

The Mountaineering Council of Scotland, trading as Mountaineering Scotland (the "Company")
Proposed new articles of association to be adopted by the Company (the "New Articles")

Why is the Board proposing that the Company adopt the New Articles at the AGM?

Following a number of queries received by the Board from members of the Company in the run up to the Company's 2018 AGM, the Board of the Company has undertaken a review the Company's existing articles of association. The Board has also sought the advice of legal firm, Harper Macleod LLP, in highlighting provisions in the Company's existing articles that should be updated in line with company law legislation and good practice. The Board has also convened a Working Group, comprising of members of the Company, to in particular consider whether there should be a change to the voting rights allocated to Club Members. The Board is therefore proposing that that the Company's existing articles of association be replaced by the New Articles to address these matters.

Why have two different versions of the New Articles been provided?

A Working Group, comprising of members of the Company, was convened to consider whether there should be a change to the voting rights allocated to Club Members. After full consideration of the options, the Working Group recommended to the Board that the voting rights allocated to each Club Member reflect the number of active members each club has. The Board has approved this recommendation and this change has been included at Article 6.10.2 of the New Articles marked as "Draft A". Further details on this change are provided below.

While it is the Board's strong preference that the New Articles marked as Draft A be adopted by the Company, given that some members may not agree with this proposal a second version of the New Articles marked as "Draft B" has also been provided. Draft B of the New Articles will be only considered at the EGM if Draft A of the New Articles is not adopted at the EGM. In Draft B of the New Articles there has been no change to the voting rights allocated to each Club Member, i.e. the current provisions in the existing articles have been replicated in Article 6.10.2 of Draft B of the New Articles. We have taken this approach so that all of the other changes incorporated in the New Articles (as summarised below) will be put to the members for consideration and the Company is not left bereft of the proposed more procedural changes, which have been recommended in line with company law legislation and good practice.

Membership classes of the Company

At Article 3 of the New Articles the provisions detailing the membership classes of the Company have been updated. We have clarified the arrangements for individuals and Clubs joining as legal members of the Company and confirm that all Individual Members, Club Members and Associate Members will be bound by the legal guarantee underpinning the Company. We have also provided that Individual Members need to be at least 16 years old and confirmed the documentation that a Club needs to provide with its application for membership. We have also clarified within the New Articles who the Active Members of a Club are.

The New Articles also introduce the concept of Registered Supporters. Registered Supporters will not be legal members of the Company and will not be entitled to attend, speak at and vote at general meetings of the Company in their capacity as a Registered Supporter. This category is designed to catch those individuals and groups that do not want to become legal members of the Company but want to participate in the sport or support the aims of the Company and pay a subscription fee to receive certain benefits from the Company. This category will be available to all individuals and groups that are not Individual Members, Honorary Members, Club Members or Associate Members.

Voting rights allocated to Club Members

Under the existing articles, Club Members have weighted voting rights, with the number of votes that a Club Member is entitled to being dependent on the number of members that Club has noted on the annual return it has provided to the Company. At the time of the 2018 AGM, the Company had approximately 7000 Individual Members and 150 Club Members, which represented the view of approximately 6700 members of these clubs. At the 2018 AGM a Club Member raised concerns with this voting structure as the number of Individual Member votes could

significantly outweigh than the total number of Club Member votes and it was suggested that this situation was seen to devalue the Club Member vote.

In light of this concern, the Board convened a Working Group, comprising of members of the Company, to consider whether there should be a change to the voting rights allocated to Club Members. The Working Group considered a number of options including retaining the status quo and altering the weighing of the Club Members votes but came to the conclusion that the best approach was to allocate Club Members with such number of votes as is equivalent to the number of Active Members that Club has. The Board considered the Working Group's findings and has approved its recommendation, with such change being included in Article 6.10.2 of Draft A of the New Articles. It is the Board's strong preference that the New Articles marked as Draft A be adopted by the Company given that this matters has been considered at length by the Working Group and by the Board.

Voting at a general meeting by Club Members

Votes at general meeting will be taken by a show of hands (i.e. one vote cast by each member present in person or by proxy) unless a poll is called. The New Articles confirm at Article 6.10.6 who is able to call a poll vote at a general meeting.

In the run up to the 2018 AGM some Club Members queried whether a Club Member was entitled to spilt its votes on a poll vote so that some of its votes were used for, and some of its votes were used against, a resolution. As the Companies Act 2006 provides that on a poll taken at a general meeting of a company, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way, we have therefore clarified this position in Article 6.10.2 of the New Articles. The Company intends to issue further guidance to Clubs in respect of this matter setting out good practice to ensure that votes cast on a poll represent the views of that Club's members in line with its constitution.

In line with the terms of the Companies Act 2006, we have also clarified in the New Articles that Club Members can appoint multiple proxies and have up to 2 nominated representatives attend meetings so a Club Member can cast votes for and against a resolution should it wish to do so.

Increase in the size of the Board

It is the Board's intention that the Company continues to develop its offering and to support this, the Board are keen that the number of directors that can appointed is increased from 9 to 10 and accordingly Article 6.5 has been revised.

Re-appointment to the Board

The existing articles provide that a person who has been a director of the Company is not eligible to stand again for election until the AGM following at which they stood down. This concept has been widened in the New Articles so that any officer of the Company, after their appointment for the maximum term, or if they have resigned or been removed as an officer, will not be eligible for re-election until the first AGM held after a 11 month period commencing from the day after such individual standing down, being removed from office or resigning.

We have also clarified that where a person is appointed by the Board to fill a casual vacancy on the Board that such individual's term of office for the purposes of Article 6.6 will not commence until they have been formally elected to fill such role an AGM.

Director's conflicts of interest

Under the Companies Act 2006, a director must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. In such circumstances, unless a company's articles provide otherwise, the members of the Company must authorise such conflict. Given that convening a general meeting for this purpose is overly burdensome for a Company, we have included provision in New Articles to allow for the other directors of the Company to authorise a director's conflict of interest and make any conditions of authorisation as they see fit.

The Company's current conflicts of interest provisions have been retained in so far as they apply to staff and members of working or advisory groups.

Issuing of notices and documents by email

The notice provisions in the current articles do not allow for notices or documents to be provided by the Company to members by way of email. In the future the Company may look to issue notices or documents by email as this is both environmentally friendly and offers time and cost savings and therefore provision has been included in the New Articles for this. Before the Company can issue notice and documents in this way, it will have to write to each member of the Company and obtain their consent to issuing notice and documents in this way and any member who wishes to receive notice in documents in hard copy form will still be able to elect to do so.

Gender neutralisation

We have also taken this opportunity to gender neutralise the New Articles (i.e. remove all references to he, him, his etc.) in line with the Company's equalities policies.