

**TITLE:**

**Related Party Policy**

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Flight Centre Travel Group (FCTG)

## Related Party Policy

### Introduction

#### Commitment to compliance

Flight Centre Travel Group Limited ("Flight Centre") is committed to:

1. complying with the related party transaction requirements contained in the Corporations Act and the ASX Listing Rules; and
2. preventing financial benefits from being given to related parties without due consideration by the Board and, if appropriate, shareholders.

#### Purpose

The purpose of this policy is to:

1. record Flight Centre's commitment to complying with all related party transaction requirements under the Corporations Act and the ASX Listing Rules;
2. set out a framework for obtaining approval for all related party transactions; and
3. establish a clear process to comply with Flight Centre's related party transaction obligations.

#### Interpretation

**Board** means the board of directors of Flight Centre.

Concepts not defined in this policy which are given a meaning in the Corporations Act have the same meaning as in the Corporations Act.

#### Scope

The policy applies to all related parties of Flight Centre and its subsidiaries ("Flight Centre Group").

#### Policy

In summary, all related party transactions must be:

1. notified to the company secretary of Flight Centre ("Company Secretary") prior to their execution; and
2. on arm's length terms; and
3. approved by the Board.

Related party transactions not on arm's length terms must be approved by Flight Centre's shareholders.

## Related Party Transactions

Flight Centre and members of the Flight Centre Group are prohibited from giving a financial benefit to a related party unless:

1. Flight Centre's shareholders have approved the giving of the financial benefit; or
2. an exception applies.

As a listed entity, Flight Centre is also prohibited from entering into certain transactions with related parties without shareholder approval.

## Who is a related party?

For the purposes of this policy, Flight Centre has adopted the following definition of a related party:

1. any person or entity that controls Flight Centre;
2. a director of Flight Centre, or of a Flight Centre Group member, or of an entity that controls Flight Centre;
3. the spouses, parents or children of the persons referred to in (b) above;
4. any entity:
  1. controlled by a person referred to in (a), (b) or (c) above; or
  2. in which a person referred to in (a), (b) or (c) above has a material personal interest; and
5. any other person or entity whose relationship with Flight Centre or a member of the Flight Centre Group is, in the opinion of the Board, such that this policy should apply to that person or entity.

The rules regarding related party transactions also apply to:

1. any person who has been a related party (as defined above) at any time in the last six months (even if they are not a related party, as defined above, at the time of the relevant transaction); and
2. any person who the Board believes, or has reasonable grounds to believe, is likely to become a related party (as defined above) at any time in the future.

**Note:** If there is any doubt as to whether a particular person or entity is a related party of the Flight Centre Group for the purposes of this policy, the matter should be referred to the Company Secretary and a decision will be made by the Board.

## What is a financial benefit?

The term 'financial benefit' is to be interpreted broadly.

When applying this policy, the Board will have regard to the commercial nature of the transaction, and any consideration given for the benefit will be disregarded (even if the consideration is considered to be adequate).

Some examples of financial benefits include:

1. giving or providing finance or property (including buying, selling or leasing an asset);

2. supplying or receiving services; and
3. issuing securities or granting options.

## The exceptions

There are a number of exceptions to the requirement to obtain shareholder approval for the giving of a financial benefit to a related party. However, unless one of these exceptions applies, **shareholder approval must be obtained in accordance with this policy prior to the giving of a financial benefit to a related party.**

### The 'arm's length' exception

Flight Centre is not required to obtain shareholder approval for the giving of a financial benefit to a related party if the proposed transaction is on arm's length terms, or on terms that are less favourable to the related party.

In determining whether the arm's length exception applies to a transaction, the Board will have regard to the following factors:

1. the terms of the transaction;
2. any protocols adopted by Flight Centre to ensure that conflicts of interest were appropriately managed;
3. the impact of the proposed transaction on Flight Centre and its shareholders;
4. any other options that may be available; and
5. any expert advice received in relation to the proposed transaction.

Flight Centre will only rely on the arm's length exception in circumstances where the Board is confident that the exception applies. If there is any doubt, shareholder approval will be sought in accordance with this policy.

### Other exceptions

Other exceptions to the requirement to obtain shareholder approval for the giving of a financial benefit to a related party include:

1. where the financial benefit represents reasonable remuneration payable to the related party as an officer or employee, or the reimbursement of expenses;
2. the giving of an indemnity, exemption or insurance policy in respect of a liability incurred as an officer or employee;
3. where the value of the financial benefit (together with all other financial benefits given to the related party in the relevant financial year without shareholder approval) is less than \$5,000;
4. benefits given to a shareholder of Flight Centre that do not discriminate unfairly against other shareholders of Flight Centre; and
5. benefits given by Flight Centre to a wholly-owned subsidiary (or vice versa).

Where the Board is satisfied that one of the above exceptions applies, shareholder approval will not be required for the giving of the financial benefit.

## Dealing with related party transactions

### Protocols for negotiations with related parties

In respect of negotiations with related parties, the Board should consider putting in place protocols to ensure that the related party does not influence Flight Centre's decisions. For example, it may be appropriate to put in place 'Chinese Walls' in relation to the proposed transaction, form a Board sub-committee to consider the proposed transaction and seek independent advice.

### All related party transactions to be referred to the Board

Where a member of the Flight Centre Group proposes to enter into a transaction with a related party the following procedure **must** be followed.

1. Full and appropriate disclosure about the proposed transaction is to be made to the Company Secretary **prior** to any transactions being entered into. Such disclosure should include the following information:
  1. full details of the proposed transaction, including the parties and the nature of their relationship (that is, why they are or might be considered to be related parties);
  2. whether an exception to the requirement to obtain shareholder approval applies or may apply;
  3. why the exception (if any) applies to the proposed transaction; and
  4. any other information appropriate or necessary in the circumstances for the Board to determine whether the arm's length or any other exception applies.
2. The Company Secretary will compile the information provided, and include an item in the agenda for the Board to consider the proposed transaction at the next Director's meeting.
3. Where appropriate, the Board may refer to any internal or external advice or recommendations on the proposed transaction.
4. Where the Board determines that the proposed transaction is on arm's length terms or subject to any other exception such that shareholder approval is not required, it may resolve to proceed with the proposed transaction on terms it considers appropriate.
5. Where the Board determines, based on the information available to it, that the proposed transaction is:
  1. not on arm's length terms;
  2. not subject to any other exception; or
  3. such that shareholder approval should nevertheless be obtained,

and resolves that the proposed transaction should nevertheless proceed (subject to the required shareholder approval), the Board must call a meeting of shareholders to be held to consider and, if thought fit, approve the proposed transaction.

**Note:** The procedures set out in this policy must be complied with in relation to all related party transactions.

However, any routine transactions entered into by a member of the Flight Centre Group in the ordinary course of business and on arm's length terms (for example, travel bookings made by a related party through a member of the Flight Centre Group) are not required to be referred to the Board in accordance with this policy.

### Persons with material interest not to participate

Any person who has a material personal interest in the outcome of a proposed related party transaction must disclose that interest to the Company Secretary, who will notify the Board. The interested person must not participate or be anyway involved in the decision-making process of Flight Centre or the Board in relation to the proposed related party transaction.

Where the interested person is a director of Flight Centre, he or she must not:

1. be present while the proposed transaction is being considered by the Board; or
2. vote on the proposed transaction.

## **All related party transactions to be appropriately documented**

All related party transactions (including those that are determined by the Board to be on arm's length terms or otherwise subject to an exception must be appropriately recorded and documented.

## **Disclosure of related party transactions**

Details of all related party transactions are to be fully disclosed in each annual report issued by Flight Centre in accordance with Australian accounting standard AASB 124.

## **Miscellaneous**

### **Register**

The Company Secretary will keep and maintain a register of all related party transactions involving members of the Flight Centre Group, including details of the transaction, the parties and whether shareholder approval was obtained or one of the exceptions applied.

### **Review of policy**

This policy will be reviewed by the Board as necessary to ensure that it remains relevant and appropriate to the Flight Centre Group, to determine the effectiveness of the policy, and to make any changes necessary.



## Endorsement

Flight Centre is committed to this policy and its implementation and to ensuring that Flight Centre and the Flight Centre Group comply with their obligations in relation to related party transactions.

<b>Policy Title:</b>	<b>Date:</b>
Related Party Policy	29th March 2012
<b>Approved:</b>	
Graham Francis Turner	
Managing Director	
David Smith	
Company Secretary	