is entitled to access information and documents to the extent reasonably necessary for the proper performance of its functions and duties. The AFS Board must obtain and consider the advice of the actuary as and when required by the Life Act. <i>[Rule 25.5]</i></p> <p>AFS' actuary has the right to attend AFS Board meetings and speak on any matter concerning the solvency of AFS or any AFS Benefit Fund, the adequacy of capital of AFS, advice given by the</p>	<p>N/A. KeyInvest's Constitution does not contain any provisions in relation to KeyInvest's actuary requirements.</p>

	AFS' Constitution	KeyInvest's Constitution (as amended following completion of the Transfer of Business)
	<p>actuary to AFS directors or any matter in relation to which the actuary will be required to give advice. <i>[Rule 25.6]</i></p> <p>In addition, AFS' actuary has various powers in respect of general meetings of AFS and meetings of AFS Benefit Funds, including to receive notice of and attend general meetings of AFS and meetings of AFS Benefit Funds and to be heard at any such meeting on any part of the business concerning AFS' actuary. <i>[Rule 25.7]</i></p>	
Demutualisation approval	N/A. AFS' Constitution does not contain any provisions in the demutualisation approval procedure.	N/A. KeyInvest's Constitution does not contain any provisions in the demutualisation approval procedure.
Winding up procedures	<p>AFS may be wound up in the manner provided for in the Corporations Act and/or the Life Act. Subject to the Life Act, the winding up is to be conducted in accordance with the Corporations Act. <i>[Rule 34]</i></p>	<p>On a winding up or dissolution of KeyInvest, any property that remains after:</p> <ul style="list-style-type: none"> • the payment of all accrued benefits due to KeyInvest Members; and • satisfaction of KeyInvest's debts and liabilities, <p>will be paid to a person or body with a similar structure as, and similar objects to, KeyInvest (as determined by the KeyInvest directors). <i>[Clause 87]</i></p> <p>No commission or fee for sale of assets on a winding up can be paid to any KeyInvest director or liquidator unless approved by KeyInvest Members. <i>[Clause 88]</i></p>