

**RULES**  
**OF**  
**THE SOUTHERN CO-OPERATIVE LIMITED**

**31 July 2023**

**All previous Rules rescinded**

## INTERPRETATION

**1. Interpretation** - In these Rules, including this rule, except where the context requires otherwise:

- (a) "Co-operative Values and Principles" means those principles and values that from time to time, form part of the International Co-operative Alliance's statement on the co-operative identity as amended from time to time;
- (b) "Employee" means a worker for the Society or any company within the Group, as defined in Section 230 of the Employment Rights Act 1996, save that any person working under a contract of employment or any other contract, shall not be a worker for the purposes of the Rules if the contract under which that person works is for a fixed term of less than 6 months;
- (c) "family member" means in respect of any person, that person's husband or wife, partner, father, mother, son, daughter, brother and sister, and, for the purposes of this definition, relationships by adoption shall be treated in the same way as relationships by birth, and people shall be treated as partners if they live in the same household as a family unit, irrespective of their sex or sexual orientation;
- (d) "Leadership Team" means the Chief Executive and their immediate senior executive team including the Chief Operating Officers and others known in the Society as the Leadership Team;
- (e) "member" means the individuals defined in Rule 10;
- (f) "officer" shall include any Director elected by the members or professional co-opted by the Board, together with the Chief Executive and the Secretary of the Society and any other manager designated as an official by the Directors;
- (g) "recent former employee" means any individual who has been an Employee within the last three years;
- (h) "Registrar" shall have the same meaning as in the Act and any reference to the Registrar includes reference to the statutory successor carrying on the function;
- (i) "register of members" means the register as defined in Rule 16;
- (j) "society" means any society registered under the Act;
- (k) "Society trading area" means the recognised area in which the Society trades for the time being determined by the Directors;
- (l) "the Act" means the Co-operative and Community Benefit Societies Act 2014;
- (m) "the Directors" or "the Board" means the Board of Directors of the Society;
- (n) "the Group" means for the purposes of the Rules, but not otherwise, the Society and:
  - (i) any company or society or corporation in which the Society from time to time directly or indirectly either holds the majority of votes exercisable in a general meeting of, or controls the majority of the votes exercisable at a meeting of the governing body of that company or society or corporation; and
  - (ii) every other company, society and corporation nominated from time to time by the Board as a subsidiary entity of the Society;
- (o) "these Rules" or "the Rules" means the registered rules for the time being of the Society;
- (p) "the Society" means the Society named in these Rules and where the context so requires or admits, shall include any society or company that is a subsidiary of the Society within the meaning of Sections 100 and 101 of the Act for the time being of the Society;
- (q) "Voting Representative" means the chair of the meeting who may be appointed to cast a member's vote in accordance with Rule 53.
- (r) use of the singular imports the plural and vice versa;

- (s) the headings in these Rules are for convenience only and shall not affect their interpretation;
- (t) including (and any of its derivative forms) means including but not limited to;
- (u) in writing means letter or email;
- (v) any reference to person shall mean natural persons, corporated and unincorporated entities and registered societies whether or not having a separate legal personality; and
- (w) any reference to a statute shall be construed as referring to any such statute as modified, amended, re-enacted or consolidated from time to time and shall include any statutory instruments, regulations or orders made pursuant to it whether before or after the date of these Rules.

## **NAME, REGISTERED OFFICE AND OBJECTS**

2. **Name and Registered Office of the Society** - The name of the Society shall be The Southern Co-operative Limited and its registered office shall be at 1000 Lakeside, Western Road, Portsmouth, Hampshire, PO6 3FE.
3. **Change of Registered Office** - The registered office may be changed by resolution of the Directors and notice of any such change shall be sent by the Secretary to the Registrar within fourteen days thereof in manner and form prescribed.
4. **Use of Name of the Society** - The name of the Society shall be mentioned in legible characters in all business letters of the Society including those sent by e-mail, notices, advertisements, and official publications, bills of exchange, promissory notes, endorsements, cheques or orders for money or goods purporting to be signed by or on behalf of the Society, and on all bills, invoices, receipts, letters of credit and on the website of the Society, and shall be conspicuously painted or affixed and kept painted or affixed in letters easily legible, on the outside of every office or place of business of the Society.
5. **Objects of the Society** - The objects of the Society shall be to carry on the business of a storekeeper, general dealer, both wholesale and retail and universal provider of goods and services of all kinds, and of manufacturer, producer, grower, cultivator of any goods whatsoever, and generally to engage in any business, trade, industry or service as principals or agents which may seem to the Board directly or indirectly conducive to the carrying out of the aforesaid objects, including hire purchase, credit sales and rental transactions.

## **POWERS**

6. **General Powers**
  - (a) The Society shall have full power to do all things necessary or expedient for the accomplishment of all its objects, including the power to purchase, hold, sell, mortgage, rent, lease or sub-lease lands of any tenure and to erect, pull down, repair, alter or otherwise deal with any building thereon.
  - (b) The Society shall also have the power to enter into block discounting transactions and upon such terms and condition as the Directors think fit to enter into any guarantee, contract of indemnity or suretyship, whether by personal covenant or by mortgage or charge on all or any part of the undertaking, property or assets of the Society or partly in one way and partly in the other and in particular (but without prejudice to the generality of the foregoing) with or without consideration to guarantee or give security as aforesaid for the payment without limit of any principal monies, premiums, interest and other monies secured by or payable under any obligations or securities including particularly obligations or securities of any member of the Group or holding society or company of the Society.
7. **Power to Establish a Pension Scheme** - The Society shall have the power to establish a pension or superannuation scheme for the benefit of its employees and to pay contributions thereto and to enter into any contract or trust deed for this purpose.

## **MEMBERSHIP OF NATIONAL FEDERATIONS**

8. **Federation** - The Society shall be in membership of such national federations as the Directors shall determine from time to time.

## **POLITICAL AFFILIATIONS**

9. **Political Neutrality** - The Society shall not engage in party political activity nor give support or funding to a political party, candidate or politician.

## **MEMBERSHIP**

10. **Members** - The Society shall consist of the present members and all such other persons as may be admitted by the Directors and who agree to hold at least the number of shares required to be held by Rule 11, whether singly or jointly.

11. **Shares to be held by Members** - Every member shall hold at least one share (and shall as the Society shall direct, pay to the Society a sum equal to the nominal value of the individual share or shares held immediately and/or agree so to pay by permitting the Society to deduct and retain some or all of such sum from any dividend or dividends declared in favour of the member in question under Rule 86). No member other than a society shall have an interest in the shares of the Society exceeding such amount as may be prescribed in the law applicable to societies registered under the Act.

12. **Application for Membership**

- (a) Subject to these Rules, the Board shall prescribe procedures for the submission, consideration and determination of all applications for membership of the Society. Each application for membership shall be submitted in such form as the Directors may prescribe and shall contain an application for at least the number of shares a member is required to hold by virtue of Rule 11. The Directors may in their determination of applications take into consideration an applicant's likely participation in the business and activities of the Society and their anticipated support for and adherence to Co-operative Values and Principles but shall always have full power in their absolute discretion to accept or refuse any application for membership.
- (b) The Directors may delegate the consideration and determination of membership applications to the Chief Executive or to committees consisting of such of their own number as they shall think fit, who shall act under the direction and control of the Board in implementing the membership policy determined by the Board and shall not be required to state reasons for the deferral or refusal of any application.

13. **Application Fee** - No application fee shall be required.

14. **Admission of Minors** - A minor aged fourteen years or over may be admitted as a member and execute all instruments and give all acquittances necessary to be executed or given under the Rules, but may not be an officer of the Society. Members must be at least sixteen years of age to vote in elections or attend meetings. The Secretary may ask any member to evidence their age by the production of such official documentation as the Secretary may determine.

15. **Cessation of Membership** - A member shall cease to be a member if, for any reason whatsoever, they cease to hold at least the number of shares required by Rule 11.

## **REGISTER OF MEMBERS**

16. **Duty to Keep Register** - The Society shall keep at its registered office a register of members in which the Secretary shall enter the following particulars:

- (a) the names and addresses of the members;
- (b) a statement of the number of shares held by each member of the amount paid, or agreed to be considered as paid, on the shares of each member and of the date and manner in which any share ceased to be held by any member;
- (c) a statement of other property in the Society,; whether in loans, deposits, or otherwise held by each member;

- (d) the date at which each person was entered in the register as a member and the date at which any person ceased to be a member;
- (e) the names and addresses of the officers of the Society, with the offices held by them respectively, and the dates on which they assumed office.

**17. Construction of Register** - The Society shall either:

- (a) keep at its registered office a duplicate register containing the particulars in the register kept under Rule 16 other than those entered under Rule 16 (b) and (c); or
- (b) so construct the register kept under Rule 16 that it is possible to open to inspection the particulars therein.

**18. Change of Address** - Any member changing their residence shall, within one calendar month thereafter, give notice thereof at the registered office of the Society, when the necessary alterations shall be made in the register of members.

**SHARE CAPITAL**

**19. Value of Shares** - The shares of the Society shall be of the nominal value of £1 and shall be withdrawable only and (except as provided for in Rule 38) not transferable.

**20. Payment of Shares** - Shares shall be paid for as the Society shall direct. The Society may direct that shares be paid for in full on allotment and/or require the agreement of the applicant to pay a sum equal to the nominal value of the individual share or shares held by permitting the Society to deduct and retain some or all of such sum from any dividend or dividends declared in favour of the member in question under Rule 86. Any member permitting the Society to deduct and retain a sum equal to such amount from any dividend or dividends declared in favour of that member under Rule 86 shall, for the purposes of the Rules (other than those Rules concerning cessation of membership), be treated as if such amount had been paid in full.

**21. Allotment of Shares** - The Directors shall allot to members upon their admission the share or shares for which they have applied and shall allot from time to time any share or shares subsequently applied for, provided that the total number of shares allotted to any member other than a society shall not, together with any shares already held by them, exceed in nominal value the sum prescribed in the law applicable to societies registered under the Act.

**22. Shares held Jointly** - Where two or more people are joint members, they may continue to be joint members, but no new joint memberships may be created. A notice required to be given in relation to any share or shares which are held jointly shall be given to such one of their number as they may jointly direct in writing or, in default of such direction, to the one whose name precedes the names of the others as joint holders in the register of members. An application for the withdrawal of any shares or part of a share held jointly shall be made by all the joint holders, who alone shall be able to give a valid receipt for any share capital repaid. Any one of the joint holders of a share or shares may give a valid receipt for the payment of any interest or dividend payable thereon.

**23. Compulsory repayment of Shares** - Subject to the payment of, or a sufficient provision for, all subsisting claims on the Society, the Directors, with the approval of a members' meeting, may apply any monies for which they cannot find profitable investment in repaying to the member or members who holds or hold the largest number of shares the amount paid up or credited on that number of shares by which the number of shares held by such member or members exceeds the number of shares held by the member or members who holds or hold the next largest number of shares provided that no such repayment shall be made so as to reduce the number of shares held by any member below the number they are required to hold in accordance with Rule 11. Any share in respect of which the amount paid up or credited has been repaid shall be cancelled.

**24. Notice of Compulsory Repayment** - Where repayment is to be made in accordance with Rule 23, notice shall be given to the member stating the date on which repayment is to be made and no interest shall be payable on any amount so to be repaid after the date for repayment stated in the notice.

- 25. Interest** - Subject to the Rules, the Board may decide that members shall receive interest on the individual share capital which they hold. The Board shall decide the rate of interest within prudent limits. The rate may be zero and may be graduated according to the amount of individual share capital held by the member. Interest shall not be payable on any individual share capital of a nominal value of less than £1. Interest shall be calculated on a daily basis.
- 26. Withdrawal of Shares** - Subject to the other provisions of this Rule below, shares or parts of shares may be withdrawn by members upon giving one week's notice to the Society, provided that:
- (a) subject to Rule 26(d), all withdrawals shall be paid in the order in which the notices were received by the Society;
  - (b) except where a member withdraws from the Society as provided for in Rule 29, a member shall not be entitled to withdraw shares so as to leave them with less than the number of shares they are required to hold by virtue of Rule 11;
  - (c) the Directors may waive any notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as they consider fit;
  - (d) the right to withdraw may, by resolution of the Directors, be suspended either wholly or partially and either indefinitely or for a fixed period. The suspension shall extend and apply to all notices of withdrawal which have been received and remain unpaid at the time the resolution suspending the right to withdraw is passed by the Directors. Where the suspension is for a fixed period such period may be extended from time to time by a resolution of the Directors;
  - (e) during any period when the right of withdrawal has been suspended under Rule 26(d), the shares or parts of shares of a deceased member may, if the Directors so determine, be withdrawn by the member's personal representative upon giving such notice as the Directors may require and subject, as regards the amount payable on withdrawal, to such deduction therefrom as the Directors may from time to time determine;
  - (f) the amount to be paid to a member on withdrawal shall be the amount paid up or credited on the share or on the part of the share to be withdrawn;
  - (g) no interest shall be payable upon any share or part of a share in respect of which a notice of withdrawal has been given after the date of the notice;
  - (h) no payment of withdrawable share capital shall be made while any claim due on account of any deposit is unsatisfied.
- 27. Cancellation of Withdrawn Shares** - Any share withdrawn in accordance with Rule 26 shall be cancelled.
- 28. Cancellation and Forfeiture of Shares** -
- (a) Where on applying for membership, a member agreed to pay the nominal value of the share or shares taken up by them by permitting the Society to deduct and retain the unpaid amount (or part of it) from any dividend or dividends declared in their favour under the Rules, and it appears to the Society that such a member has not, within two years after being admitted to membership of the Society, made qualifying purchases, in an amount so as to earn sufficient dividend to pay the nominal value of the share or shares or it appears to the Board that a member has not made purchases from or traded with the Society within the immediately preceding period of two years then the Society may, subject to Rule 28(b) and (c), cancel the member's shares and forfeit to the Society the amount standing to the credit of such member in the share ledgers of the Society together with any sum of money representing interest or dividend credited to the member in the books of the Society in respect of the member's shares.
  - (b) The Society shall not cancel or forfeit any sums between £10 and £100 under this Rule unless:
    - (i) it has given at least two calendar months' prior notice to the member stating that it is proposed to cancel their shares; and
    - (ii) the member shall fail within two calendar months to show cause to the satisfaction of the Board why their shares should not be so cancelled and forfeited.

- (c) The Society shall not cancel or forfeit any sums in excess of £100 under this Rule unless:
- (i) it has given at least two calendar months' prior notice to the member stating that it is proposed to cancel their shares; and
  - (ii) the member shall fail within two calendar months to show cause to the satisfaction of the Board why their shares should not be so cancelled and forfeited, and a second notification has been sent to the member repeating the grounds for proposing to cancel their shares providing a further month's notice; and
  - (iii) the member shall fail within one calendar month to show cause to the satisfaction of the Board why their shares should not be so cancelled and forfeited, the Society shall have held the share value in a suspense account for no less than a year: and
  - (iv) the member shall fail within that period of one year to show cause to the satisfaction of the Board why their shares should not be so cancelled and forfeited

in which case, the member's share value shall be cancelled and forfeited and the amount shall be donated to charity or charities as the Directors at that time shall determine, established and maintained for the benefit of the community in the trading area of the Society.

- (d) A notice under any provisions of this Rule may be sent to the member by pre-paid ordinary letter post at their registered or current address and shall include a statement to the effect that if the member objects to the cancellation and forfeiture of their shares they should within the relevant time period show cause to the satisfaction of the Board why their shares should not be so cancelled and forfeited. In the case of any member or members for whom no valid address information is held, notice may be given in accordance with the provisions of Rule 72.

## **29. Withdrawal from Society**

- (a) A member may terminate their membership of the Society by withdrawing all their shares in the Society in accordance with Rule 26 or, if the right to withdraw shares has been suspended as provided for in that Rule, by surrendering all their shares to the Society.
- (b) Upon such surrender, the Directors may, in their discretion, pay to the withdrawing member any amount not exceeding the amount paid up or credited in the shares surrendered.

## **LIEN ON SHARES**

- 30. Lien of the Society on Shares** - The Society shall have a lien on the shares of a member for any debt due to it by the member and may set off any sum standing to the member's credit, including any loan money, interest and dividends in or towards the payment of such debt.

## **BORROWING POWERS**

- 31. Power to obtain Advances** - The Society may upon such terms and conditions as the Directors think fit, obtain from time to time advances of money for the purposes of the Society and mortgage or charge any of its property and issue debentures and other securities; provided that the amount of money advanced for the time being remaining undischarged shall not at any time exceed an amount equal to fifteen times the nominal capital of the Society or £50 million, whichever is the higher.
- 32. Interest Payable on Advances** - The interest payable on advances, other than advances on bank overdraft and loans secured by mortgage or charge shall not exceed a rate equivalent to 3 per cent per annum above The Co-operative Bank plc base rate or 5 per cent per annum whichever is the higher. In this Rule 'The Co-operative Bank plc base rate' means The Co-operative Bank plc base rate at the time of making the advances or at such time within the two years prior to the making of the advance or, in the case of an advance which is renewed after becoming repayable, within two years prior to its renewal (if renewed more than once) as the Board determines.
- 33. Charges on Society's Property** - Charges or debentures may contain a fixed charge upon any property of the Society specified therein and/or a floating charge upon its undertaking and all its property and assets both present and future and a separate register shall be kept of all such charges and debentures.

34. **Continuing Security to Bankers** - A debenture or other security may be issued, or mortgage or charge given, as a continuing security to cover any sum due or to become due upon the account of the Society to any person with whom it may transact banking business, but not exceeding the amount up to which the Society may obtain advances.
35. **Deposits** - The Directors may receive from any persons, whether members or not, sums on deposit, withdrawable on not less than two clear days' notice, not exceeding in total the amount prescribed in the law applicable to societies registered under the Act.

## **INVESTMENTS**

36. **Power to Invest Capital** - The capital of the Society may be invested:
- (a) in advances to members or others on the security of real or personal property;
  - (b) in or upon any of the securities or shares specified in Section 27 of the Act;
  - (c) in all other appropriate corporate forms;
- but not otherwise.
37. **Power to Vote in respect to Investments** - The Directors may appoint a representative to act on behalf of the Society in relation to any other body corporate in the shares or on the security of which the Society has invested any part of its capital

## **TRANSMISSION OF INTEREST IN SOCIETY**

### **38. Nominations**

- (a) A member may, in accordance with the Act, nominate any person or persons to whom (subject to the provisions of the Act as to the amount and the persons to whom a valid nomination may be made) any of their property in the Society at the time of their death shall be transferred.
  - (b) On receiving satisfactory proof of death of a member who has made a nomination, the Directors shall, if and to the extent that the nomination is valid under the Act, either transfer or pay in accordance with the Act, the full value of the property comprised in the nomination to the person entitled thereunder.
  - (c) Upon a claim being made by the legal personal representatives the trustee in bankruptcy of a bankrupt member to any property in the Society belonging to the bankrupt member, the Directors shall transfer or pay such property to which the trustee in bankruptcy has become entitled as the trustee in bankruptcy may direct them.
  - (d) Subject to Rule 38(e), where in the case of a member, or person claiming through such a member, the Directors are satisfied after considering medical evidence that such member or person is incapable through disorder or disability of mind of managing their own affairs and are also satisfied that no person has been duly appointed to administer their property on their behalf and it is proved to the satisfaction of the Directors that it is just and expedient to do so, the Society may pay the amount of any shares, loans and deposits belonging to such member or person to any person whom they shall judge proper to receive it on their behalf, whose receipt shall be a good discharge to the Society for any sum paid.
  - (e) The foregoing shall not apply when such member or person is a patient within the meaning of Part VII of the Mental Health Act 1983 or is a person as to whom powers are exercisable and have been exercised under Section 98 of that Act.
39. **Fee on Nomination, Revocation, or Variation** - The Directors may charge £1 for the recording of every nomination, revocation or variation, whether or not accompanied by a fresh nomination.
40. **Joint Holders of Shares** - On the decease of a joint holder of any share, it shall be registered in the name of the survivor or survivors.

## **MEETINGS**

41. **Meetings** - Meetings of the Society shall be either ordinary meetings or special meetings. Every member who, under Rule 52 has a vote (including the deputy of a society or company)



shall be entitled to attend such meetings on the production of such evidence of membership as the Directors may determine from time to time. A member may not submit a motion for consideration at a members' meeting unless they hold voting rights under Rule 52.

- 42. Ordinary Meetings** - The Society shall in each year hold one ordinary meeting, to be called the annual general meeting and such other ordinary meetings as the Directors may convene.

**District Meetings** - The Directors may convene meetings in various districts to be held before any ordinary or special meeting, save that no district meeting shall be convened for any purpose specified under Rule 96. Where such district meetings are held, the following shall apply.

- (a) **Voting** - The admission to, and the voting rights of members at, such district meetings shall be, in all respects, the same as provided for ordinary and special meetings; and in the event that such district meetings are held, the votes on all questions shall be added to the votes recorded at the subsequent ordinary or special meeting and each question shall be decided by the votes cast at all the meetings. In the case of motions and amendments to such motions, all meetings shall vote as though the amendments were separate motions to the original motion and the motion or the amendment to such motion to be carried shall be the one which, provided it receives a majority of votes in support, receives the highest number of votes. The result of all voting shall be declared at the subsequent ordinary or special meeting.
- (b) **Business** - The same business shall be submitted to the district meetings as is to be submitted to the subsequent ordinary or special meetings. When there is voting for candidates at all the meetings, such voting shall be by ballot nominations of such candidates shall be invited and the details publicised at the Society's registered office and at such other places or through such other media including the use of electronic communication as the Directors may determine from time to time at least twenty-one clear days before the first meeting and such nominations shall be received by the Secretary at least seven clear days before such meeting.
- (c) **Who May Attend** - Members shall be entitled to attend only one meeting, except members of the Society's committees, officials and auditors, provided that no person shall vote at more than one meeting. The proposer and seconder of any motion or amendment submitted in accordance with the Standing Orders may attend at district meetings only for the purpose of proposing and seconding the motion or amendment, but not voting, and shall not thereby be disqualified from attending and voting at the subsequent ordinary or special meeting.
- (d) **Quorum** - A district meeting shall not proceed to business until at least seven members, excluding the Society's committees, officials, auditors and proposers and seconders of motions and amendments, are present and if they are not present within thirty minutes of the time of the meeting it shall be dissolved.

- 43. Business of Ordinary Meetings** - An ordinary meeting may transact the following business:

- (a) the consideration of the accounts, balance sheets, and the reports of the Directors and auditor and the application of the profits;
- (b) the appointment of the Directors and the fixing of their remuneration;
- (c) the appointment of the auditor;
- (d) the election of such member representatives as may be required from time to time;
- (e) consideration and determination of amendments to the Rules proposed by the Board in accordance with Rule 94;
- (f) consideration and determination of any motions and any amendments to such motions included on the agenda in accordance with any standing orders made pursuant to Rule 55;
- (g) any other item of competent business (excluding motions) of which at least 21 days' written notice has been given to the Secretary by a member.

#### **44. Holding of Meetings**

- (a) Any ordinary or special meeting of members shall be held, which may include holding the meeting electronically simultaneously with, or in substitution for an in person meeting, at such time and where held physically, at such place within the Society's trading area, as the Directors may determine from time to time.
- (b) A general meeting may be held simultaneously at more than one place, including by electronic means. It shall be deemed duly constituted and its proceedings valid if (in addition to the other provisions of these Rules relating to Society general meetings being satisfied) the chair of the meeting is satisfied that each person present at each place, or attending electronically, is able to participate in the business of the meeting.

**45. Special Meetings** - Special meetings shall be convened by the Secretary, either on an order of the Directors, or upon a written requisition signed by 100 members qualified to vote at such meetings, save that a members' requisition for a special meeting at which a special resolution for any purpose specified in Rule 96 or for the rescission or alteration of this Rule or Rules 49, 94 or 97 is to be proposed shall be signed by at least 500 members qualified to vote at such meetings. Special meetings shall be held as soon as is reasonable after the receipt of the order or delivery of the requisition. A requisition must state the objects of the meeting and be delivered at the registered office.

**46. Failure to Convene Special Meetings** - If after the expiration of 28 clear days from the delivery at the registered office of any such written requisition for a special meeting as is referred to in Rule 45, the Secretary has failed to convene the special meeting, any of the requisitionists may convene a special meeting by giving the notice provided for in Rule 48 and shall have a claim upon the Society for any costs properly incurred in giving such notice.

**47. Business of Special Meetings** - A special meeting shall not transact any business not specified in the notice convening it. An ordinary meeting may be made a special meeting for any purpose of which due notice has been given, provided that such business is not brought on until the business of the ordinary meeting is concluded.

**48. Notice Convening Meetings** - The Secretary shall, at least twenty one clear days prior to the day of the meeting, give notice of each meeting and publicise the details at the registered office and at such other places or through such other media including the use of electronic communication, as the Directors may determine. The notice shall specify the place (or where held electronically, the joining arrangements), the time and the date of the meeting, whether the meeting is an ordinary or special meeting and the business to be transacted at the meeting.

#### **49. Quorum of Meetings**

- (a) Thirty members (including deputies of societies or companies) entitled to vote and present either in person, or attending electronically, shall be a quorum at ordinary meetings or special meetings, subject to the exceptions in Rule 49(b).
- (b) Three per cent. of the total membership of the Society entitled to vote and present either in person or attending electronically shall be a quorum at a special meeting convened on the requisition of the members for any purpose specified in Rule 96 or for the rescission or alteration of this Rule or Rules 45, 94 or 97, and any ordinary meeting at which a special resolution for any purpose specified in Rule 96 or for the rescission or alteration of this Rule or Rules 45, 94 or 97, is to be proposed,. A meeting may proceed to business if a quorum is present within half an hour after the time fixed for the meeting; otherwise if it is a special meeting convened on the requisition of the members it shall be dissolved; but if it is an ordinary meeting or a special meeting convened by order of the Board, it shall stand adjourned to a date and time to be confirmed immediately or, if not practicable, by notice posted on the Society's website within 72 hours of the adjournment. The meeting so adjourned may proceed to business, regardless of the number of members present. No meeting shall become incompetent to transact business from the lack of a quorum arising after the chair has declared that a quorum exists.
- (c) Where a member has validly appointed the chair of the meeting as their Voting Representative in accordance with Rule 53, for the purpose of calculating a quorum, the chair of the meeting shall count as one member regardless of the number of members who have appointed them as Voting Representative.

- (d) The Directors may permit persons who are not members who are entitled to vote, to attend and speak at general meetings provided that no voting rights are granted to them. Such attendees shall be referred to as observers of the meeting. In the event that the Directors allow such access they may determine limits to the numbers permitted for any specific meeting, and determine the selection criteria for such persons.

**50. Power of Adjournment** - Any meeting, duly constituted, may adjourn to such place (in respect of an in person meeting), time, and day within thirty days as the members present direct and may continue any such adjournment from time to time and in the event of technological difficulties, any meeting held electronically or as a combined electronic and in person meeting, may adjourn to such time and day within thirty days, as the chair of the meeting may direct and may continue any such adjournment from time to time. No business shall be transacted at any adjourned meeting which could not have been transacted at the meeting from which the adjournment took place and the same notice shall be given of any meeting adjourned for more than fourteen days, as is required in the case of an original meeting.

**51. Chair of Meetings** - Every meeting shall have a chair, who in the event of an equality of votes shall have a second or casting vote. The Chairperson of the Board shall, if present, take the chair at any meeting, and in their absence the chair shall be taken by the Vice Chairperson, or if the Vice-Chairperson is not present by such Director, or if no Director is present, by such member as the meeting may determine.

**52. Votes of Members**

- (a) Every member shall be entitled to cast one vote, provided that on the date which is 84 days before the date of the annual general meeting in the year of the relevant meeting at which such votes are to be cast, or such other date as the Board shall determine and notify to members in advance:
  - (i) they have been in membership of the Society for at least six months; and
  - (ii) they are at least 16 years of age; and
  - (iii) they have spent a minimum of £1 with the Society in the preceding 12 month period.

Members holding shares jointly shall have one vote between them, which may be exercised by such one of their number as they may determine by appointment in writing to be delivered at the registered office of the Society not less than 24 hours before the meeting at which the vote is to be exercised, or in default thereof by such one of their number as appears first by name in the register of members.

- (b) On a ballot a member may vote in person, electronically where the meeting is held electronically or as a combined electronic and in person meeting, or by Voting Representative where the Board determines this to be made available as a voting method for a specific meeting.

**53. How Votes shall be Taken**

- (a) At any meeting a resolution put to the vote shall be decided on a show of hands unless a ballot or referendum is demanded or required as hereinafter mentioned. Where meetings are held electronically or as a combined electronic and in person meeting, or where the Board determines that members may appoint the chair of the meeting as their Voting Representative to cast their vote in accordance with this Rule 53, all votes cast shall be by ballot unless a referendum is demanded as hereinafter mentioned.
- (b) A ballot may be demanded by the Directors or by twenty members present at the meeting and in these circumstances, shall be taken at the meeting in such manner as the chair of the meeting directs.
- (c) The Directors may determine, at their absolute discretion, that, for specific ordinary or special meetings:
  - (i) a member entitled to attend and vote may appoint the chair of the meeting as their Voting Representative to attend and vote at the meeting instead of them subject to Rule 52;
  - (ii) provided that any such member must direct the Voting Representative on how to vote or withhold their vote on each motion set out in the notice of the meeting.

- (d) If a member appointing a Voting Representative pursuant to this Rule does not comply with Rule 53(c)(ii), then such member shall be deemed to have withheld their vote on any motion in respect of which no direction has been given to the Voting Representative.
- (e) Where the Directors determine that members may appoint a Voting Representative, notification of this shall be sent to each member entitled to vote, at least twenty one days before the date of the meeting, setting forth the nature of the motions to be voted upon at the meeting and indicating the method of valid appointment and instructions as to voting directions required and the date by which they must be received. The auditing of votes shall be conducted and supervised as determined from time to time by the Directors.
- (f) A referendum shall, pursuant to a resolution of the Board, be taken upon any motion submitted to a general meeting, in which event, after the same has been discussed or voted upon at such meeting, a special voting paper shall be sent to each member within twenty one days after holding such meeting. Such special voting paper shall set out the nature of the motion to be voted upon and also any amendments to such motion.
- (g) The special voting paper shall be returned to the returning officer at such time as the returning officer shall determine. The returning officer and a representative of the Auditors, appointed by and from the Auditors for the time being, shall count the votes and report to the Board which shall act upon the result of such voting, and report the same to the next ordinary general meeting.
- (h) A motion to be passed by referendum shall only be passed if it is passed by the requisite majority required by the Rules or applicable legislation; and the number of members who voted in the referendum would have constituted a quorum at a general meeting considering such motion.

#### **54. Appointment and Powers of Deputies**

- (a) A member, being a society or company, may by resolution of its directors or committee of management, appoint any person as deputy to act on its behalf at any meeting or meetings of the Society and provided that a copy of such resolution signed by the secretary and two directors or members of the committee of management of the society or company making the appointment has been delivered to the Society at least 24 hours before the holding of the meeting or meetings at which they are to act as deputy, they shall be competent during the continuance of their appointment to act as if they were the member.
- (b) The appointment of a deputy shall be taken to continue until a copy of a resolution appointing another person as deputy in their place is delivered as set out in Rule 54(a).

#### **55. Conduct at Meetings - Standing Orders for the conduct of meetings and the closure of business thereat may be made by the Directors and subject to any resolution passed at an ordinary meeting such Standing Orders shall be binding on all those attending and present at meetings whether members or observers.**

### **DIRECTORS**

#### **56. Number and Appointment of Directors - Control of the Society shall be vested in the Board of Directors which shall consist of between seven and nine Directors who shall be elected and serve in accordance with these Rules in addition to any Directors co-opted by the Board pursuant to Rule 56(h) who shall be appointed and serve in accordance with these Rules.**

- (a) The term of office of each elected Director shall normally be three years or such other period ending at midnight on the date of the annual general meeting in that year or at midnight on such alternative date as the results of the election shall be announced in that year, provided that any Director who has served for more than nine cumulative years shall retire from the Board at the end of their current term of office, and shall not be eligible for re-election or service on the Board in the future unless, in exceptional circumstances, the Board determine that this would result in a detrimental loss of expertise and a succession plan is in place. Any extension of the maximum term of office of any Director as set out in this Rule 56(a) shall be for a period not exceeding one year, and any extension, the reasons for it and the defined timeline of the extension shall be included in the Annual Report and the members must ratify the decision at the next general meeting.

The elections for Directors shall normally take place immediately before the annual general meeting in the year in which each Director's term of office ends. The term of office of the elected Directors shall commence from 00:01 the day after the retiring Directors' term of office ends.

- (b) The returning officer shall give notice of each election and publicise the details at the registered office and such other places or through such other media including the use of electronic communication as the Directors may determine. The notice shall indicate the vacancies to be filled, the names of the retiring members who are eligible for re-election, and the last date upon which nominations can be received and be publicised at least twenty one days before the last date for receiving nominations.
- (c) Nominations shall be made on forms provided by the Society which shall give the date of the nomination, the name, membership number, occupation, date of birth and address of the member proposed, and the name, membership number and address of the proposer and seconder, both of whom shall hold at least one paid-up share in the Society and shall hold voting rights under Rule 56(e), and such other personal details and confirmations as the Directors shall reasonably require.

The form shall include details of the proposer and seconder and the member proposed who shall signify their consent to the nomination in the prescribed manner. A member may only propose or second one nominee in each election. Officers and members of the Leadership Team of the Society shall not propose or second candidates in Board elections. A candidate in an election shall not propose or second a candidate in the same Board election.

Nomination papers shall be addressed to the returning officer and delivered at the registered office of the Society by the last date upon which nominations can be received.

- (d) The Directors shall be elected by a secret ballot of the members, conducted and supervised in the form and manner determined by the Board.
- (e) Every member shall be entitled to cast one vote, provided that, on the date which is 84 days before the date of the annual general meeting in the year of the relevant election, or such other date as the Board shall determine and notify to members in advance:
  - (i) they have been in membership of the Society for at least six months;
  - (ii) they are at least 16 years of age; and
  - (iii) they have spent a minimum of £1 with the Society in the preceding 12 month period.

Voting by proxy shall not be permitted.

- (f) The results of the voting shall be reported to members at the following ordinary meeting, or in such other manner as determined by the Board and the results of voting shall be published at the registered office of the Society and on the Society's website for a reasonable period.

In the event of a tie the returning officer shall have a second or casting vote.

- (g) The Secretary shall act as returning officer in all elections and shall have the power to determine all questions arising in the course of elections in their sole and absolute discretion.
- (h) The Board may co-opt professional external Directors to the Board in addition to the number of elected Directors specified in these Rules and the Board may co-opt expertise to Board sub-committees provided that in both cases the number of professional external co-optees shall be in the minority on the Board and Board sub-committees in accordance with this Rule.
  - (i) all co-optees shall be members of the Society.
  - (ii) co-optees shall serve for a fixed period determined by the Board at the time of co-option, subject to a review at least every three years, and provided that any co-optee (other than one serving as the Chairperson) who has served for more than nine cumulative years shall retire from the Board at the end of their current term of office and not be eligible for future service on the Board unless, in exceptional circumstances, the Board determine that this would result in a detrimental loss of expertise and a succession plan is in place.

- (iii) a co-opted Director may only hold the role of Chairperson of the Board for a period of six cumulative years and shall not be eligible for future service on the Board at the end of such maximum term of office, notwithstanding it may be shorter than the total maximum, unless, in exceptional circumstances, the Board determine that this would result in a detrimental loss of expertise to the Board and a succession plan is in place. In circumstances where the event the Chairperson's term of office is shorter than six cumulative years due to a lack of re-appointment during that period, they shall also not be eligible for future service on the Board.
- (iv) a co-optee may be removed from office at any time by a resolution passed by a majority of the members of the Board and shall be remunerated in an amount from time to time fixed by the Board.
- (v) the name of any co-optee(s) to the Board shall be submitted to the next general meeting for ratification by the members.
- (vi) Any extension of the maximum term of office of any Director as set out in this Rule 56(h) shall be for a period not exceeding one year, and any extension, the reasons for it and the defined timeline of the extension shall be included in the Annual Report and the members must ratify the decision at the next general meeting.

**57. Removal of Directors** - Any Director may be removed from office at any time by two-thirds of the votes cast at a special meeting called for such purpose. Any vacancy so caused may be filled in accordance with the provisions of Rule 59. Pending the decision of such special meeting a Director may be suspended from their duties by resolution of the Directors if in their opinion they have been guilty of conduct detrimental to the interests of the Society or are otherwise thought to be unfit to carry out their duties.

**58. Qualifications of Directors** - The following qualifications and disqualifications shall apply to all candidates standing for election to the office of Director:

- (a) A Director shall be a member of the Society of at least 18 years of age and shall not hold any place of profit under the Society other than an office remunerated in a manner provided by Rule 68 or (subject to Rule 58(h)) as an Employee.
- (b) A candidate who will have served on the Board of the Society for nine cumulative years or more or in the case of a candidate who has served as Chairperson for six cumulative years or more, as at the date of the annual general meeting in the year of their nomination shall not be eligible to stand for election.
- (c) Each candidate must have been a member of the Society (or a society which has transferred engagements to this Society) for a period of at least one year immediately preceding nomination and shall reside within the trading area of the Society.
- (d) Each candidate must meet the eligibility criteria set out in any Board Composition Charter determined by the Board and shall make a declaration of their commitment to maintaining the co-operative status of the Society and support for Co-operative Values and Principles in such form as the Directors may from time to time prescribe.
- (e) Except for candidates who are Employees, in respect of whom there shall be no minimum spending requirement, a candidate must have spent at least £100 on purchases or services acquired from businesses operated by the Society or its Group (or a society which has transferred engagements to the Society) during the year preceding their nomination. This annual rate of purchases must be maintained by Directors who are not also Employees during service on the Board. Such Directors in office will be required to evidence this rate of annual purchases on a rolling year basis. Purchases shall be evidenced by use of the member's membership card or by production of receipts obtained at the time of purchase.
- (f) No member shall be eligible who or whose family member:
  - (i) deals to an extent deemed by the Directors to be significant in any goods or services sold by the Society or holds any position of control or agency in any business competing with the Society;
  - (ii) individually, or as a member of a partnership or a director, secretary of a company or other corporate entity or otherwise exerts control over a company or other corporate entity, provides goods or services to the Society, that the Board considers to be significant, or material to the decisions of the Board, so as to create a conflict of interest;
  - (iii) is an employee of another retail co-operative society; or

- (iv) is a member of any committee of another retail co-operative society (unless such member is a duly appointed representative of the Society).
- (g) No member shall be eligible who is an employee of, or is otherwise engaged for the performance of services to, any business competing with the Society, provided that the Board shall have the discretion to determine that a member is eligible if such employment or engagement in their opinion would not create a conflict of interest.
- (h) Two of the places on the Board shall be held by members of the Society who are Employees to the extent that such candidates who are qualified in accordance with these Rules are available and willing to stand. Save as set out in these Rules, such members shall have the same qualifications and shall be elected in the same manner as other Directors. In the event that the number of candidates elected who are Employees, would cause the number of Employees on the Board to exceed the two places allowed under the Rules, the candidates with the highest number of votes shall fill the vacancies up to the limit. In the event that the number of candidates who are Employees who are elected means that the number of Directors who are Employees falls below two or the number falls below two for any other reason, the vacanc(y)/(ies) shall not be filled by other candidates or members who are not Employees.
- (i) Not more than one half of the places on the Board, in aggregate, shall be held by members of the Society who are:
  - (i) Employees;
  - (ii) recent former employees; or
  - (iii) family members of either of the above.

In the event that the number of candidates elected who are Employees, recent former employees, or family members of either of (i) or (ii) above, would cause the number of such on the Board to exceed the maximum allowed under the Rules, the candidates with the highest number of votes shall fill the vacancies up to the limit provided always that Rule 58(h) shall take precedence so that two places on the Board shall be filled by members who are Employees or left vacant in accordance with Rule 58(h).

A Director shall retire from the Board if the Director having been elected to the Board later becomes an Employee with the result that the limit set out in Rules 58(h) or 58(i) is exceeded.

- (j) No two family members shall be permitted to serve as Directors at any one time.
- (k) No member of the Society's Leadership Team shall be permitted to serve as a Director.
- (l) Any Director having been removed from the Board (otherwise than by defeat at election), or who resigns from office during a suspension from office pending members' approval for such a removal, shall not be eligible for the office of Director for a period of ten years immediately following such removal or resignation.
- (m) Any person who:
  - (i) is, or becomes an undischarged bankrupt, or has been declared bankrupt in the last five years;
  - (ii) is a member of a partnership or a director, secretary of a company or other corporate entity or otherwise exerts control over a company or other corporate entity, that has gone into administration, gone into voluntary or compulsory liquidation, been the subject of a winding up order or gone into administrative receivership in the last ten years, save that former members of a partnership or a former director, secretary of a company or other corporate entity or person who exerted control over a company or other corporate entity which has ceased by way of a voluntary striking off and dissolution shall be excluded from Rule 58(m)(ii);
  - (iii) is disqualified under the Company Directors Disqualification Act 1986;
  - (v) (iv) has been disciplined by, or refused membership of, a professional organisation or trade association, or is a member of a partnership, or director, secretary or controller of a company, that has been disciplined by or refused membership of a professional organisation or trade association; has had a county court judgment made against them in the last five years, or is or has been a member of a partnership, or director, secretary of a company or other corporate entity or

exerts control over a company or other corporate entity, that has had a County Court judgement made against it in the last five years, unless such county court judgement has been satisfied within a period of six months from the date of judgement;

- (vi) has been convicted of any offence which is not spent under the Rehabilitation of Offenders Act, or is a member of a partnership, or director, secretary of a company or other corporate entity or exerts control over a company or other corporate entity, which has been convicted of any offence in the last ten years. For the purpose of this Rule driving offences which do not result in a court appearance and are dealt with by way of points applied to a person's driving licence and/or a fine shall not be considered offences so as to disqualify a member from the office of Director;
- (vii) holds any recognised political office, and for the avoidance of doubt this includes any public office elected or appointed from a political platform, whether party political or independent, but does not include the role of parish councillor, school governor or NHS trustee or any similar position or appointment in the community which, in the reasonable opinion of the Board, may be public offices but are not recognised as being political; or
- (viii) has been dismissed from employment with the Society, or who resigns during a disciplinary process which would have led to their dismissal from employment with the Society;

shall be disqualified from being a Director and, if a sitting member of the Board, shall vacate their office immediately.

- (n) A Director must at all times comply with the requirements of legislation, regulation and licensing in relation to the operations of the Society and as an individual. Where the personal actions of a Director prejudice the Society's ability to obtain necessary licences or compromise the Society's full operation the Director shall vacate their office immediately.
- (o) A person who is incapable through disorder or disability of mind of managing their own affairs shall not be a Director.
- (p) A Director shall be disqualified from holding office if they are absent from 25 per cent of the meetings of the Board during any financial year for a reason other than sickness or absence through engagement on the business of the Society unless in the opinion of the Board such reason is acceptable as a proper explanation for absence.
- (q) Should any serving Director cease to have any of the qualifications required by Rule 58 they shall vacate their office unless otherwise specified in these Rules.

## **59. Extraordinary Vacancies**

- (a) A casual vacancy in the number of Directors may be filled by the Board, or if it arises at any meeting of the Society, by that meeting provided that any person so appointed is qualified to fill that particular vacancy in accordance with these Rules. Any person appointed to fill any casual vacancy shall retire from office at the time when the Director through whose vacation of office the vacancy occurred would have retired.
- (b) When, at any election there are ordinary and extraordinary vacancies, subject to these Rules, the candidates with the highest number of votes shall fill the ordinary vacancies.

## **60. Meetings and Quorum of the Directors**

- (a) The Directors shall meet and regulate their meetings as they may determine but shall not proceed to business unless a quorum is present. A quorum at any meeting of the Board of Directors shall consist of at least five Directors.
- (b) Directors may be counted in the quorum, participate in and vote at meetings of the Board by telephone, video or other electronic means.
- (c) At any meeting of the Board at which Employee members comprise more than 50% of the Directors present, no resolution shall be passed which would not have been passed had all the said Employee members present abstained from voting on any resolution.



- 61. Voting at Meetings of Directors** - Questions arising at any meeting of the Directors shall be decided by a majority of votes and in the case of an equality of votes the chair of the meeting shall have a second or casting vote.
- 62. Chairperson of the Board**
- (a) The Board shall appoint from its own number a Chairperson who shall preside at all meetings of the Board and at all general and special meetings of the Society and who shall carry out the functions assigned to them from time to time by the Board. Appointments to the role of Chairperson shall be for a term of up to three years, which may be extended for a second term of up to three years. No Director shall be Chairperson of the Board for a total period exceeding six years. Save as set out in Rule 56(h), the Chairperson shall not be eligible for future service as a Director following the maximum term of office as Chairperson. In circumstances where the Chairperson's term of office is shorter than six cumulative years due to a lack of re-appointment during that period, they shall also not be eligible for future service on the Board.
  - (b) The Chairperson shall not be an Employee, or recent former employee.
  - (c) Immediately following the appointment of the Chairperson the Board shall appoint a Vice Chairperson or Vice Chairpersons who will deputise for the Chairperson in their absence.
- 63. Special Meetings of the Directors** - A special meeting of the Directors shall be called either by a request given in writing by two Directors to the Secretary and communicated by the Secretary to all the Directors at one clear day's notice, or by the Secretary without such request. The notice shall state the objects of the meeting and the Secretary shall communicate such notice to all Directors as soon as possible after the receipt thereof. No other business shall be done at the meeting than the business named in the notice.
- 64. Appointment of Committees** - The Directors may delegate any of the powers hereby given to them to committees consisting of such of their own number as they think fit who shall, in the functions entrusted to them, conform in all respects to the instructions given to them by the Directors.
- 65. Validity of Acts of Directors**
- (a) Anything done in good faith by any meeting of the Board or by the Chief Executive, Secretary or any member of the Leadership Team shall be valid, notwithstanding that it is afterwards discovered that there was any defect in the appointment of any of them, or that any one or more of them were disqualified, and shall be as valid as if every Director, the Chief Executive, the Secretary and every member of the Leadership Team had been duly appointed and was duly qualified to serve.
  - (b) Subject to the provisions of the Act, every member of the Board or other officer of the Society shall be indemnified out of the assets of the Society against any liability incurred by such member or officer in defending any proceedings, whether civil or criminal, in which judgement is given in favour of such member or officer or in which such member or officer is acquitted or in connection with any application in which relief is granted to such member or officer by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Society.
  - (c) Without prejudice to Rule 65(b), the Society may, by resolution of the Board, provide indemnification to any member of the Board and any other of its officers to the extent that it would be lawful for the Society so to provide were it a company limited by shares incorporated under the Companies Act 2006.
  - (d) The Society may purchase and maintain insurance for the benefit of:
    - (i) members of the Board, its other officers and those of its employees as it may designate against a liability or some or all of the liabilities (as it shall determine) arising from any act and/or omission on the part of any such member, officer or employee in relation to the affairs of the Society;
    - (ii) the Society by way of reimbursement of any sums paid by it under or relating to the indemnity provided by it in Rule 65(b) or as may be provided by it under Rule 65(c).
  - (e) Without prejudice to any other paragraph of this Rule, the Society may, by resolution of the Board, provide any member of the Board or any of its officers with funds to meet expenditure incurred or to be incurred by that member or officer:
    - (i) in defending any criminal or civil proceedings; or

- (ii) in connection with any application made or to be made by that member of the Board or officer to a court for relief from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Society.

to the extent that it would be lawful for the Society so to provide were it a company limited by shares incorporated under the Companies Act 2006.

#### **66. Code of Conduct and Training Requirement of Directors**

- (a) The Board shall prepare and approve a code of conduct for Directors. All Directors will be required to sign an acceptance of, and abide by, the code of conduct for Directors.
- (b) Each Director shall ensure that they receive training commensurate with their duties and individual experience throughout their term of office, including completing the minimum twelve hours of training per year, in order that the Board is competent to fulfil its role. Failure to do so without good reason may be a cause for suspension or removal from office under the provisions of Rule 57.

#### **67. Disclosure of Interest**

- (a) Any Director who has a material interest in a matter as defined below shall declare such interest to the Board and:
  - (i) may not be present in any discussion of the matter unless a majority of the Board agrees to their presence; but
  - (ii) shall not vote on the issue (and if by inadvertence they do remain and vote, their vote shall not be counted).
- (b) It shall be the responsibility of each Director to notify the Secretary of any such material interest, details of which shall be recorded by the Secretary in a register of the interests of Directors.
- (c) The Board shall have cause to propose the removal of any Director, as set out in Rule 57, who fails to disclose any interest required to be disclosed under this Rule 67.
- (d) A material interest in a matter is any interest in any transaction or act or proposed transaction or act of the Society and any office or position (save for the exceptions referred to below) held by a Director or their spouse or partner in any firm or company or business which is involved in a transaction or proposed transaction with the Society. The exceptions which shall not be treated as material interests are as follows:
  - (i) an employment contract with the Society;
  - (ii) shares not exceeding 2% of the total shares in issue held in any company whose shares are listed on a Stock Exchange; and
  - (iii) an interest in the Society's defined benefit pension scheme, either as a member, pensioner or trustee.

#### **68. Remuneration of Directors** -The Society shall from time to time fix the remuneration of the Directors, who shall in addition be reimbursed for their reasonable travel, hotel and out of pocket expenses wholly and necessarily incurred on Society business and any allowances or delegation fees at such rates as may be determined from time to time by the Society.

#### **69. Responsibilities and Powers of the Board**

- (a) The Board has the following responsibilities:
  - (i) to ensure that the Society's affairs are conducted in accordance with these Rules, the best interests of the Society and its members and in accordance with the Co-operative Values and Principles;
  - (ii) to determine the strategy and policy of the Society in consultation with the Chief Executive and (iii) to oversee its implementation; and
  - (iv) to maintain a Board of Directors elected by members that is individually and collectively qualified to lead an organisation of the size and complexity of the Society.

- (b) Subject to the Act and these Rules, the Directors shall have full power to conduct the business of the Society and, to exercise on behalf of the Society, all the powers of the Society not specifically required by these Rules or otherwise to be exercised by the Society in meetings.
- (c) The Board may from time to time:
  - (i) appoint, remove and fix the remuneration and terms of employment of the Chief Executive and of the Secretary, such appointments not to be held by the same individual at the same time;
  - (ii) determine from time to time those matters, not reserved to the members, that require the approval of the Board;
  - (iii) determine a Board Composition Charter including eligibility criteria for all Directors and for specific Board roles to ensure that the Board and its Committees have the appropriate balance of skills, experience and knowledge of the Society and its businesses to enable them to discharge their respective and collective duties and responsibilities effectively;
  - (iv) approve the use of the Society's seal and determine the transactions and documentation that require multiple Board signatures.
- (d) If one or more Directors wish to seek independent professional advice on an issue the Director(s) should first discuss the matter with the Chairperson and/or Secretary and document the case for presentation to the Board. If upon consideration more than one third of the full Board is in favour of the proposal, the Secretary will arrange for such advice to be obtained at the Society's reasonable expense. If the Secretary is involved in the matter in question and cannot be regarded as independent for the purposes of obtaining advice, the Chairperson or Chief Executive shall act in place of the Secretary.
- (e) The Directors may delegate to the Chief Executive and to the Secretary any of the powers given to them so far as such powers appertain to the management of the Society's business, provided that thereby the Directors do not relinquish their responsibility of control and direction of policy.

#### **THE CHIEF EXECUTIVE AND THE SECRETARY**

- 70.**
- (a) The Chief Executive and the Secretary shall in all things act under the direction and control of the Directors.
  - (b) The Chief Executive is responsible for conducting the day-to-day business of the Society and shall do so in accordance with these Rules and all applicable legal and other regulations.
  - (c) The functions of the Secretary include:
    - (i) acting as the Secretary to the Board;
    - (ii) summoning and attending all meetings of the Society and of the Directors and of any sub-committee if so required by the Directors, and causing Minutes thereof to be kept in such manner as the Directors direct;
    - (iii) monitoring the conduct of the Society's affairs to ensure that they are conducted in accordance with these Rules;
    - (iv) providing guidance, as required, on matters relating to the governance of the Society and ensuring governance standards and governing documents are updated as necessary;
    - (v) custody of the Society's seal;
    - (vi) acting as returning officer for elections;
    - (vii) preparing and sending all returns required to be made to the Financial Services Authority; and
    - (viii) making all necessary entries in all registers required by these Rules or the Act to be kept by the Society.
  - (d) In the absence of the Secretary, the Directors may appoint another official to deputise provided that the official appointed may not be the individual who for the time being holds the office of Chief Executive.

## **MINUTES**

- 71. Minutes** - The Directors shall cause Minutes of all meetings of the Society and of the Directors to be kept and entered in books kept for that purpose and the Minutes of every meeting of the Society, and of every meeting of the Directors, shall be read at the next ordinary meeting or meeting of the Directors respectively, and signed by the chair of the meeting at which they are so read. All Minutes so signed shall, in the absence of evidence to the contrary, be taken as between the Society and every member thereof to be a true statement of any matter therein contained.

## **NOTICE**

### **72. How Notices may be Given**

- (a) Subject to contrary specific provision set out in these Rules, a notice required to be given by the Society to any specific member under these Rules or under the Act or otherwise shall be given by sending it to the member at their address in the register of members which shall be by email if an email address is held or, if no email address is held for the member, by post or by hand. A notice sent shall be deemed to be served:
- (i) if by email, by properly addressing and sending the email and unless proved otherwise shall be deemed to have been delivered immediately on transmission;
  - (ii) if by post, by properly addressing, prepaying and posting a letter containing the notice and shall be deemed to have been served in the ordinary course of post; or
  - (iii) if by hand, by properly addressing the letter and leaving it at the address and shall be deemed to have been delivered immediately.
- (b) Subject to any contrary specific provision in these Rules, notices may also be posted as follows for member publicity:
- (i) at the registered office of the Society;
  - (ii) on the Society's website; and
  - (iii) in such manner as the Board deems appropriate.

## **AUDIT**

### **73. Auditor**

- (a) Where necessary in law, or where the membership requires, there shall be appointed in each year of account a qualified auditor to audit the Society's accounts and balance sheet for that year. In this Rule "qualified auditor" means a person who is a qualified auditor under Part 7 of the Act.
- (b) None of the following persons shall be appointed as auditor of the Society:
- (i) an officer or Employee;
  - (ii) a person who is a partner of or in the employment of or who employs an officer or Employee.
- (c) Save as provided in Rule 73(d) every appointment of an auditor shall be made by resolution of a members' meeting of the Society.
- (d) The Board may appoint an auditor to fill any casual vacancy occurring between meetings of members of the Society.
- (e) An auditor appointed to audit the accounts and balance sheet of the Society for the preceding year of account (whether by a members' meeting or by the Board) shall be re-appointed as auditor of the Society for the current year of account (whether or not any resolution expressly re-appointing them has been passed) unless:
- (i) a resolution has been passed at a members' meeting of the Society appointing somebody instead of them or providing expressly that they shall not be re-appointed; or
  - (ii) they have given to the Society notice in writing of their unwillingness to be re-appointed; or
  - (iii) they are not a qualified auditor or a person mentioned in Rule 73(b); or

- (iv) they have ceased to act as auditor of the Society by reason of incapacity.

Provided that a retiring auditor shall not be automatically re-appointed if notice of an intended resolution to appoint another person in their place has been given in accordance with Rule 73(f) and the resolution cannot be proceeded with because of the death or incapacity of that other person or because that other person is not a qualified auditor or is a person mentioned in Rule 73(b).

- (f) A resolution at a members' meeting of the Society
  - (i) appointing another person as auditor in place of a retiring auditor; or
  - (ii) providing expressly that a retiring auditor shall not be re-appointed shall not be effective unless notice of the intention to move it has been given to the Society not less than 28 days before the meeting at which it is to be moved. On receipt by the Society of notice of such an intended resolution, the Society shall forthwith send a copy of the notice to the retiring auditor.

If it is practicable to do so the Society shall give notice to its members of the intended resolution at the same time and in the same manner as it gives notice in accordance with these Rules of the meeting at which the resolution is to be moved or, if that is not practicable, by advertisement not less than 14 clear days before the said meeting in a newspaper circulating in the area in which the Society conducts its business. Where the retiring auditor makes any representations in writing to the Society with respect to the intended resolution or notifies the Society that they intend to make such representations the Society shall notify the members accordingly as required by Part 7 of the Act.

- (g) The auditor shall, in accordance with Part 7 of the Act, make a report to the Society on the accounts examined by them and on the revenue account or accounts and the balance sheet of the Society for the year of account in respect of which they are appointed.

**74. Audit of Accounts** - Where necessary in law, or where the membership requires the Board shall cause the accounts of the Society to be submitted at least once in every year to the auditor for audit.

#### **75. Rights and Powers of the Auditor**

- (a) For the purposes of any audit the auditor shall be given access to and be entitled to call for and examine all books, deeds, documents, and accounts of the Society. They shall be entitled to require from the officers of the Society such information and explanations as they think necessary for the performance of their duties. The auditor shall be entitled to attend any members' meeting of the Society, to receive all notices of and other communications relating to any members' meeting which any member of the Society is entitled to receive, and to be heard at any meeting which they attend on any part of the business of the meeting which concerns them as auditor.
- (b) The Board shall establish a committee of the Board to be known as the Audit and Risk Committee whose duties shall include consideration of the appointment of the auditor and any question of resignation or dismissal, subject to members' approval, the audit fee, review of the half-year and annual financial statements before submission to the Board, and such other duties as the Board shall determine. Neither the Chairperson nor any Director who is an Employee shall be a member of the Audit and Risk Committee.

### **ACCOUNTS**

**76. Books of Account** - The Board is responsible for keeping proper accounting records that give a true and fair view of the state of the Society's affairs at any time and enable them to ensure that the financial statements comply with the requirements of the Act. The Board also has a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

#### **77. Accounts to be Audited and laid before Meetings**

- (a) The Directors shall in respect of each year of account:
  - (i) Cause to be prepared a revenue account or revenue accounts which singly or together deal with the affairs of the Society as a whole for that year and which give a true and fair view of the income and expenditure of the Society for that year.

- (ii) Cause to be prepared a balance sheet giving a true and fair view as at the date thereof of the state of the affairs of the Society.
  - (b) The Directors shall have the power to prepare in addition a revenue account or revenue accounts for less than one year of account and a balance sheet at the end of the period covered by such revenue account or revenue accounts.
  - (c) Every balance sheet presented to a meeting of members shall be accompanied by a report of the Directors signed by the chair of the meeting of Directors adopting the report, on the state of the Society's affairs.
- 78. Publication of Accounts and Balance Sheets** - Where necessary in law, or where the membership requires, the Directors shall not cause to be published any balance sheet unless it has previously been audited by the auditor and it incorporates a report by the auditor that it gives a true and fair view of the income and expenditure, or the state of the affairs of the Society, as the case may be. Every revenue account and balance sheet published shall be signed by the Secretary and by two Directors acting on behalf of the Board of Directors.
- 79. Copy of Balance Sheet to be sent to Registrar** - A copy of each balance sheet made during the period included in any annual return shall be sent by the Secretary to the Registrar together with the annual return and such copy shall incorporate the report made thereon by the auditor.
- 80. Copy of Balance Sheet to be displayed** - The Society shall keep a copy of the last balance sheet for the time being, together with the report of the auditor, displayed in a conspicuous place at its registered office.

#### **ANNUAL RETURN**

- 81. Annual Return to be sent to Registrar** - The Society shall within the time allowed by legislation in each year send to the Registrar a general statement in the prescribed form, called the annual return, relating to its affairs during the period covered by the return, together with a copy of the report of the auditor on the Society's accounts for the period included in the return and a copy of each revenue account and balance sheet made during that period and of any report of the auditor on that balance sheet.
- 82. Requirements of Annual Return** - The annual return shall:
- (a) contain the revenue account or accounts of the Society prepared in accordance with the Act in respect of the year of account to which the return relates, and a balance sheet as at the end of that year;
  - (b) not contain any accounts other than the revenue accounts for that year unless those other accounts have been examined by the Society's auditors under Part 7 of the Act;
  - (c) be made up for the period beginning immediately after the end of the previous year of account, and ending with the date of the last balance sheet published by the Society between the 31<sup>st</sup> August following the beginning of the year of account and the following 31<sup>st</sup> January.

#### **COPIES OF ANNUAL RETURN AND OF RULES AND INSPECTION OF ACCOUNT**

- 83. Copies of Annual Return and Rules**
- (a) The Secretary shall supply:
    - (i) Gratuitously on application, a copy of the last annual return for the time being of the Society to every member or person interested in the funds of the Society;
    - (ii) on payment of such amount as may be prescribed in the law applicable to Societies registered under the Act to any person applying for a copy of the Rules.
  - (b) In supplying a copy of an annual return as aforesaid the Society shall also supply a copy of the report of the auditor on the accounts and balance sheet contained in the return.
- 84. Inspection of Books** - Any member or person having an interest in the funds of the Society may inspect their own account and the books containing the names of the members, including the particulars mentioned in Rule 16(a), (d) and (e), entered in the register of members, at all reasonable hours at the registered office or at any place where the same are kept, subject to

such regulations, as to the time and manner of such inspection as may be made from time to time by a members' meeting of the Society.

## **DEPRECIATION**

85. **Depreciation** - Depreciation of fixed assets shall be provided so as to write off their cost (or revalued amount) less estimated residual values over their anticipated useful lives.

## **APPLICATION OF PROFITS**

86. The net profits of all business carried on by or on account of the Society (save and except profits arising from the sale or disposal of any tangible or intangible fixed assets of the Society) shall be applicable as follows:

### **Interest on Share Capital**

- (a) in paying interest on the share capital at such rate or rates, which may be graduated according to the amount of share capital in the Society held by individual (or joint) holders, as determined by the Directors from time to time, but not exceeding in any case 5 per cent per annum or 2 per cent above The Co-operative Bank plc base rate, whichever is the greater. In this Rule of 'The Co-operative Bank plc base rate' means The Co-operative Bank plc base rate at the time of determining the rate of interest or at such time within two years prior to the date of such determination as the Board decides;

### **Dividend on Purchases**

- (b) in paying such dividend upon the value of the purchases made from the Society as an ordinary meeting may declare to persons who were members of the Society at the time of such declaration, and where an ordinary meeting so determines, to any other person provided that -
- (i) the Directors may determine that no dividend or that reduced rates of dividend shall be paid in respect of such purchases as they specify from time to time, and such power of determination shall extend to the specification of goods or services and/or to the places or areas in which goods are sold or services provided by the Society;
  - (ii) the Directors may determine that a base percentage of any dividend earned by a member by way of Rule 86(b) shall be donated for such charitable purposes or for the benefit of the community as the Directors shall determine with the balance being paid to the member in such form as the Directors may decide;
  - (iii) no dividend shall exceed the amount recommended by the Directors;
  - (iv) the Directors may from time to time pay such interim dividend as appears to them to be justified by the profits of the Society and purchases on which an interim dividend has been paid shall not rank for dividend in the final distribution of profits in any one year;
  - (v) any amount unpaid on a members' shares at the time of the dividend payment shall be deducted from the dividend payable to that member;
  - (vi) any dividend not claimed by members within two years of its distribution shall be transferred into the distributable funds for the then current year and shall be available for redistribution to members generally as a dividend on purchases for that year;
  - (vii) the Directors may forfeit a member's right to a dividend where the member has been found to be fraudulently using a membership card to accumulate dividend points for purchases for which they have not themselves paid or where they fraudulently use a membership card to apply colleague discount to a purchase which has not been paid for by the colleague member or the additional cardholder named on the membership card in use;
  - (viii) the Directors may determine the terms and conditions of any dividend scheme, subject to them not conflicting with the provisions of this Rule 86 and shall give notice of such terms and conditions by way of their publication on the Society's website.

### **Member Activities and Education**

- (c) in setting aside in each year such amount as the Directors shall determine for the culture, recreation and education of members and their families and the education of potential members and in particular for promoting instruction in the principles, organisation and method of the Co-operative Movement, and also for youth work connected with the Society.

## **Community**

- (d) in making such payments for charitable purposes or for the benefit of the community as the Directors shall determine.

## **Employees**

- (e) in paying the cost of any employee profit-related bonus schemes as may be approved by the Board.

## **Other distributions**

- (f) in making payments for any lawful purpose whatsoever whether within the objects for which the Society is formed or not provided that no distribution of the profits aforesaid to the members shall be made except as is expressly provided for in Rule 86.
- (g) in setting aside to a reserve fund such amount, if any, as the Board may determine.

Any remaining profits not required for application in accordance with Rule 86 shall be carried forward.

## **APPLICATION OF RESERVE FUND**

- 87. Application of Reserve Fund** - The reserve fund shall be applied in meeting any contingency affecting the business of the Society as the Directors may recommend and as a meeting of the Society may by resolution determine, provided that the moving of such resolution was specified as business of the meeting in the notice convening the meeting.

## **SEAL**

- 88. Custody and Use of Seal** - The Society shall have its name engraved in legible characters upon a seal, which shall be kept in the custody of the Secretary and shall be used only under the authority of a resolution of the Directors. The Directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be signed by two Directors, or by one Director and the Secretary. The Directors shall be empowered to appoint a deputy to sign and apply the seal for the Secretary, in their absence. In accordance with the law, the Directors may determine that documents may be signed as a Deed, by two Directors, or by one Director and the Secretary, in lieu of use of the seal.

## **DISPUTES**

- 89. Determination of Disputes**

Every unresolved dispute which arises out of these Rules between the Society and:

- (a) a member; or
- (b) any person aggrieved who has ceased to be a member within six months prior to the date of the dispute; or
- (c) any person claiming through such member or person aggrieved; or
- (d) any person bringing a claim under the Rules; or
- (e) an office-holder of the Society

is to be submitted to an arbitrator agreed by the parties or in the absence of agreement to be nominated by the Secretary General of Co-operatives<sup>UK</sup> Limited. The arbitrator's decision will be binding and conclusive on all parties.

- 90. Cost of Arbitration** - Any person bringing a dispute must, if so required, deposit with the Society a reasonable sum (not exceeding £100) to be determined by the Board. The arbitrator will decide how the costs of the arbitration will be paid and what should be done with the deposit.
- 91. Copies of Arbitrators' Award** - A copy of the arbitrators' award shall be sent by the arbitrators to every party to a dispute.



## EXPULSION

92. **How a Member may be Expelled** - A member may be expelled for conduct detrimental to the Society by a resolution of the Board of Directors, provided that notice of the conduct alleged against them is given to them at least one calendar month before the date of the meeting which shall consider the matter and they are given an opportunity at the meeting to answer the allegations made against them. The member shall have a right of appeal to the members at a special meeting of the Society which, upon the request of an excluded member, shall be convened immediately following the Society's next annual general meeting. If the members determine that the member shall be reinstated, the member shall retrospectively receive any dividends to which they would have been entitled had their membership and shares not been cancelled.
93. **Payment of Expelled Member** - A member so expelled shall be paid the full sum paid or credited on any shares in the Society held by them at the date of the resolution for their expulsion and their shares shall be cancelled.

## ALTERATION OF RULES

94. **Majority Requisite to make Alterations** - Any of these Rules may be rescinded or altered, or any new Rule may be made, by a resolution passed at an ordinary meeting or special meeting of the Society by three-quarters of the votes cast.
95. **Registration of Alterations** - No amendment of the Rules and no new Rule is valid until registered. When submitting Rule amendments to the Registration Authority for registration the Secretary may, at the Secretary's sole discretion, accept any alterations required or suggested by the Registration Authority without reference back to a further general meeting of the Society.

## AMALGAMATION, TRANSFER OF ENGAGEMENTS, CONVERSION INTO A COMPANY, AND DISSOLUTION

### 96. Amalgamation, Transfer of Engagements, and Conversion

- (a) The Society may, by special resolution passed in manner prescribed by the Act, amalgamate with or transfer its engagements to any other society or company, or convert itself into a company under the Companies Acts. The Society may also accept a transfer of engagements and assets by resolution of the Directors or of a meeting of members.
- (b) Prior to any special meeting at which a transfer of engagements to or by the Society is proposed the Society shall consult members and provide them with information they need in order to make an informed decision as to whether to approve the transfer.
- (c) No Director or person holding any other elected position within the Society shall be permitted to receive from the Society, or any other person or organisation any payment greater than that permitted below (the "permitted amount") by way of compensation for loss of office or otherwise, however described, in connection with any amalgamation, transfer of engagements, or other re-organisation or restructuring of the Society's business ("re-organisation").
- (d) The permitted amount, which a Director or person holding any other elected position with the Society shall be permitted to receive in the circumstances set out above shall be an amount:
- (i) which is no greater than the amount of remuneration which any such person would have been entitled to receive from the Society if the re-organisation had not taken place, and if the individual had been able to complete the term of office for which they had been elected;
  - (ii) which takes into account any remuneration which the individual receives in relation to a period equivalent to the outstanding term of office, in connection with any office to which they are elected or appointed following the re-organisation; and
  - (iii) which has been approved by the members of the Society at a members' meeting before the re-organisation becomes effective.
- (e) Every Director and every person holding an elected position within the Society shall execute a deed in a form specified by the Secretary acknowledging that they are not entitled to any such compensation beyond the permitted amount, and assigning any sum beyond the permitted amount, if paid, to SCL (Members) Trustee Limited, which will act as

trustee for such registered charity or charities, established for the benefit of the community in the trading area of the Society, as the Directors of the Society shall determine, and to no other person. Any person who fails to execute such deed when required to do so shall immediately cease to hold office. If any such payment is made, then it will be held by the recipient on trust for SCL (Members) Trustee Limited, who shall be entitled to call upon the recipient for payment of such sum.

## **97. Dissolution**

- (a) The Society may be dissolved:
  - (i) by winding up in manner provided by the Act; or
  - (ii) by an instrument of dissolution signed by three quarters of the members, in the form prescribed.
- (b) If on the solvent dissolution or winding-up of the Society there remain after the satisfaction of all its debts and liabilities and the repayment of the paid-up share capital, any assets whatsoever, such assets shall not be paid to or distributed among the members of the Society but shall be:
  - (i) transferred to such charity or charities established and maintained for the benefit of the community in the trading area of the Society at the time of any such dissolution or winding up, as the Directors at that time shall determine;
  - (ii) if not so transferred shall be paid or transferred to Co-operativesUK Limited.

Signatures of three members:

M ROBERTS

T BRIGGS

F PIPER

Signature of Secretary

S DOMINY