



**always exploring**

# **EXPLANATORY MEMORANDUM**

Proposed Modifications to the Constitution

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**YHA Sydney Central**

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**Dear YHA Member,**

I'm writing to you about two important proposed modifications to our Constitution that will be presented at our upcoming Annual General Meeting on 5th April 2025 in Sydney. I warmly invite you to attend in person or join us via the Zoom livestream. If you're unable to attend, you can still have your say by voting by proxy.

## Our Journey

As many of you will be aware, YHA has been part of Australia's fabric for 85 years, serving as a national member-based association since 2016. The past several years have reinforced the resilience of our organisation as we've continued to build on our recovery from COVID-19 disruptions.

Our financial stability has allowed us to make significant investments in property upgrades and service expansion, including our new Food and Beverage offerings that some of you have experienced. These enhancements continue to strengthen what we can offer to our members, supporting our ongoing growth trajectory.

Our profit-for-purpose approach remains central to everything we do, balancing financial sustainability with positive social and environmental impact. The initiatives we've shared throughout the year — including the launch of the Travel to Learn Foundation, our progress toward Sustainable Tourism Certification, and our pursuit of B Corp certification — all reflect this enduring commitment.

# LETTER FROM THE CHAIR

## What We're Proposing

**To support YHA's next chapter, we're proposing two key constitutional updates:**

First, we're seeking to embed our commitment to sustainability and social impact through changes required for B Corp certification. This globally recognised standard reflects our dedication to all stakeholders: People, Planet, Profit, and Purpose.

Second, we're proposing an update to our board remuneration cap. It has been eight years since our last review. To attract and retain the diverse expertise needed for YHA's future, we need to ensure Director remuneration remains competitive while still modest compared to similar organisations.

In the following pages, you'll find detailed information about these proposals, including the specific changes and the reasoning behind them. I encourage you to review this information carefully to make an informed decision.

Whether you're new to our community or a long-standing member, I value your engagement and support. Together, we can ensure YHA continues to provide meaningful travel experiences for generations to come.

If you're ready to **vote** now or would like more information, the Explanatory Memorandum attached will assist.

**Warm regards,**

**Tammy Marshall | Chair**

# 2. Proposal for Constitutional Changes

All Members of **YHA Ltd** (ACN 008 387 791) are entitled to vote upon proposals to make changes to the Constitution at the Annual General Meeting (AGM).

The AGM will be held on **5 April 2025 at 11:00am AEST**, at The Big Dig Archaeology Education Centre, Sydney Harbour YHA, 110 Cumberland Street, The Rocks, Sydney, NSW 2000.

Members are encouraged to read this Explanatory Memorandum in full to understand the proposed changes and what to expect when voting.

There are two resolutions for decision, the first is an organisational matter (change required for B Corp certification) and the second a governance matter (change to Directors' remuneration).

These two resolutions will be voted on separately. The following is the formal wording that will be presented at the AGM and on the proxy voting form.

**As special resolutions, to be passed the resolution must be approved by at least 75% of members voting at the Annual General Meeting.**

The Board recommends that you vote **IN FAVOUR** of both resolutions.



# 2. Proposal for Constitutional Changes

## RESOLUTION 1. ORGANISATIONAL MATTER

Resolution of members under the *Corporations Act 2001 (Cth)*

*THAT, in accordance with section 136(2) of the Corporations Act 2001 (Cth), YHA Ltd's Constitution be modified by making the amendments contained in the document tabled at the Annual General Meeting and signed by the Chair for the purposes of identification. (B Corp Matters).*

The relevant section of the constitution is marked up as below:

### 2. Objects

The objects of the company are to operate for the benefit of the Members whilst having an overall positive impact on society and the environment, including by:

- (a) representing the interests of the company and its Affiliated Entities internationally with Hostelling International and its Affiliated Entities;
- (b) promoting youth hostelling internationally, including fostering an appreciation of a range of cultural values;
- (c) promoting youth hostelling throughout Australia and its dependent territories, and to promote interstate and international friendship through the development of youth hostelling;
- (d) providing educational opportunities in Australia for all people, but especially young people, to:
  - (1) achieve personal development;
  - (2) foster friendship; and
  - (3) bring about a better understanding of others and the world around them;
- (e) facilitating education by providing, operating and assisting others to provide and operate, hostels or similar accommodation in which there are no distinctions of race, nationality, colour, religion, gender, sexual orientation, class or political opinion;
- (f) providing education, by promoting and encouraging:
  - (1) travel;
  - (2) healthy recreational activities;
  - (3) environmental awareness; and
  - (4) interstate and international friendships and understanding,particularly through the development and provision of facilities and services to assist travellers within and outside Australia;

# 2. Proposal for Constitutional Changes

- (g) actively promoting Australia as a prime holiday destination for the members of overseas organisations affiliated with Hostelling International; and
- (h) providing information or advice to any government, company or any other organisation in relation to any of the foregoing.

## **2A. Stakeholder Interests**

In discharging their duties under this constitution, the Act and the general law, the directors of the company:

(a) will include in their consideration the following factors:

- (1) the likely consequences of any decision or act of the company in the long term; and
- (2) the interests of the Members of the company; and
- (3) the need to foster the company's business relationships with suppliers, customers and others; and
- (4) the impact of the company's operations on the community and the environment; and
- (5) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (6) the interests of the company's employees; and
- (7) the ability of the company to create an overall positive impact on society and the environment; and

(b) need not give priority to a particular factor referred to in rule 2A(a) over any other factor (included in rule 2A(a) or otherwise).

The Chair intends to vote all available proxies **IN FAVOUR** of this resolution.

# 2. Proposal for Constitutional Changes

## RESOLUTION 2. GOVERNANCE MATTER

The resolution that will be put to the meeting is:

*THAT, for the purposes of rule 7.7(a) of the Constitution, the aggregate limit on remuneration for Directors in respect of a Financial Year is hereby fixed for the time being at \$310,000.*

The Chair intends to vote all available proxies **IN FAVOUR** of this resolution.



# 3. Your Vote

## ELIGIBILITY

The following members of YHA Ltd (Members) may vote, in accordance with YHA Ltd's Constitution. Each eligible voting Member has one vote.

Persons eligible to vote on the resolution proposed at the Annual General Meeting (AGM) are Members in each of the Honorary Life, Life, Adult, and Group Membership categories, who:

- a) if the Member is a natural person, is at least 18 years of age, or, in the case of a Representative of an eligible body corporate or unincorporated entity which is a Member, is at least 18 years of age; and
- b) are not employees of YHA Ltd; and
- c) do not have any fees which are due and payable by the Member to YHA, which remain unpaid.

**Only persons who were Members of YHA Ltd at 14 February 2025 will be eligible to vote.**

## IT'S EASY TO VOTE

1. **Read** the Explanatory Memorandum
2. **Vote in person** at the meeting:

Saturday 5 April 2025, 11:00am AEDT

at The Big Dig Archaeology Education Centre, YHA Sydney Harbour  
110 Cumberland Street, The Rocks, NSW 2000

3. If you cannot attend in person, you can **vote by proxy**.

A proxy vote allows you to appoint someone to vote on your behalf at the AGM.

- You can nominate either:
  - The Chair of the meeting, or
  - Another person who will be attending the AGM
- You can specify how you want your proxy to vote on each resolution (in favour, against, or abstain).

**Important note:** If your nominated proxy doesn't attend, or if you don't name a specific person, the Chair will automatically become your proxy. The Chair will follow your voting directions if provided. For any undirected proxies, the Chair intends to vote in favour of both resolutions.

To submit an online proxy, use this link (or paste it into your browser): [yha.travel/AGM2025](https://yha.travel/AGM2025)

Alternatively, you can download the proxy form here: [www.yha.com.au/2025-agm/](https://www.yha.com.au/2025-agm/) and email it to [yha@yha.com.au](mailto:yha@yha.com.au)

The deadline to lodge your proxy is **11:00AM on Thursday 3 April 2025 (AEST)**.

The Board recommends that you vote **IN FAVOUR** of both resolutions.



# 4. The Proposed Modifications Explained

## RESOLUTION 1.

### Organisational Matter - B Corp

#### What is B Corp?

B Corps are businesses that meet high standards of social and environmental performance, accountability, and transparency.

B Corps exist to benefit everyone, not just members. The B in B Corp stands for 'Benefit for all,' meaning Certified B Corporations are businesses that have been certified by B Lab to benefit all stakeholders.

This is known as 'stakeholder governance' and means that a company prioritises all of those who have a 'stake' in its performance: people (employees, customers, suppliers, investors, regulators), the community, and the environment are all on an equal footing with profit.

B Corps are for-profit businesses; they exist to make money. It's just that they don't only exist to make money. B Corps don't want to make money at someone else's, or the planet's, expense.

B Corps measure success and impact on what's called a quadruple bottom line or the 'four P's'—expanding on the increasingly well-known 'triple bottom line' of people, planet, and profit, to include a fourth: purpose.

#### Why YHA is pursuing B Corp certification

Being B Corp certified aligns perfectly with YHA's long-standing values and mission. As an organisation that has prioritised sustainability, community impact, and responsible tourism for over 85 years, becoming a B Corp is a natural next step in formalising our commitments.

#### B Corp certification will:

- Strengthen our governance framework around social and environmental impact.
- Provide a globally recognised standard to measure our progress.
- Demonstrate our commitment to travellers seeking purpose-driven accommodation options
- Help attract and retain talent who share our values.
- Join a community of over 9,400 like-minded businesses spanning more than 162 industries.

#### Key benefits of being a Certified B Corp organisation

B Corps in Australia and Aotearoa New Zealand have total revenue of more than AUD 22 billion and demonstrate that doing good is good for business.

#### The latest statistics show that:

- B Corps are 2 times more likely to be carbon-neutral.
- B Corps are 3.9 times more likely to have all full-time managers with mission-related responsibilities in their job descriptions.
- B Corps are 3.4 times more likely to publish impact reports on social and environmental performance.
- B Corps are 1.3 times more likely to have a ratio of 5:1 from highest paid to lowest paid employee.

#### Why the YHA Constitution needs to be modified

Stakeholder governance is a fundamental part of being a B Corp. To meet B Corp requirements in Australia and Aotearoa New Zealand, businesses must update their constitution to include two clauses:

**1. The purpose statement:** This affirms YHA's commitment to creating positive impact for all stakeholders.

**2. The stakeholder clause:** This formalises our consideration of members, employees, customers, communities, and the environment in our decision-making.

These constitutional changes ensure our commitment to B Corp principles will endure, even through leadership changes or organisational evolution. They signal to everyone that our mission is embedded into the core of our business.

#### Summary

YHA is committed to B Corp certification, and our teams have completed significant work to ensure our processes and procedures will sustain certification into the future. While many B Corp requirements are already part of YHA's operations, these formal changes will improve our organisation for future challenges and enhance our ability to successfully execute strategy in the coming years.

# 4. The Proposed Modifications Explained

## RESOLUTION 2.

### Governance Matter - Proposed Changes to Director Remuneration

#### Background

- YHA's Constitution allows for Directors to be paid fees for their service (under section 7.7 Remuneration of Directors)
- The Governance Policy - Director Remuneration ensures a transparent and reasonable process for determining appropriate remuneration levels
- The total amount available for Director fees (including superannuation) must be approved by YHA members
- The current total fee pool is \$150,000 per year (including superannuation)
- The pool is distributed amongst nine Directors and includes an additional fee paid to the Board Chair, Vice Chair and three Committee Chairs recognising the additional workloads these roles attract.
- The remuneration sought and approved by members in 2018 was described as relatively modest- During COVID-19, most Directors voluntarily opted out of receiving payments to support YHA's financial stability
- Regular payments to Directors resumed in early 2023 as YHA's financial situation improved

#### Why we are proposing a change

The last review of Director remuneration was conducted in 2017, with changes implemented in 2018.

#### Missed policy timeline:

- Our policy allows for reviews every three years (2020 and 2023 would have been the next reviews).

- COVID-19's impact on YHA's operations did not put YHA in a position to schedule reviews of Director remuneration; this is now being addressed some eight years later.
- YHA is now in a position to afford a review and increase to recognise Director workloads, risks and performance and apply what is still considered a modest fee to Directors.
- Had regular reviews occurred, we would have seen smaller, incremental adjustments rather than what appears to be a larger step change today.
- Risk & Director workloads. Over the last eight years the legislative, regulatory and reporting environment for YHA and organisations has continued to change at an ever-increasing pace and complexity. Director workloads and management of risks and risk exposure has also subsequently increased including:
- In late 2023, YHA established an additional Board committee, the Environmental, Social & Governance (ESG) Committee, and Chair role to address the increasing requirements of regulation and risk faced by YHA in this area. This focus also aligns with key elements of YHA's core strategic differentiation positioning.
- Expansion of YHA's scope of services, including food and beverage services.
- The upcoming completion and opening of the Railway Square YHA property and the scale of operations and value this adds to the Sydney based assets and the strategic opportunities this presents for the future.
- In 2024 the official launch of YHA Travel to Learn Foundation, a charitable subsidiary of YHA Ltd and an entity now trading with specific ACNC governance and reporting requirements. To ensure effective governance over this now trading entity, Directors are required to attend additional Board meetings and provide oversight for the expanded scope of operations, which includes managing the responsibilities associated with being a registered charity with Deductible Gift Recipient (DGR) status.

# 4. The Proposed Modifications Explained

## Director Performance

### Profitability / Affordability

2023 saw YHA return to positive EBITDA (>\$10M). As a result of YHA undertaking the planned expenditure of \$12.5M in property, plant and system upgrades, in 2024, we achieved a positive EBITDA (>\$10M) with a resulting deficit of \$2M. If YHA had not undertaken this discretionary spending, YHA's 2024 results would have been much better. This discretionary spending formed part of the 5-Year Strategic Plan and was a critical investment in YHA's future undertaking of badly needed refurbishments to ensure that YHA's product and service offerings to members remain relevant and competitive. YHA will realise the return on these investments over the coming years.

### Director non-financial performance

The YHA board has participated in governance benchmarking exercises in partnership with GovernWith for the last two years to assess the organisation's scores against the top six benchmarked contemporary governance risks. In 2023, YHA performed better than four of the six. In 2024, YHA performed above the benchmarks in all six categories and demonstrated significant improvement in the majority of categories. In particular, ESG lifted from 54% to 79%, demonstrating the value that the newly formed ESG committee and the extra workload the Directors have taken on – have delivered results for YHA. The benchmarking assesses the YHA Board's overall level of assurance that a particular risk area is being addressed. The 2024 results are published in the 2024 Integrated Report.

### How is Director remuneration calculated?

It is a common practice for Director remuneration to be set in comparison (benchmarked) to similar type, size and scale entities with an agreed total Remuneration approach. This is consistent with YHA's approach to Director remuneration.

### An independent consultant was engaged to review Director remuneration. The consultant:

- Identified the challenge in finding a data set of similar entities to YHA, (a similar challenge the Director remuneration working group had in 2017).

- Recommended YHA Director remuneration be benchmarked, taking into consideration scale (revenue), asset base and headcount using the 'Combined Results – Director' data set from the Australian Board Remuneration Survey Report 2022<sup>1</sup>, This data set most closely reflected YHA's operations, which used a mix of Not-for-Profit, (NFP) industry, and commercial organisations. Why? While YHA is a not-for-profit organisation it is required to operate in a highly competitive and commercial market, therefore benchmarking using a blend of NFP and 'commercial' data sets where available is the most appropriate.
- Reviewed a range of other surveys and reports including the AICD Not-For-Profit Governance & Performance Study 2023-24<sup>2</sup> and the Women on Board Director remuneration guide 2023<sup>3</sup>.
- Appraised YHA's governance workload & risks.

### Independent Consultant's findings and recommendations. The consultant identified that:

- YHA has a significant risk profile to manage as a national accommodation provider.
- The increase in regulatory and compliance requirements and scope of services over the last eight years has significantly increased the risks and workload for YHA Directors.
- YHA is paying its Directors less than the 10th percentile of the 'Combined Results -- Director' data<sup>1</sup>, that is, in the zero to one-tenth of the bottom of the total remuneration range for Directors of comparable organisations, including NFP organisations.

### The Australian Institute of Company Directors (AICD) Not-For Profit Governance and Performance Study 2023-24 findings include:

- "Organisations who pay their board members, the timed average salary across all NFP sub-sectors is \$24,934."
- "Half (50%) of respondents indicated that they are spending more time on Director duties compared to last year."
- Women on Board Director remuneration guide: 2023<sup>3</sup> identifies the pay band for NFP organisations is between \$20,000 to \$50,000.

# 4. The Proposed Modifications Explained

- The consultant recommended that YHA lifts Director remuneration to the averaged 25th percentile of the ‘Combined Results – Director’ data<sup>1</sup>. In the aggregate this is \$310,000 (inclusive of superannuation). Moving the remuneration towards market averages will ensure YHA can attract and retain the right people to help YHA reach its potential on a sustainable basis.
- The Directors considered this a modest recommendation from the consultant given that it is well below the median (50%) mark. It is also worth noting that the recommendation is based on 2022 data. The 2023 and 2024 abridged survey reports median/average remuneration increases for NFP organisations were 4.5% and 7.4%, respectively. The 2022 modest recommendation provides scope in future years to review alongside YHA’s ongoing performance.

## Director Commitment During Financial Challenges

- As outlined above during COVID-19, most Directors voluntarily opted to forego their fees to support YHA’s financial stability.
- The Board acknowledges that in any future periods of financial hardship, Directors would again consider such measures to ensure YHA’s ongoing viability.

## Maintaining Regular Reviews

- Our policy allows for Director remuneration to be reviewed every three years.
- Going forward, we will adhere to this regular review cycle to ensure smaller, incremental adjustments rather than larger step changes.

## Balancing Fiscal Responsibility with Good Governance

- The proposal modestly and fairly compensates Directors while recognising YHA’s profit-for-purpose standing.
- The recommended amount supports our ability to attract and retain qualified Directors with the skills needed for YHA’s ambitious growth plans.
- This adjustment is essential for strong governance as we navigate increasingly complex strategic and regulatory landscapes.

## Bibliography

1. Australian Board Remuneration Survey Report 2022 \_detailed report (McGuirk Management Consultants)
2. The Australian Institute of Company Director’s (AICD) Not-For-Profit Governance & Performance Study 2023-24
3. Women on Board Director remuneration guide: 2023



If you have any questions, please do not hesitate to raise them prior to the meeting.

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## **CONTACT**

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