

**REGISTERED NUMBER 525R**

**RULES  
OF  
CO-OPERATIVE GROUP LIMITED**

**Registered under the Industrial  
and Provident Societies Acts 1965 to 2003**

**NOVEMBER 2010**

**ALL PREVIOUS RULES RESCINDED**

**REGISTERED OFFICE: NEW CENTURY HOUSE, MANCHESTER M60 4ES**



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## INTRODUCING THE SOCIETY AND THE RULES

### Name

- 1.1 The society is called “**Co-operative Group Limited**”, and it is called the Society in the Rules.

### Registration

- 1.2 The Society is registered under the law as a bona fide co-operative with the **Registration Authority**. Its website is <http://www.co-operative.coop> and its registered office is New Century House, Manchester, M60 4ES. The Board may change the registered office and website.

### Why the Society exists

- 1.3 The Society exists in order to serve its Members by carrying on business as a co-operative in accordance with **Co-operative Values and Principles**. This is the Society's Purpose.

### Commitments

- 1.4 The Society is committed to:
- 1.4.1 following **Co-operative Values and Principles**;
  - 1.4.2 serving its Individual Members and its **Independent Society Members**; and
  - 1.4.3 treating all people fairly and with respect.
- 1.5 As provided in the Rules, the **profits available for distribution** produced by the Society's trade may be retained within the Society, distributed to Members or others trading with the Society, or distributed outside the Society in support of one or more causes. Any distribution shall be in accordance with the Rules and **Co-operative Values and Principles**.

### How the Society operates

- 1.6 The Society owns a number of different businesses, which may be held in subsidiary **corporations**.
- 1.7 Subject to the Rules, the Society owns, controls and co-ordinates the businesses through Principal Subsidiary Corporations.

### Governing documents

- 1.8 The Rules set out the way in which the Society is owned, organised and governed.
- 1.9 Where the Rules allow it, the Board may make Regulations setting out other provisions in addition to the Rules. Such Regulations shall not be inconsistent with the Rules. For the purposes of the Rules, the Board shall also maintain the following:
- 1.9.1 a code of conduct for Area Committees, Regional Boards and the Board;

- 1.9.2 standing orders for meetings;
  - 1.9.3 a conflict of interests policy for Area Committees, Regional Boards and the Board;
  - 1.9.4 Purchases Regulations;
  - 1.9.5 Regional Regulations;
  - 1.9.6 Election Regulations.
- 1.10 Other provisions may be established as the Rules specify.
- 1.11 In the Rules
- 1.11.1 words starting with a capital letter (like Rules) refer to something specific, and the Appendix at the end of the Rules identifies the Rule which makes this apparent; and
  - 1.11.2 words which are also highlighted in italics (like ***Co-operative Values and Principles***) have a special meaning and the Appendix lists all of these words and explains what they mean.



## 2 GOVERNANCE

### Overview

- 2.1 The Society has Members, Area Committees, Regional Boards, and a Board. It also has a Group Chief Executive, the Executive, Principal Subsidiary Corporations (which have Subsidiary Boards), and a Secretary.
- 2.1.1 the rest of this Section 2
- (i) sets out how the Society is governed, by describing the roles of Members, Area Committees, Regional Boards, the Board, the Group Chief Executive and the Executive, and the Secretary; and
- (ii) sets out the role of Subsidiary Boards.
- 2.1.2 Section 3 of the Rules sets out the provisions concerning Members.
- 2.1.3 Section 4 sets out provisions concerning Meetings for Members.
- 2.1.4 Section 5 sets out provisions concerning Area Committees and Regional Boards.
- 2.1.5 Section 6 sets out provisions concerning the Board.
- 2.1.6 Section 7 sets out provisions concerning reporting to the Members.
- 2.1.7 Section 8 sets out provisions concerning significant change to the Society.
- 2.1.8 Section 9 sets out provisions concerning the capital of the Society.
- 2.1.9 Section 10 sets out provisions concerning a variety of other administrative matters.
- 2.1.10 Section 11 sets out transition provisions following the registration of the Rules in 2008.

### Members

- 2.2 Membership provides Members with access to information, a voice in the Society, and the opportunity to be elected to a representative role in its governance, as follows.

#### Information

- 2.3 Members are entitled to receive information about the Society and its business, as provided in the Rules.

#### Voice

- 2.4 Members (personally in the case of Individual Members, and via their appointed representatives in the case of **Independent Society Members**) are entitled to have a voice in the Society as provided in the Rules, by

- 2.4.1 attending, speaking and submitting motions to be considered at certain meetings;
- 2.4.2 voting on certain resolutions;
- 2.4.3 electing representatives to Area Committees, who may then be elected onto a Regional Board and the Board (in the case of Individual Members); and
- 2.4.4 electing representatives to the Board (in the case of ***Independent Society Members***).

#### Representation

- 2.5 Subject to qualification criteria, the Rules allow:
  - 2.5.1 Individual Members to stand for election to Area Committees, Regional Boards, and the Board; and
  - 2.5.2 ***Independent Society Members*** to have their nominated representatives stand for election to the Board.

#### **Area Committees**

- 2.6 Area Committees represent Individual Members and their interests within the Society, as provided in the Rules. In addition, Area Committees have the following roles and responsibilities, more fully described in Regional Regulations, but in summary:
  - 2.6.1 to represent Individual Members and promote their participation within the Society;
  - 2.6.2 within the Society, to be local champions of those trading with the Society;
  - 2.6.3 to promote ***Co-operative Values and Principles*** amongst Individual Members and the local community.
- 2.7 Area Committees perform the functions set out in Regional Regulations, which include the following specific functions:
  - 2.7.1 Area Committees nominate, and members of Area Committees elect members of Regional Boards, and of the Board, as provided in the Rules;
  - 2.7.2 Area Committees, on behalf of their Area, each appoint from their own number a member of the Region's Delegation to Society General Meetings;
  - 2.7.3 Area Committees submit motions to the Regional Board.

#### **Regional Boards**

- 2.8 Regional Boards have those roles and responsibilities which are more fully described in Regional Regulations, but in summary:
  - 2.8.1 in relation to the Society's business, they receive and monitor trading information; they approve certain management decisions including those

- relating to certain capital expenditure matters and the closure of core trading units in the Region; and they make recommendations to the Board;
- 2.8.2 in relation to the operation of the Society's democratic structures, as provided in the Rules they perform certain roles at Society General Meetings, and Regional Members' Meetings.
- 2.9 Regional Boards perform the functions set out in Regional Regulations, which include the following specific functions:
  - 2.9.1 to appoint (subject to the rights of Area Committees) and mandate Delegations, submit motions, put questions to and cast the Region's vote at Society General Meetings, whether such vote is by way of show of hands, poll or referendum;
  - 2.9.2 to carry out any other roles delegated by the Board;
  - 2.9.3 to delegate matters, subject to the approval of the Board, to one or more Area Committees.

## Board

- 2.10 The Board has the following roles and responsibilities (which it cannot delegate):
  - 2.10.1 deciding the vision and strategy of the Society and its businesses in consultation with the Subsidiary Boards, and having regard to the nature and extent of its interest in all of its businesses;
  - 2.10.2 ensuring, whether directly or through other people, that the Society's businesses and affairs are conducted and managed in accordance with its Purpose and Objects, and in accordance with the best interests of the Society and its Individual and **Independent Society Members**;
  - 2.10.3 monitoring the Society's businesses; and
  - 2.10.4 overseeing the Group Chief Executive and the other members of the Executive as they carry out their roles.
- 2.11 Subject to the law and the Rules, the Board:
  - 2.11.1 decides what businesses the Society should own;
  - 2.11.2 allocates capital and other resources between the Principal Subsidiary Corporations;
  - 2.11.3 appoints and removes members of the Subsidiary Boards;
  - 2.11.4 appoints, removes and fixes the remuneration and terms of employment of the Group Chief Executive, any Deputy Chief Executive, such other executives of the **Group** as the Board decides, and the Secretary;
  - 2.11.5 confirms the appointment and removal of other members of the Executive;

- 2.11.6 approves the consolidated annual financial budget and forward plans for the **Group**;
  - 2.11.7 receives and considers regular progress reports of the business and affairs of the Society, and at any time may call upon the Group Chief Executive and/or the Secretary to report or obtain a report in writing on any matter in connection with or concerning any aspect of the Society's affairs;
  - 2.11.8 decides those transactions which require the approval of the Board;
  - 2.11.9 approves the use of the Society's seal;
  - 2.11.10 appoints an Audit and Risk Committee, a Remuneration and Appointments Committee, a Group Chair's Committee and any other committee the Board decides is appropriate, in accordance with the Rules;
  - 2.11.11 where the Board does not deal with such matters itself, appoints a Co-operative Values and Principles Committee, or makes some other suitable alternative provision (whether or not a committee of the Board) in relation to **Co-operative Values and Principles**;
  - 2.11.12 appoints representatives of the Society onto the governing bodies of other **societies, companies, corporations** or organisations in which the Society has a financial or other interest;
  - 2.11.13 carries out all other functions and exercises all other powers of the Society not otherwise specifically allocated by the Rules or the law to another body and not for the time being delegated to any other body or person by the Board.
- 2.12 The Board may by resolution delegate any of its functions (and may revoke or alter any delegation) in whatever way and to whichever **companies, societies, corporations** and persons (including the Regional Boards, Area Committees or other parts of the Society) as it decides, but it may not (except in accordance with the Rules) delegate any of the following matters:
- 2.12.1 the purchase, sale, letting or leasing of land and buildings involving a financial commitment or receipt greater than £25,000,000;
  - 2.12.2 any item of capital expenditure greater than £25,000,000;
  - 2.12.3 investments (except day-to-day investments);
  - 2.12.4 any mortgage or charge on any part of the assets of the Society which secures a sum greater than £25,000,000;
  - 2.12.5 raising capital;
  - 2.12.6 making decisions about new ventures or businesses;

- 2.12.7 appointing, removing, and fixing the remuneration and terms of employment of the Group Chief Executive, any other Executive whom it appoints, and the Secretary.

### **Executive**

- 2.13 In consultation with the Board, the Group Chief Executive decides the composition and appoints the members of the Executive, apart from the Secretary who is a member of the Executive by virtue of the office. The Group Chief Executive shall make use of the skills of the Executive for the benefit of the Society and may, while still remaining responsible to the Board under the Rules, delegate powers to any member or members of the Executive.
- 2.14 Subject to the Rules and any decision of the Board, the Group Chief Executive (or in their absence, any Deputy Chief Executive)
- 2.14.1 is responsible, assisted by the Executive, for the day-to-day management of the business of the Society and for such other matters as the Board may decide; and
- 2.14.2 in doing so, has full power to act on behalf of the Society.
- 2.15 If in doing so
- 2.15.1 the Group Chief Executive is unable to act on behalf of the Society because of some limit or restriction in the Rules, or which is imposed by the Board, and
- 2.15.2 it is impractical, in the judgement of the Secretary (or in their absence, the Group Chair), to convene a meeting of the Board, or to obtain a written resolution under the Rules, to deal with the matter in question in a timely fashion,
- the Secretary (or in their absence, the Group Chair) may convene a meeting of the Group Chair's Committee, which will have authority to deal with the matter on behalf of the Society.

### **Subsidiary Boards**

- 2.16 Subject to the Rules the Subsidiary Boards are responsible for the businesses which the Principal Subsidiary Corporations own and control.
- 2.17 The Board appoints the members of the Principal Subsidiary Corporation Boards, which shall include:
- 2.17.1 members of the Board; and
- 2.17.2 members of the Executive, and/or the Group Chief Executive, and/or one or more executives of the **Group** appointed by the Board; and
- 2.17.3 a number of Independent Professional Non-Executive Directors, not being less than two, or any higher minimum number required by any statutory

body with regulatory responsibility over any part of the business of the Principal Subsidiary Corporation.

**Secretary**

2.18 The Society has a Secretary who acts as secretary to the Board.

### 3 MEMBERS

- 3.1 The Society has Members who are either Individual Members or **Independent Society Members**. The Individual Members and **Independent Society Members** of the Society are those whose names are recorded in the Society's Register of Members from time to time.

#### Individual Members

- 3.2 Individual membership is open to any individual who wishes to trade with the Society, who is committed to **Co-operative Values and Principles**, and who applies for membership in a way approved by the Board.
- 3.2.1 the Board has absolute discretion (subject only to **Co-operative Values and Principles**) whether to grant or refuse membership, and is not required to give reasons for its decision.
- 3.2.2 the Board may delegate its power and discretion to grant or refuse membership to an officer or officers of the Society or to a committee of the Board.
- 3.3 Every Individual Member is required to hold at least one individual share, which will be issued upon grant of membership.
- 3.4 The trustee from time to time of the **United Employee Share Scheme** (whether an individual, a partnership, a **society**, a **company**, a **corporation** or otherwise) shall, notwithstanding any Rule to the contrary, be treated for the purposes of the Rules only as an Individual Member.
- 3.5 The Society shall not have any Joint Individual Members, except
- 3.5.1 those who are already Joint Individual Members; or
- 3.5.2 on a transfer of engagements of another **society** to the Society, when joint individual members of the transferring **society** shall become Joint Individual Members of the Society.

#### Independent Society Members

- 3.6 Independent Society membership is open to any **society**, **company** or **corporation** wishing to trade with the Society, which is committed to **Co-operative Values and Principles**, and which applies for membership in the way approved by the Board. The Board shall have absolute discretion (subject only to **Co-operative Values and Principles**) whether to grant or refuse membership, and shall not be required to give reasons for its decision. The Board may delegate its power and discretion to grant or refuse membership to an officer or officers of the Society or to a committee of the Board.
- 3.7 Every **society**, **company** or **corporation** making an application for membership as an **Independent Society Member** shall apply for and, on admission as an

**Independent Society Member**, shall immediately take up (subject to the law) not less than one £5 corporate share for every two (or such larger number as the Board may decide at the time) of its members, or fraction of such number at the date of application for membership.

- 3.8 The Society uses its best endeavours to co-ordinate the requirements of its **Independent Society Members** for certain goods and services, and to secure them on the best possible terms. An **Independent Society Member** may purchase from the Society such of its requirements for those goods and services which the Society is able to procure, produce or provide.

#### **Cessation of Membership**

- 3.9 An Individual Member or **Independent Society Member** ceases to be a member of the Society in the following circumstances:

- 3.9.1 (being an Individual Member) they die;
- 3.9.2 (being an **Independent Society Member**) it is dissolved or otherwise ceases to exist;
- 3.9.3 they cease to hold the minimum number of shares required by the Rules;
- 3.9.4 they cease to be entitled under the Rules to be a member and are removed; or
- 3.9.5 they are expelled from membership under the Rules.

#### **Removal from Membership**

- 3.10 An Individual Member or an **Independent Society Member** may be removed from membership in any of the following circumstances:

- 3.10.1 the Society is unable to make contact with the Member, having taken reasonable steps to do so; or
- 3.10.2 the Member has made no purchase of goods or services from the Society or any member of the **Group**, nor added, save by accrued interest, to their share capital in the Society for two years (in the case of an Individual Member), and for three years (in the case of an **Independent Society Member**); or
- 3.10.3 the Board becomes satisfied that the Member is no longer committed to **Co-operative Values and Principles**; or
- 3.10.4 where an Individual Member, on applying for membership, 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 an Individual Member has not, within two years after being admitted to membership of the Society, made Qualifying Purchases (or, if the Board has decided that it is appropriate, entered into



transactions similar to Qualifying Purchases), in an amount which the Board in its absolute discretion regards as consistent on the part of the Individual Member in question with ***Co-operative Values and Principles***.

3.11 Where any of these circumstances apply, the Society may take steps to remove the Member concerned from membership and forfeit their shares, following procedures for removal to be decided by the Board, which will include the following:

- 3.11.1 a notice-period of not less than two months, giving the Member the opportunity to take any appropriate action in order to continue as a Member;
- 3.11.2 the obtaining of evidence by the Society that one of the circumstances above apply;
- 3.11.3 provisions for the forfeiture of shares, and the payment to the Member, if claimed within a period of ten years, of sums paid up on the shares, of any arrears of interest payable on such shares and of dividend declared and owing to the member;
- 3.11.4 provisions for the Society to be allowed to deduct for its own purposes from any such payments to an Individual Member any amount not exceeding £1 in respect of which the Individual Member in question has previously indicated that, in these circumstances, they do not require repayment;
- 3.11.5 provisions for re-admission to membership.

#### **Expulsion from Membership**

3.12 An Individual Member or an ***Independent Society Member*** may be expelled from membership by the Board, on a complaint of conduct which is or could become injurious or detrimental to the Society. The procedure will be as follows:

- 3.12.1 the Board may exercise the power to expel an Individual Member if a complaint is made by any Area Committee, Regional Board or Director, and to expel an ***Independent Society Member*** if a complaint is made by any Regional Board, Independent Society or Director;
- 3.12.2 any such complaint shall be communicated to the Member by such means as the Board considers appropriate in the circumstances;
- 3.12.3 the Member against whom a complaint is made may attend and speak at the meeting whilst the question is under discussion and consideration, but no longer, or may make written representations;
- 3.12.4 the Board may proceed in the absence of the Member provided the Member has received such notice of the meeting as the Board considers appropriate in the circumstances;
- 3.12.5 a Member can only be expelled if:

- (i) a resolution for removal is passed by two thirds of the votes cast at the meeting of the Board; and
  - (ii) at a subsequent confirmatory meeting of the Board, to be held not less than 48 hours later and not more than 14 days later, and at which the Member has the same right to attend and speak, a confirmatory resolution for removal is passed by two thirds of the votes cast at the meeting;
- 3.12.6 if expelled by this procedure, on the date of expulsion they shall cease to be a Member, their name shall be deleted from the Register of Members, and their shares shall be cancelled;
- 3.12.7 thereafter, subject to the Rules, they shall receive from the Society a sum equal to the amount of share capital in the Society credited as paid up by the Member, together with any arrears of interest payable on such share capital and any arrears of declared dividend payable under the Rules, in each case at the date of cancellation. The Society shall be entitled to deduct for its own purposes any amount not exceeding £1 in respect of which an Individual Member has previously indicated that in these circumstances, they do not require repayment.
- 3.13 No Member expelled in this way shall be re-admitted to membership except by a resolution of the Board passed by two-thirds of the total votes cast, after notice (whatever notice the Board considers appropriate in the circumstances) of such resolution has been given to the former Member and to the Area Committee, Regional Board, Independent Society or Director which brought the complaint.

## 4 MEETINGS FOR MEMBERS

- 4.1 There are Society General Meetings and Regional Meetings.
- 4.2 Delegates attend Society General Meetings on behalf of Individual and ***Independent Society Members***. At a Society General Meeting:
  - 4.2.1 each Region has its own Delegation, and the individual delegates comprising the Delegation are appointed in accordance with the Rules;
  - 4.2.2 each ***Independent Society Member*** appoints its own Delegation.
- 4.3 The Board may make arrangements for Individual Members to observe Society General Meetings via webcasting or any other means which the Board considers to be appropriate.
- 4.4 Individual Members attend Regional Meetings.

### **Society General Meetings**

- 4.5 Society General Meetings are either Ordinary General Meetings or Special General Meetings.
- 4.6 The Board (except where otherwise provided in the Rules):
  - 4.6.1 convenes Society General Meetings;
  - 4.6.2 decides the date, time and place of any Society General Meeting and of any adjourned meeting;
  - 4.6.3 decides whether a Society General Meeting will be held at more than one location, and if so, whether simultaneously or at different dates and/or times.

### **Ordinary General Meetings**

- 4.7 Only two Ordinary General Meetings are held in each year. One is the Annual General Meeting, and the other is the Half Yearly Meeting:
  - 4.7.1 the Annual General Meeting is held within the period of six months following the end of the financial year of the Society, ordinarily on a Saturday.
  - 4.7.2 the Half Yearly Meeting is held within the period of six months following the end of the financial half-year of the Society, ordinarily on a Saturday.

### **Special General Meetings**

- 4.8 A Special General Meeting may be convened at any time and at the cost of the Society either by the Board, or by requisition in accordance with the following provisions:

- 4.8.1 a requisition must be signed on behalf of at least five Regional Boards and twenty ***Independent Society Members***, and must be delivered to the Secretary;
- 4.8.2 the requisition must specify the terms of the resolutions to be proposed;
- 4.8.3 the requisition must be accompanied by evidence of the authority of the signatory or signatories to make the requisition on behalf of each Regional Board and ***Independent Society Member*** and be valid in all other respects, and the Secretary may decline to act upon any requisition where the authority of a signatory is in doubt (unless the requisition would be valid if that signature were not present) or where the requisition is otherwise invalid;
- 4.8.4 if the Secretary is satisfied as to the validity of the requisition, it will be referred to the Board which will decide whether to convene a Special General Meeting or not and will give notice of its decision to all of the Regions and ***Independent Society Members*** on whose behalf the requisition is made;
- 4.8.5 if the Board decides to convene a Special General Meeting it will do so by notice which includes the terms of the resolutions to be put at the meeting, together with any amendments which the Board wishes to propose, and the meeting will be held within 90 days from the date on which the requisition was received by the Secretary;
- 4.8.6 if the Board decides not to convene a Special General Meeting, those of the Regions and ***Independent Society Members*** on whose behalf the requisition was signed may convene a Special General Meeting by notification to the Secretary. The following provisions apply where a Special General Meeting is convened in this way:
- (i) the notification shall be served within 28 days from the date on which notice of the Board's decision was dispatched, shall be signed on behalf of each of those of the Regions and ***Independent Society Members*** on whose behalf the requisition was made and shall specify the terms of the resolutions to be proposed at the meeting which shall be the same terms as those set out in the requisition;
  - (ii) the notification must be accompanied by evidence of the authority of the signatory or signatories to give the notification on behalf of each Region and Individual Society Member and be valid in all other respects, and the Secretary may decline to act upon any notification where the authority of a signatory is in doubt (unless the notification would be

valid if that signature were not present) or where the notification is otherwise invalid;

(iii) the Secretary shall decide the date, time and place of the Special General Meeting which shall be held within 90 days of the date on which the notification is received by the Secretary;

(iv) at the Special General Meeting, the Board shall have the right to propose amendments to the terms of any resolution set out in the notice and shall give notice of any such proposal or proposals at least 14 days before the day of the Special General Meeting.

4.9 No amendment shall be proposed to any resolution proposed at any Special General Meeting save in accordance with the Rules.

#### **Notice of Society General Meetings**

4.10 Not less than forty-two days before the date of each Ordinary General Meeting, Regions and **Independent Society Members** shall notify the Secretary in writing of motions which they desire to bring before the meeting. The Board may reject any motion which:

4.10.1 may result in publicity which could diminish confidence in the Society; or

4.10.2 is defamatory; or

4.10.3 does not relate directly to the affairs of the Society or the **Co-operative Movement**.

4.11 Not less than twenty one days notice will be given for a Society General Meeting. The notice will specify the time and place of, and the terms of the motions to be put at the meeting setting out the nature of any other business to be transacted, including (in the case of an Ordinary General Meeting) all motions by any Regions or **Independent Society Members** which they have notified to the Board. The notice will be:

4.11.1 sent to each Regional Office and **Independent Society Member**;

4.11.2 displayed on the Society's website; and

4.11.3 communicated in any other way which the Board decides (which may include electronic means), to enable Individual Members to observe the meeting in accordance with the Rules.

4.12 In the case of the Annual General Meeting, the Annual Report and Accounts of the Society for the previous financial year, and such other documents as the Board decides, will be sent before or with the notice. In the case of the Half Yearly Meeting an interim report of the Board will be sent before or with the notice.

4.13 Any Region or **Independent Society Member** may send any amendment to any motion contained in the notice to the Secretary. The Board shall, if such amendment

or proposal has been received not less than eleven days before the date of the Ordinary General Meeting, forward them to each Region or ***Independent Society Member*** as soon as practicable after they have been received. If the Secretary considers that there is any conflict or ambiguity between or affecting motions or any amendment to motions, they may make clarifications or corrections at any time.

- 4.14 Emergency motions may be considered by an Ordinary General Meeting, subject to standing orders. With that exception, no matter other than that shown on the notice of meeting or any amendment may be put to the vote for the purpose of decision at any Ordinary General Meeting.

#### **Delegation Entitlement at Society General Meetings**

- 4.15 The number of delegates which any Region or ***Independent Society Member*** may appoint as its Delegation at any Society General Meeting shall be based on its Purchases as defined in the Rules and the following scale.

<b>Purchases</b>	<b>Number of Delegates</b>
Up to and including £1 million	2
Over £ 1 million but not exceeding £ 5 million	4
Over £ 5 million but not exceeding £ 50 million	6
Over £ 50 million but not exceeding £100 million	8
Over £100 million but not exceeding £150 million	10
Over £150 million but not exceeding £200 million	12
Over £200 million but not exceeding £250 million	14
Over £250 million but not exceeding £300 million	16
Over £300 million	18

- 4.16 The Board decides what is included in Purchases, and this shall be set out in Purchases Regulations.
- 4.17 The number of delegates which any Region may appoint is also subject to the right of each Area Committee to appoint a delegate, which shall not be restricted by this scale.
- 4.18 Delegates of ***Independent Society Members*** need not be Individual Members, but they may not be a delegate for more than one ***Independent Society Member***. Delegates for any Region must be members of the Regional Board of that Region or of an Area Committee in that Region. An Individual Member qualified to be a delegate under Regional Regulations is an observer only, and has no right to vote or speak at a Society General Meeting.

#### **Procedure at Society General Meetings**

- 4.19 Society General Meetings are attended by:

- 4.19.1 duly appointed delegates;
  - 4.19.2 members of the Board;
  - 4.19.3 the Group Chief Executive, the Chief Financial Officer and the Secretary;
  - 4.19.4 other members of senior management of the **Group**, and any other persons whose presence the Board considers to be appropriate;
  - 4.19.5 representatives of the Society's auditors.
- 4.20 No Society General Meeting shall proceed to business unless a quorum is present within one hour of the time of the meeting. A quorum is one or more delegates from not less than five Regions and from not less than eight **Independent Society Members**.
- 4.21 Otherwise the meeting shall stand adjourned for fourteen days, and notice of the adjournment shall be sent to each Region and **Independent Society Member**. The adjourned meeting shall not proceed to business unless a quorum is present within one hour of the time of the meeting. The quorum is the same as for the first meeting.
- 4.22 In the absence of a quorum at the adjourned meeting, the meeting shall again stand adjourned for seven days, and notice of the adjournment shall be sent to each Region and **Independent Society Member**. The second adjourned meeting shall be competent to proceed to business at the end of half an hour after the time of the meeting provided that one or more delegates from at least seven Regions and **Independent Society Members** in total are present.
- 4.23 No business shall be conducted at any adjourned meeting other than that set out in the notice convening the original meeting.
- 4.24 No Society General Meeting shall become incapable of proceeding because a lack of a quorum arises after the meeting has commenced.
- 4.25 The Group Chair chairs Society General Meetings. In their absence, one of the Deputy Chairs of the Board chosen by the Board does so, failing which a Board Member chosen by the other Board Members present chairs Society General Meetings. In the absence of any of these, a delegate chosen by and from amongst the delegates present shall chair the meeting.
- 4.26 The chair of any Society General Meeting shall have discretion and power to adjourn the meeting if appropriate. The Board shall make such provision as it thinks fit for the adjourned meeting.
- 4.27 Subject to standing orders and the Rules each delegate is entitled to address the meeting.

#### **Voting at Society General Meetings**

- 4.28 Voting is by show of hands unless a poll is demanded under the Rules. The Board may make arrangements for electronic voting both on a show of hands and on a poll, the arrangements for which shall be set out in standing orders.

- 4.29 Unless the Rules or the law require something different, a resolution at a Society General Meeting is passed by a simple majority
- 4.30 On any matter to be decided by a show of hands, each delegate present has one vote. In the event of a tied vote, the chair of the meeting has a casting vote.
- 4.31 On any matter to be decided by a poll under the Rules, each Region and **Independent Society Member** shall have one vote plus additional votes based upon Purchases as specified in the Purchases Regulations.
- 4.32 Any poll shall be carried out under the control and supervision of the Secretary.
- 4.33 The chair of any General Meeting may require a poll on any motion and any amendment to it, whether or not the motion or amendment has been put to a vote.
- 4.34 In addition, voting on a motion and on any amendment to it shall be carried out on a poll if:
  - 4.34.1 the Board decides that it shall be; or
  - 4.34.2 a requisition, signed by or on behalf of five Regions and **Independent Society Members** in total, has been received by the Secretary not less than eleven days before the date of any Society General Meeting, requiring that the voting on any motion which forms part of the business of the meeting shall be carried out on a poll.

#### Referendum

- 4.35 The Board may decide that a referendum shall be taken on a motion ordinarily required to be submitted to a Society General Meeting. If the Board makes such a decision:
  - 4.35.1 a special voting paper is sent to each Region and **Independent Society Member** within seven days of the Board decision;
  - 4.35.2 the special voting paper specifies the terms of any motion to be voted on, and also any amendment to it;
  - 4.35.3 the special voting paper must be returned to the Secretary at the time decided by the Secretary;
  - 4.35.4 the Secretary and an independent auditor, appointed by the Board, shall have the votes counted and report the result to the Board;
  - 4.35.5 a motion to be passed by referendum shall only be passed if:
    - (i) it is passed by the requisite majority required by the Rules or the law; and
    - (ii) the number of Regions and Independent Societies which voted in the referendum would have constituted a quorum at a Society General Meeting.



- 4.35.6 the Board shall act on the result, and report it to the next Ordinary General Meeting.

### **Regional Meetings**

- 4.36 A Regional Meeting is either an Ordinary Regional Meeting, or a Special Regional Meeting.
- 4.36.1 in every calendar year, one or two Ordinary Regional Meetings shall be held in each Region.
- 4.36.2 the Regional Board decides whether a Special Regional Meeting is to be held at other times.
- 4.37 A Regional Board can decide (subject to the approval of the Board) whether a Regional Meeting will be held at more than one location within a Region, and if so, whether simultaneously or at different times.
- 4.38 An Individual Member whose address on the Register of Members is within the Region may attend and vote at a Regional Meeting in that Region. An individual may attend a Regional Meeting in another Region, with the approval of the Regional Secretary of that other Region, but only as an observer.
- 4.39 A Regional Meeting may make recommendations to be considered by the Regional Board. The Regional Board shall decide whether any such recommendation shall be sent to the Board under the Rules, either to be considered by the Board, or for inclusion on the agenda of a Society General Meeting.
- 4.40 In relation to Ordinary and Special Regional Meetings, motions may be submitted by an Individual Member as provided in Regional Regulations.
- 4.41 Regional Regulations set out the procedures for calling, holding and conducting Regional Meetings.

## **5 REGIONS AND AREAS**

- 5.1 The Society has the following seven Regions: Scotland & Northern Ireland, North, North West & North Midlands, Central & Eastern, Cymru/Wales, South & West, and South East. The geographical boundaries and names of the Regions are decided by the Board.
- 5.2 Each Region has a Regional Board, a Regional Secretary, a Regional Office, and a Regional Values and Principles Committee.
- 5.3 Each Region is divided into two or more Areas, the geographical boundaries of which are decided by the relevant Regional Board subject to the approval of the Board. A Regional Board may merge, divide, or create Areas within its Region, subject to the approval of the Board.
- 5.4 Each Area has an Area Committee.
- 5.5 Northern Ireland has a Members Council, which shall be treated as an Area Committee for the purposes of the Rules, save where specified differently.
- 5.6 The Individual Member's address which is recorded in the Register of Members determines the Area through which that Individual Member participates in the Society's affairs, subject to the Rules.
- 5.7 Regional Regulations, which shall not be inconsistent with the Rules or the law, make further provisions concerning the operation of Regions and Areas including matters such as the nomination of candidates for election, election procedures, terms of office, the filling of casual vacancies between elections, and the calling, holding and conduct of meetings. Regional Regulations shall be binding on Individual Members and may be amended from time to time by a Regional Board, subject to the approval of the Board.
- 5.8 There shall be a code of conduct for Area Committees and Regional Boards. Members of Area Committees and Regional Boards are obliged to abide by the code of conduct, which will include provisions for removal from office by the Area Committee or Regional Board concerned where any of its members is in material breach of the code.

### **Composition of Area Committees**

- 5.9 An Area Committee comprises not less than ten and not more than twelve people, unless the Board decides otherwise. The Northern Ireland Members Council may comprise up to twenty people.
- 5.10 Subject to the Rules and Regional Regulations, Area Committee members are elected by the Individual Members who live within the Area.

## Composition of Regional Boards

- 5.11 A Regional Board comprises not less than twelve and not more than fifteen people, unless the Board decides otherwise.
- 5.12 Subject to the Rules and any Regional Regulations, Regional Board members are elected by the Area Committee members within the Region.

## Provisions affecting composition of Area Committees and Regional Boards

- 5.13 In respect of each Area Committee and Regional Board:
- 5.13.1 no person may take up or continue in office if, in the opinion of the Secretary, within a conflict of interests policy to be determined by the Board they are directly or indirectly concerned or interested in:
- (i) any business or undertaking which is in any way competitive with a business or undertaking carried on from time to time by the Society or any member of the **Group**;
  - (ii) any business or undertaking which is either a significant provider of goods and/or services to the Society or any member of the **Group**, or a significant customer of the Society or any member of the **Group**;
- unless such concern or interest falls within exclusions set out in the conflict of interests policy;
- 5.13.2 the number of **Employees** shall be no more than one third of the total, other than where a vacancy has arisen in between elections;
- 5.13.3 not more than two members of the same family who are **Close Relatives** may hold office at the same time;
- 5.13.4 those persons who are **Employees** and **Close Relatives** of **Employees**, taken together, shall always be less than 50% of its members, other than where a vacancy has arisen in between elections.
- 5.14 No meeting of an Area Committee or Regional Board shall conduct business if all those attending are **Employees** and/or **Close Relatives** of **Employees**. At any meeting of an Area Committee or Regional Board at which **Employees** and **Close Relatives** of **Employees** comprise more than 50% of those present, no resolution shall be passed which would not have been passed had all of those people abstained from voting.

## Eligibility requirements for election to an Area Committee

- 5.15 An Individual Member may be nominated to and be a member of an Area Committee if:

- 5.15.1 their residential address (or, exceptionally and subject to the approval of the Board, their permanent place of work) is within the boundaries of the Area or Region, as appropriate; and
  - 5.15.2 they have been a member of the Society for the immediately preceding period of twelve months; and
  - 5.15.3 they hold not less than £1 in individual shares in the Society; and
  - 5.15.4 they have satisfied any requirements in respect of trading with the Society decided by the Board (which requirements shall be designed so as not to exclude those whose ability to trade with the Society is limited); and
  - 5.15.5 they have entered into a commitment to maintaining the Society's co-operative status and to upholding **Co-operative Values and Principles**, in each case in a way approved by the Board; and
  - 5.15.6 being an **Employee**, they are not the Group Chief Executive, a member of the Executive, or a **senior manager**; and
  - 5.15.7 they have completed a declaration stating whether or not they have been convicted of any criminal offence (other than a road traffic offence not punishable with a custodial sentence) the disclosure of which the Society may by law request; and
  - 5.15.8 having disclosed a conviction for any criminal offence, the Board in its absolute discretion has decided and notified them in writing that such conviction will not result in their nomination being withdrawn; and
  - 5.15.9 they are not prohibited by law from being a director of an industrial and provident society or a director of a **company**; and
  - 5.15.10 they are not bankrupt or have not made any arrangement or composition with creditors generally; and
  - 5.15.11 they have undertaken to abide by the terms of any applicable code of conduct, including any requirement to undertake personal development; and
  - 5.15.12 they are not made ineligible by any other provisions in the Rules, including the provisions affecting composition of Area Committees and Regional Boards, or in Regional Regulations.
- 5.16 A person who has previously been removed from an Area Committee or a Regional Board under the Rules may not be nominated to or be a member of an Area Committee or Regional Board (as the case may be), unless a resolution is passed with a two-thirds majority by the body which removed them.

### **Additional eligibility requirements for election to a Regional Board**

- 5.17 An Individual Member may be nominated to and be a member of a Regional Board if, as well as meeting the eligibility requirements for an Area Committee in the previous provision, they:
- 5.17.1 are and have been a member of an Area Committee for at least the 24 months immediately preceding the date of their nomination; and
  - 5.17.2 have achieved any relevant personal development qualification as prescribed by the Board.

### **Termination of office on Area Committee or Regional Board**

- 5.18 Any member of an Area Committee or Regional Board shall immediately cease to hold office and shall not be entitled to exercise any rights in connection with the office if at any time they:
- 5.18.1 cease to meet the eligibility requirements set out in the Rules or cause the provisions affecting the composition of Area Committees or Regional Boards to be infringed; or
  - 5.18.2 resign their office by notice to the Secretary; or
  - 5.18.3 become prohibited by law from being a director of an industrial and provident society or are disqualified by an order under the Company Directors Disqualification Act 1986 from being a director of a **company**; or
  - 5.18.4 become bankrupt or make any arrangement or composition with creditors generally; or
  - 5.18.5 are removed from office by a majority resolution of the Area Committee or Regional Board on which they were serving, on the basis that they have been absent from three successive meetings, or in any year, in excess of one half of the meetings of the Area Committee or Regional Board (as appropriate) without good reason established to the satisfaction of that Area Committee (and confirmed by the Regional Board) or of the Regional Board (and confirmed by the Board); or
  - 5.18.6 are removed from office by a two-thirds majority resolution of the Area Committee or Regional Board on which they were serving, on the basis that they are in material breach of the code of conduct and it is not considered to be in the interests of the Society that they should continue to serve on the Area Committee or Regional Board (as the case may be); or
  - 5.18.7 are removed from office by a two-thirds majority resolution of the Board on the grounds that in the view of the Board:
    - (i) they have acted in breach of their commitment to maintaining the Society's co-operative status or to upholding **Co-operative Values and Principles**; or

- (ii) they are in material breach of the code of conduct and it is not considered to be in the interests of the Society that they should continue to serve on the Area Committee or Regional Board (as the case may be); or
- (iii) they have committed, at any time, a criminal offence (other than a road traffic offence not punishable with a custodial sentence) which, in the judgement of the Board, at its absolute discretion, renders it inappropriate for the person to continue to hold office.

#### **Declaration or notification of Interest – Area Committee and Regional Board**

5.19 Subject to the discretion of the Board, each Area Committee and Regional Board shall keep a register of interests. For this purpose, every member of an Area Committee or Regional Board is required to disclose any interest, employment, office or position of responsibility held by them in:

5.19.1 any business, or undertaking which is in any way competitive with a business or undertaking carried on from time to time by the Society or any member of the **Group**; or

5.19.2 any business or undertaking which is either a significant provider of goods and/or services to the Society or any member of the **Group**, or a significant customer of the Society or any member of the **Group**;

details of which shall be recorded in the register of interests.

5.20 If a member of an Area Committee or Regional Board has an interest (whether it is their own direct interest, or an indirect interest through a **Close Relative**) in a matter which is the subject of discussion at a meeting of their Area Committee or Regional Board, they shall declare such an interest at the time, whether or not it is already recorded in the register of interests.

5.21 Where such an interest has been declared by a person, the other members of the Area Committee or Regional Board concerned who do not have such an interest shall decide whether:

5.21.1 the person shall be permitted to attend that part of the meeting in which the matter is discussed;

5.21.2 the person shall be permitted to speak and/or vote on the matter.

5.22 Where a member of an Area Committee or Regional Board is required to leave the room under the Rules, they shall continue to count for the purpose of that quorum.

#### **Co-options: Area Committees and Regional Boards**

5.23 The Board may co-opt individuals to membership of any Area Committee or Regional Board. Co-option in this manner shall in respect of each Area Committee and Regional Board be for the limited purposes of:

5.23.1 filling any vacancies that remain unfilled following elections, and in so doing the Board shall have regard to the prevailing diversity (as determined by the Board at the time) of the Area Committee or Regional Board concerned;

5.23.2 increasing the diversity (as determined by the Board at the time) of the membership of the Area Committee or Regional Board so long as only one individual may be co-opted on this basis at any time (in addition to any individuals co-opted under the preceding sub-paragraph);

and in either case the Board may, at its discretion, waive any of the eligibility and qualification criteria set out in the Rules.

5.24 Any person co-opted to membership of an Area Committee or a Regional Board shall:

5.24.1 serve until the next election, at which their co-option shall end and they may not be co-opted again; and

5.24.2 have the same rights and responsibilities under the Rules, Regional Regulations and any code of conduct as if they had been elected to membership, save that they may not be chair or vice-chair, or elected to a Regional Board, in the case of Area Committees or to the Board, in the case of Regional Boards.

## 6 THE BOARD

### Composition of the Board

- 6.1 The Board has twenty elected Directors, comprising fifteen Regional Directors and five Corporate Directors.
- 6.2 In addition, the Board may have up to three Independent Professional Non-Executive Directors, appointed by the Board.
- 6.3 Each year, following the completion of elections to the Board, a skills gap analysis of the Board will be undertaken to establish whether the Board has the skills and experience to meet the Society's needs. The Board may appoint up to three Independent Professional Non-Executive Directors to fill gaps identified in this way, subject to the following:
- 6.3.1 an Independent Professional Non-Executive Director appointed by the Board shall take office upon appointment, but their appointment shall be put to the next Society General Meeting for ratification. If it is not ratified, they shall immediately cease to be a member of the Board;
- 6.3.2 any Independent Professional Non-Executive Director may be removed by the Board.
- 6.4 Subject to the Rules and any Regional Regulations, Directors are elected as follows:
- 6.4.1 the members of the Area Committees in each Region elect for their Region the number of Regional Directors set out below through separate Regional Elections (a total of fifteen Regional Directors); and
- 6.4.2 five Corporate Directors are elected by ***Independent Society Members*** through a Corporate Election.
- 6.5 The allocation of seats for elected Directors between the Regions shall be as follows:

Region	Number of Directors
Scotland & Northern Ireland	2
North	3
North West & North Midlands	3
Central & Eastern	2
Cymru/Wales	1
South & West	2
South East	2



## Provisions affecting composition of the Board

- 6.6 The number of Regional Directors who are **Employees** shall never exceed four.
- 6.7 Not more than two members of the same family who are **Close Relatives** may hold office at the same time.
- 6.8 No **Independent Society Member** may have more than one of its nominees on the Board.
- 6.9 The Board shall adopt a code of conduct. All Directors are obliged to abide by such code of conduct, which will include provisions for removal from office by the Board where any Director is in material breach of the code.

## Term of Office

- 6.10 An elected Director serves a three year term of office, ending at twelve o'clock midnight on the day of the third Annual General Meeting following their election. Directors retire by rotation: five Regional Directors and one Corporate Director shall retire at the end of the first year of the cycle, and five Regional Directors and two Corporate Directors shall retire at the end of the second and third years of the cycle.
- 6.11 A person who has served as an elected Director may stand for re-election if they are qualified to do so.
- 6.12 An Independent Professional Non-Executive Director is appointed (subject to ratification under the Rules) for up to three years. A person who has served as an Independent Professional Non-Executive Director may be re-appointed. No person may serve more than three consecutive terms as an Independent Professional Non-Executive Director.
- 6.13 No person may take up or continue in office if, in the opinion of the Secretary, within a conflict of interests policy to be determined by the Board they are directly or indirectly concerned or interested in:
  - 6.13.1 any business or undertaking which is in any way competitive with a business or undertaking carried on from time to time by the Society or any member of the **Group**;
  - 6.13.2 any business or undertaking which is either a significant provider of goods and/or services to the Society or any member of the **Group**, or a significant customer of the Society or any member of the **Group**

unless such concern or interest falls within exclusions set out in the conflict of interests policy.

## Vacancies

- 6.14 If a vacancy amongst the elected Directors arises for any reason other than the expiry of a term of office an election shall be held as soon as is practical to fill the vacancy for the remainder of that term, unless the office falls vacant less than nine months

before the next Annual General Meeting. In that situation, the election to fill the vacancy shall be carried out as part of the normal annual electoral process unless the Board decides otherwise.

### **Procedures and voting in Elections**

- 6.15 Elections shall be held every year in time to fill vacancies arising upon retirement. Elections shall be carried out using procedures set out in Election Regulations issued by the Board. These shall include procedures for making nominations, the issuing and returning of voting papers, and the counting of votes.
- 6.16 The number of votes to be cast in elections to the Board shall be based on Purchases as follows:
  - 6.16.1 in Regional Elections, the number of votes based on Purchases attributable to an Area (as decided by the Board) shall be divided equally amongst the members of the Area Committee;
  - 6.16.2 in Corporate Elections, each **Independent Society Member** shall have the number of votes based on its Purchases.
- 6.17 The requisite number of candidates who receive the highest number of votes shall be elected to fill vacancies, unless the Rules provide otherwise. Where one or more of the vacancies is a casual vacancy, the candidate securing the highest number of votes shall fill the longest vacancy, and thereafter vacancies are filled in the same way. If two or more candidates receive the same number of votes and there are vacancies for a lesser number, the candidate or candidates to be elected shall be decided by drawing lots.
- 6.18 The Secretary shall be Returning Officer in every election. The Secretary (or a person appointed by the Secretary) and an independent body appointed by the Board shall examine the voting papers, count the votes, and certify in writing the result of every election for the Board.

### **Eligibility requirements for election to the Board**

- 6.19 A person is eligible to stand and to be elected to the Board if:
  - 6.19.1 at the point of election, they will have served less than three consecutive terms of office on the Board (whether or not any of those terms are less than three years); and
  - 6.19.2 at the point of nomination they have achieved any relevant personal development qualification as prescribed by the Board; and
  - 6.19.3 (in a Regional Election) at the point of nomination they are and have been a member of a Regional Board for at least the last 24 months; or
  - 6.19.4 (in a Corporate Election):

- (i) at the point of nomination and election they are the Chief Executive, Secretary, Director, or a senior manager of the nominating **Independent Society Member**, and
- (ii) they would not be ineligible to serve as a member of an Area Committee or Regional Board by virtue of the conflict of interests policy.

6.20 A person who has previously been removed from the Board under the Rules may not stand for election to the Board unless a resolution of the Board is passed with a two-thirds majority permitting them to stand.

#### **Other provisions relating to elections**

6.21 In the event that the number of candidates elected as Regional Directors who are **Employees**, would cause the number of **Employees** who are Regional Directors to exceed the maximum allowed under the Rules, the candidates polling the greatest proportion of votes cast shall fill the vacancies up to the limit. Any remaining vacancies shall be filled by other candidates.

6.22 No person shall be nominated in a Corporate Election and a Regional Election for the Board at the same time.

#### **Canvassing in Elections**

6.23 A candidate shall not solicit votes, whether in person, by post, email or other electronic means, except in accordance with Election Regulations. This prohibition applies not just to the candidate, but to their nominating Area Committee, Regional Board or **Independent Society Member** as well, and any other person, organisation, **company, society or corporation** on the candidate's behalf. An infringement of this Rule by or on behalf of a candidate shall make that candidate liable to disqualification by the Secretary from the election in question or, where the election has been completed, from membership of the Board.

6.24 In the event of a candidate being declared disqualified by the Secretary under this Rule, the Secretary may:

6.24.1 immediately issue a fresh voting paper for the election concerned, such voting paper to include those candidates originally nominated but to exclude the disqualified candidate; or

6.24.2 if the election concerned has been completed, declare the election void and:

- (i) conduct a fresh election excluding the disqualified candidate; or
- (ii) re-calculate the votes cast in the election so as to exclude the disqualified candidate and declare the result of the election on the basis of the re-calculation.

## Termination of office

- 6.25 A Director shall immediately cease to hold office if:
- 6.25.1 they resign their office by notice to the Secretary; or
  - 6.25.2 they cease to meet the eligibility requirements to be a member of an Area Committee or Regional Board or to be a Director as set out in the Rules, or infringe the provisions affecting the composition of the Board; or
  - 6.25.3 being a Corporate Director, they cease to be either the Chief Executive of the nominating **Independent Society Member**, or its Secretary, Director, or a **senior manager**; or
  - 6.25.4 they become prohibited by law from being a director of an industrial and provident society or of a **company**; or
  - 6.25.5 they become bankrupt or make any arrangement or composition with creditors generally; or
  - 6.25.6 they are removed from office by a majority resolution of the Board, on the basis that they have been absent from three successive or, in any year, in excess of one half of the meetings of the Board without good reason established to the satisfaction of the Board; or
  - 6.25.7 they are removed from office by a two-thirds majority resolution of the Board, on the basis that they are in material breach of the code of conduct; and it is not considered to be in the interests of the Society that they should continue to serve on the Board.
- 6.26 Where a process to remove a Director from office under the Rules has commenced, the Board may temporarily suspend that Director from office pending the outcome of the process.

## Board Meetings

- 6.27 The Board shall hold such meetings as it considers appropriate to discharge its roles and responsibilities. One such meeting in each financial year shall be given over exclusively to the determination of the Society's vision and strategy.
- 6.28 The Group Chair or, in their absence, one of the Deputy Chairs chosen by the Board, chairs meetings of the Board. In the absence of the Group Chair and Deputy Chairs, the Board appoints one of the Directors to chair the meeting.
- 6.29 A majority of the Directors shall constitute a quorum.
- 6.30 Directors may be counted in the quorum, participate in and vote at meetings of the Board by telephone, video or other electronic means.
- 6.31 Unless the Rules provide otherwise, every matter for decision at Board meetings shall be decided by a majority of votes. Each Director shall have one vote, and in the event of a tied vote, the chair of the meeting shall have a second or casting vote.

- 6.32 If either the Group Chair, (or in the absence of the Group Chair, a Deputy Chair), or at least one third of the members of the Board, asks the Secretary to circulate a resolution to all members of the Board to be signed, and it is returned to the Secretary signed by at least three quarters of the members of the Board, then it shall have the same effect as a resolution validly passed at a meeting of the Board. Each director may sign a separate copy of the resolution and send a signed copy to the Secretary by post, email or any other electronic means, and where the resolution is sent electronically, if it has not been signed, it must be sufficiently authenticated as required by the Secretary.
- 6.33 The Board may make standing orders for the conduct of its meetings and business.

#### **Group Chair and Deputy-Chairs**

- 6.34 The Board appoints one of the Directors, who must not be an **Employee**, to be Group Chair of the Board, and of the Society. The appointment of a person as Group Chair will, where circumstances permit, be made on terms that such appointment is to take effect on the expiry of a period of no more than 6 months, such expiry to coincide with the then incumbent Group Chair ceasing to hold that office for whatever reason. Following appointment but prior to the appointment becoming effective, the person so appointed shall be known as Group Chair Designate.
- 6.35 Subject to remaining a Director throughout, the Group Chair holds office for a period of three years from the date when the appointment becomes effective.
- 6.36 A majority of the remaining Directors may resolve to remove the Group Chair following procedures set out in standing orders, whereupon that person shall immediately vacate the office.
- 6.37 At the expiry of the three year period the person who has held the office of Group Chair throughout that period is entitled to seek re-election as Group Chair.
- 6.38 The Board may appoint up to three Directors, who are not **Employees**, to be Deputy Chairs. The Board from time to time determines the duration of and any conditions attaching to the office of Deputy Chair.
- 6.39 The Group Chair, each Deputy Chair and any Group Chair Designate also carry out the other functions assigned to them by the Board from time to time.

#### **Committees of the Board**

- 6.40 The Board appoints the following committees:
- 6.40.1 an Audit and Risk Committee which amongst other things oversees the preparation of the Society's accounts, monitors the Society's financial performance and control systems and co-ordinates the work of any corresponding committees appointed by any other member of the **Group**;
  - 6.40.2 a Remuneration and Appointments Committee which amongst other things makes recommendations about the remuneration of the Society's senior

employees and succession planning, and co-ordinates the work of any corresponding committees appointed by any other member of the **Group**;

6.40.3 a Co-operative Values and Principles Committee, or the Board makes some other suitable alternative provision (whether or not a committee of the Board) in relation to **Co-operative Values and Principles**, which amongst other things promotes the Society's membership, political, community and co-operative strategies;

6.40.4 a Group Chair's Committee which comprises the Group Chair, the Deputy Chairs, and any other Directors the Board decides from time to time. The Group Chair's Committee performs the functions given to it by the Rules, or by the Board.

6.41 The Board may from time to time appoint any further committee and may give such committees and any of the committees specified in the Rules such powers, duties and responsibilities as it may think fit.

6.42 The Secretary arranges for minutes to be prepared of every meeting of each committee appointed by the Board and copies of all such minutes are provided to each Director.

6.43 The composition of each committee appointed by the Board (with the exception of the Remuneration and Appointments Committee, and the Group Chair's Committee) may be the subject of recommendation by the Remuneration and Appointments Committee.

6.44 The Board has the power to make standing orders, not inconsistent with the Rules, for the conduct of meetings of committees appointed by it.

#### **Declaration or notification of Interest**

6.45 The Board shall keep a register of interests. Every Director is required to disclose any interest, employment, office or position of responsibility held by them in:

6.45.1 any business, or undertaking which is in any way competitive with a business or undertaking carried on from time to time by the Society or any member of the **Group**; or

6.45.2 any business or undertaking which is either a significant provider of goods and/or services to the Society or any member of the **Group**, or a significant customer of the Society or any member of the **Group**;

details of which shall be recorded in the register of interests.

6.46 If any Director has an interest (whether it is their own direct interest, or an indirect interest through a **Close Relative**) in a matter which is the subject of discussion at a meeting of the Board, they shall declare such an interest at the time, whether or not it is already recorded in the register of interests.

- 6.47 Where such an interest has been declared by a Director, the other members of the Board concerned who do not have such an interest shall decide whether:
- 6.47.1 the Director shall be permitted to attend that part of the meeting in which the matter is discussed; or
  - 6.47.2 the Director shall be permitted to speak and/or vote on the matter.
- 6.48 Where a Director is required to leave the room under the Rules, they shall continue to count for the purposes of the quorum.

## **7 REPORTING TO MEMBERS**

### **Preparation of Accounts**

- 7.1 In respect of each year of account, the Board shall cause Annual Accounts to be prepared which shall comprise:
  - 7.1.1 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; and
  - 7.1.2 a balance sheet giving a true and fair view at the year end of the state of the affairs of the Society.
- 7.2 The Board has 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.

### **Auditors and Accounts**

- 7.3 The Society shall in accordance with the law appoint in each year a qualified auditor or auditors to be the Auditors, and the following provisions shall apply to them:
  - 7.3.1 the Annual Accounts of the Society for that year shall be submitted to them for audit as required by the law;
  - 7.3.2 they shall have all the rights and duties in relation to notice of, and attendance and right of audience at Society General Meetings, access to books, the supply of information, reporting on accounts and otherwise, as are provided by the law;
  - 7.3.3 except where provided in the Rules, they are appointed by the Society at a General Meeting, and the provisions of the law shall apply to the re-appointment and removal and to any resolution removing, or appointing another person in their place;
  - 7.3.4 their remuneration shall be fixed by the Society at a General Meeting or in such manner as the Society in General Meeting may determine;
  - 7.3.5 any sums paid by the Society in respect of their expenses shall be deemed to be included in the expression "remuneration".
- 7.4 The Board may fill any casual vacancy in the office of auditor until the next following Society General Meeting.

### **Presentation of Accounts**

- 7.5 The Board shall present to the Annual General Meeting the Annual Report and Accounts, comprising the Annual Accounts together with reports of the business and affairs of the Society. The reports shall include a description of the differing operations carried on by the Society and the contributions of such respective differing operations to its trading results.



- 7.6 The Board shall report to Society General Meetings what payments have been made by way of distribution.

#### **Publication of Accounts and Balance Sheets**

- 7.7 Subject to the law, the Board must not cause to be published any revenue account or balance sheet unless it has previously been audited by the Auditors. Every revenue account and balance sheet published must be signed by the Secretary and by two Directors acting on behalf of the Board.

#### **Copy of Balance Sheet to be Displayed**

- 7.8 The Society must keep a copy of the last balance sheet, together with the report of the Auditors, always displayed in a conspicuous place at its registered office.

#### **Annual Return to be sent to Registration Authority**

- 7.9 The Society must, within the time allowed by legislation in each year, send to the **Registration Authority** 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:

- 7.9.1 the Society's financial statements for the period included in the return; and
- 7.9.2 the report of the Auditors for the same period.

and the most recent annual return of the Society shall be made available to any **Independent Society Member** or Individual Member by the Secretary on request in writing free of charge.

#### **Remuneration**

- 7.10 A Society General Meeting decides which categories of persons elected to any office are entitled to be remunerated.
- 7.10.1 The level of remuneration for each office is to be fixed by a Society General Meeting from time to time.
  - 7.10.2 Once fixed, the level of remuneration may increase each year in accordance with RPI or some similar measure decided by a Society General Meeting.
- 7.11 The amounts paid and payable to each Director in respect of each financial year shall be disclosed in the Society's Annual Report and Accounts.
- 7.12 Independent Professional Non-Executive Directors are entitled to receive fair and reasonable remuneration, to be decided by the Board, to reflect their skill and experience, and the contribution which they make to the Society.
- 7.13 In addition to any remuneration, members of the Board and of Regional Boards and Area Committees are entitled to reimbursement of expenses in accordance with any policy approved by a Society General Meeting.

- 7.14 Subject to any remuneration policy determined by a Society General Meeting, the Board may authorise payments to any employer of a Regional Director to compensate for any loss incurred by such employer as a result of that Regional Director participating in the Society's affairs.

**Other Fees and Emoluments**

- 7.15 Any fees or emoluments received by any member of the Board in respect of any appointment made by the Board relating to the Society's business shall be paid over to the Society unless the Board determines to the contrary.

## 8 CHANGE

### Alterations to Rules

- 8.1 No new rule shall be made, nor shall any of the Rules be amended, except by a majority of two-thirds of the votes cast on a poll at a Special General Meeting of the Society and/or on a referendum under the Rules.
- 8.2 Notice of such a Special General Meeting shall specify the rules to be amended, and set out the terms of all amendments or new Rules proposed.
- 8.3 No amendment to any of the Rules and no new Rule shall be 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 Special General Meeting of the Society.

### Transfers of Engagements

- 8.4 The Society may, by special resolution passed on a poll at a Special General Meeting in accordance with the Rules and in the way required by the law, amalgamate with or transfer its engagements to any **society** or convert itself into a **company**.
- 8.5 The Society may also accept a transfer of engagements and assets from any **society** by resolution of the Board or of a General Meeting of the Society, as the Board shall decide.

### Incoming Societies – The Board, Regional Boards and Area Committees

- 8.6 In the event of the Society accepting a transfer of engagements from another **society**:
  - 8.6.1 the Board shall have the power to appoint former members of the incoming **society** as additional members of a Regional Board;
  - 8.6.2 a Regional Board, with the approval of the Board, may appoint former members of the incoming **society** as additional members of any one of its Area Committees;
  - 8.6.3 a Regional Board, may, with the approval of the Board, establish an additional Area Committee within its Region and appoint to membership of that Committee former members of the incoming **society** and, in the event of so doing, shall, with the approval of the Board, specify the functions to be discharged by that Area Committee;

in each case with effect from the date of the transfer of engagements.
- 8.7 In the circumstances above:
  - 8.7.1 the Board may in its absolute discretion waive any requirement for any person so appointed to meet any or all of the eligibility criteria that would have been applicable under these Rules;

- 8.7.2 the time at which such Regional Board or Area Committee members are to stand for election shall, in the case of such Regional Board members, be fixed by the Board and, in the case of Area Committee members, be fixed by the Regional Board in question with the approval of the Board, but with regard being had, in the case of former members of the governing body of the incoming **society**, to the length of the unexpired residue of their respective terms of office on that governing body;
- 8.7.3 the Board may, by a resolution passed by not less than two-thirds of its members, co-opt to the Board any director or senior officer of any other **society** that transfers its engagements to the Society. Any such co-option to be effected within twenty-eight days after the transfer and any person so co-opted not having, if the Board so determines, to meet any or all of the eligibility criteria that would have been applicable under the Rules had that person been seeking nomination for election to the Board in a Corporate Election.

#### **Transfer of Engagements between Independent Society Members**

- 8.8 Where a Director's nominating **Independent Society Member** transfers engagements to another **Independent Society Member** and, at the effective date of transfer, such Director holds, in the view of the Board, an equivalent qualifying office with the transferee **Independent Society Member**, or where a Director's nominating **Independent Society Member** transfers its engagements to the Society, in either case, the Board shall have power to co-opt the Director as a member of the Board for such term (not to exceed the unexpired portion of the Director's term of office immediately prior to the effective date of transfer) as the Board shall decide.

#### **Transfers under the Mutual Transfers Act**

- 8.9 In the event of the Society or one of its Principal Subsidiary Corporations accepting a transfer of engagements, a transfer of business, a transfer of business undertaking or a transfer of shares or assets (in each case in whole or part) from a **Corporate Mutual**:
- 8.9.1 the Board may, by resolution passed by not less than two-thirds of its members, appoint former individual members, directors and officers of the incoming **Corporate Mutual** as additional members of the Board with effect from the effective date of the transfer;
- 8.9.2 the Board may appoint former individual members, directors and officers of the incoming **Corporate Mutual** as additional members of a Regional Board with effect from the effective date of the transfer, and may provide that any person so appointed shall be eligible to stand for election to the Board without having to satisfy one or more of the eligibility criteria that otherwise would have been applicable under the Rules;

- 8.9.3 the Board may appoint former individual members, directors and officers of the incoming **Corporate Mutual** as additional members of an Area Committee with effect from the effective date of the transfer, and may provide that any person so appointed shall be eligible to stand for election to a Regional Board without having to satisfy one or more of the eligibility criteria that otherwise would have been applicable under the Rules;
- 8.9.4 the Board may establish, on such terms as it determines appropriate, an additional Area Committee within any Region and appoint to membership of that Committee former individual members, directors and officers of the incoming **Corporate Mutual** and, in the event of so doing, shall specify the functions to be discharged by that Area Committee, and may also provide that any person so appointed shall be eligible to stand for election to a Regional Board without having to satisfy one or more of the eligibility criteria that otherwise would have been applicable under the Rules.
- 8.10 In the circumstances above:
- 8.10.1 the Board may, in its absolute discretion, waive any requirement for any person so appointed to the Board to meet any or all of the eligibility criteria that would otherwise have been applicable under the Rules;
- 8.10.2 the Board may, in its absolute discretion, impose eligibility criteria not set out in these Rules, for any person so appointed to the Board (including criteria requiring the individual concerned, for at least some prescribed period, to have been a member of and/or held office on a specific member-representative body within the **Corporate Mutual**);
- 8.10.3 the Board may, in its absolute discretion, waive any requirement for any person so appointed to a Regional Board or Area Committee to meet any or all of the eligibility criteria that would otherwise have been applicable under the Rules;
- 8.10.4 the Board may, in its absolute discretion, impose eligibility criteria not set out in these Rules for any person so appointed to a Regional Board or Area Committee (including criteria requiring the individual concerned, for at least some prescribed period, to have been a member of and/or held office on a specific member-representative body within the **Corporate Mutual**);
- 8.10.5 the Board may, in its absolute discretion, specify the manner in which a casual vacancy is to be filled where it arises as a result of a person so appointed to the Board, a Regional Board or an Area Committee ceasing to hold office before they are due to stand for election;
- 8.10.6 the time at which such additional members of the Board or any Regional Board or any Area committee are to stand for election shall be fixed by the Board but shall always occur before the fourth anniversary of the date of their appointment.

## **Dissolution**

- 8.11 The Society may be dissolved by winding up in the way required by the law. 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 be transferred to one or more **societies** which are:
- 8.11.1 registered as societies under the law;
  - 8.11.2 in membership of **Co-operatives UK**;
  - 8.11.3 have the same or similar Rule provisions as regards surplus distribution on a dissolution or winding up as are contained in this Rule; and
  - 8.11.4 chosen by the Members at an Ordinary or Special General Meeting.
- 8.12 Any assets not dealt with in this way shall be paid or transferred to **Co-operatives UK** to be used and applied in accordance with **Co-operative Values and Principles**.

## 9 SHARE CAPITAL (AND OTHER PROVISIONS CONCERNING THE JOINT HOLDING OF SHARES, AND THE DEATH OR BANKRUPTCY OF INDIVIDUAL MEMBERS)

- 9.1 The Society has the following types of shares:
- 9.1.1 individual shares;
  - 9.1.2 corporate shares; and
  - 9.1.3 corporate investor shares.
- 9.2 If another **society** or **Corporate Mutual** transfers its engagements to the Society, the Society may create other individual shares or corporate shares, which have a nominal value and such rights, privileges, obligations and conditions that correspond to corporate and/or individual shares of any such incoming **society** or **Corporate Mutual**.
- 9.3 No Individual Member or **Independent Society Member** may have a greater interest in shares than is allowed by any law. Nothing prevents an Individual Member or an **Independent Society Member** holding shares of differing nominal values.

### Individual Shares

- 9.4 Individual shares:
- 9.4.1 have a nominal value of £1, or 10p in the case of shares held before 9<sup>th</sup> December 1993;
  - 9.4.2 are withdrawable on such periods of notice as the Board shall decide; and
  - 9.4.3 are not transferable.
- 9.5 An individual who applies for membership as an Individual Member shall agree to pay the nominal amount of the share by permitting the Society to deduct and retain some or all of the amount from any dividend or dividends payable under the Rules. The share shall be treated as fully paid up for the purposes of the Rules (whether or not it is), save in relation to repayment of share capital.
- 9.6 The Board may decide to suspend the right to withdraw individual shares, and it may decide to do this wholly or in part, and either indefinitely or for a fixed period. Any suspension also applies to all notices of withdrawal which have been received and which remain unpaid at the time when the Board makes its decision.
- 9.7 Subject to the Rules, the Board may decide that Individual Members shall receive interest on the individual share capital which they hold, according to the Society's records. The Board decides the rate of interest within prudent limits, not exceeding 7 per cent per annum or 2 per cent above the base lending rate of The Co-operative Bank p.l.c. at the time, whichever is the greater. The rate may be zero; it may vary for different types of share; and it may be graduated according to the amount of individual share capital held by the Individual Member. Interest shall not be payable on any individual share capital of a nominal value of £1 or less.

- 9.8 Individual Members who are not joint holders of shares may make arrangements permitted by law for shares they hold to pass on their death to a nominated person or persons. Any nominee to whom any individual share is passed on nomination in this way, who is not already an Individual Member, shall as a result become an Individual Member.
- 9.9 If an Individual Member (who is not a joint holder of shares) dies or becomes bankrupt, subject to any of the other provisions of the Rules, the Society has the following discretionary power. It may repay the nominal value of any individual share and pay any other moneys standing to the credit or account of that Individual Member (including arrears of interest payable on that share and arrears of declared dividend payable under the Rules) to the personal representative or trustee in bankruptcy (as the case may be) of that Individual Member, or as such personal representative or trustee in bankruptcy may direct. The Society shall be entitled, out of any payment or repayment, to retain and deal with as it thinks fit any amount not exceeding £1 in respect of which the Individual Member in question shall have previously indicated that, in these circumstances, they do not require repayment. Upon such repayment being made the individual share in question shall be cancelled and extinguished.
- 9.10 Individual shares may not be held as individual shares by two or more persons jointly unless:
- 9.10.1 they are currently recorded as jointly held in the Society's records; or
- 9.10.2 as part of a transfer of the engagements of another **society** to the Society, they are issued to two or more persons in substitution for the shares that those persons jointly held in that other **society** at the time of the transfer.
- 9.11 Further in relation to the joint holding of shares:
- 9.11.1 either or any of the joint holders of individual shares may give a valid receipt for any payment of interest on or repayment of capital in respect of individual shares, and for any payment of dividend under the Rules, whether any such payment or, as the case may be, repayment is made to one or more of the joint holders;
- 9.11.2 all rights attaching to jointly held individual shares shall only be capable of being exercised by, and all notices relating to such individual shares shall only be given to the first named of the joint holders in the Society's records, unless the joint holders have nominated, by written notice to the Society, another of their number to exercise such rights and receive such notices;
- 9.11.3 on the death or bankruptcy of either or any one of the joint holders all individual shares standing to the credit of the joint holders shall be registered in the name of the other holder or holders.
- 9.12 Where an Individual Member is removed or expelled from membership under the Rules, their shares shall be cancelled and thereafter, subject to the Rules, they shall



receive from the Society a sum equal to the amount of individual share capital in the Society credited as paid up by the Individual Member at the date of cancellation, together with any arrears of interest payable on such share capital and any arrears of declared dividend payable under the Rules.

- 9.13 The Society shall have a lien on the individual shares, loans and deposits of an Individual Member in the same manner and with the same powers of set-off and of sale and application of the proceeds of sale as in the case of corporate shares.

#### **Corporate Shares**

- 9.14 Corporate shares:

9.14.1 have a nominal value of £5;

9.14.2 are not withdrawable; and

9.14.3 are transferable in accordance with the Rules.

- 9.15 Each corporate body, on its admission as an ***Independent Society Member***, shall pay the sum of not less than £5 on each corporate share taken up, except where a corporate body becomes an ***Independent Society Member*** by virtue of the transfer of engagements to the Society. The whole or any part of the unpaid share capital in respect of corporate shares may be called up by the Board on giving written notice to that effect. Any ***Independent Society Member*** may pay up its corporate shares in advance of any call to do so by the Board. No dividend or interest shall be paid to an ***Independent Society Member*** until its shares are fully paid.

- 9.16 Any ***Independent Society Member*** may, with the approval of the Board, transfer the whole or any part of its corporate shares only to any other ***Independent Society Member*** by means of a transfer in the form prescribed from time to time by the Board, duly executed and properly stamped which shall be lodged with the Secretary. The ***Independent Society Member*** to which any corporate shares are transferred shall pay all the costs of the transfer, including stamp duty (if any).

- 9.17 Subject to the Rules, each ***Independent Society Member*** is entitled to receive interest upon the corporate shares which it holds, according to the Society's records. The Board decides the rate of interest within prudent limits, not exceeding 7 per cent per annum in respect of the number of corporate shares for which an ***Independent Society Member*** would have been required to subscribe under the Rules had that ***Independent Society Member*** joined the Society at the end of the Society's financial year immediately preceding the year for which interest on corporate shares is being paid. The rate may be zero; and it may be graduated according to the amount of corporate share capital held by the ***Independent Society Member***. Interest paid under this Rule shall be paid each half-year on corporate share capital standing to the ***Independent Society Member's*** account at the beginning of the half-year.

- 9.18 If any ***Independent Society Member*** goes into liquidation whether voluntary or compulsory (save for the purpose of solvent amalgamation or reconstruction) then

subject to any of the other provisions of the Rules, the Society may at its discretion cancel and extinguish the corporate shares of such **Independent Society Member**. Before doing so, it shall pay to the liquidator any sums lawfully owing in relation to the corporate shares, and thereupon the **Independent Society Member** shall cease to be a member of the Society.

### Corporate Investor Shares

9.19 Corporate investor shares:

- 9.19.1 have a nominal value of £1;
- 9.19.2 are withdrawable in accordance with the Rules; and
- 9.19.3 are not transferable.

9.20 Corporate investor shares:

- 9.20.1 may at the discretion of the Board be issued, on application only, to existing **Independent Society Members** which hold fully paid corporate shares and which are registered as industrial and provident societies;
- 9.20.2 shall not carry any voting rights; and
- 9.20.3 shall have such terms and conditions, determined and specified by the Board, under which they may be withdrawn or repaid, and as to the rate of interest which shall be paid on such shares (such rate of interest may be graduated according to either the amount of such shares that are held or the time for which such shares are held, and may be varied from time to time).

9.21 The Society may set off any sum credited to an **Independent Society Member** in relation to its corporate shares and corporate investor shares towards the payment of any debt owed by the **Independent Society Member** to the Society. If any **Independent Society Member** is indebted to not less than three-fourths of the sum for the time being credited on the corporate shares so held, and does not pay the amount due within one calendar month after a demand has been made, the Board may sell and transfer in the books of the Society such corporate shares to any other **Independent Society Member** or any **society** or **company** or **corporation** entitled to become an **Independent Society Member**. The Society shall apply the proceeds of such sale in or towards the payment of such debt and any expenses incurred in relation to it, and shall pay over any surplus to the indebted **Independent Society Member** without being responsible for any loss occasioned thereby, and any transfer so made shall extinguish the right of the indebted **Independent Society Member** in the corporate shares so transferred, and shall operate as an original issue thereof.

## 10 ADMINISTRATIVE

### Purpose, objects and powers

- 10.1 The Society's Purpose is to serve its Members by carrying on business as a co-operative in accordance with ***Co-operative Values and Principles***.
- 10.2 The Objects of the Society are, in accordance with its Purpose:
- 10.2.1 to carry on the business of dealing (on a retail or wholesale basis) in, producing, creating, supplying and providing property, goods and services of all kinds, including engaging in credit sale, rental and other financial services or credit transactions; and
  - 10.2.2 to engage, as principals or agents, in any other business, trade, industry or activity which seems to the Society directly or indirectly conducive to carrying out the above Objects.
- 10.3 The Society has full power to do all things necessary or expedient for the accomplishment of any of its Objects.
- 10.4 In particular it may:
- 10.4.1 purchase, hold, sell, mortgage, rent, lease or sub-lease lands of any tenure and erect, pull down, repair, alter or otherwise deal with any building on those lands;
  - 10.4.2 enter into any guarantee, contract of indemnity or suretyship, upon such terms and conditions as the Directors think fit, 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 it may with or without consideration guarantee or give security in the way described for the payment without limit of any principal monies, premiums, interest and other monies secured by or payable under any obligations or securities of any ***society*** or ***company*** which is the holding ***society*** or ***company*** or a subsidiary ***society*** or ***company*** of the Society or of any such holding ***society*** or ***company***;
  - 10.4.3 establish a pension or superannuation scheme for the benefit of its employees and pay contributions and enter into any contract or trust deed for this purpose;
  - 10.4.4 borrow money, mortgage or charge any of its property and issue debentures and other securities upon such terms and conditions as the Board thinks fit; provided that the Society's total borrowings shall not at any time exceed the greater of 20 times the amount of the paid up share capital of the Society for the time being and 150 per cent of the Society's consolidated net worth for the time being but the person or body making any such advances shall not be concerned to inquire whether and shall not

be affected by notice that such limit has been or will be exceeded and provided further that any such mortgage, charge, debenture or other security may be given or issued as a continuing security to cover any sum or sums due from time to time by the Society to any **society, company, corporation**, person or body with which it may have a banking account or transact banking business. "Consolidated net worth" for these purposes means the aggregate of the amount of the paid up share capital of the Society for the time being and the aggregate amount of all reserves as shown in the latest audited consolidated accounts of the Society;

- 10.4.5 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 permitted under the law at the time.

### **Borrowing and Financial Management**

- 10.5 In addition and without affecting the rights of the Board to exercise any other powers under the Rules, the Board may exercise all the powers of the Society to obtain advances of money and to mortgage or charge any of its property or assets and to issue debentures or other securities, and to enter into any agreement in connection with its financial affairs, including any agreement for reducing or compensating for any financial risk.

### **Investments**

- 10.6 Subject to any restriction imposed by resolution of any Society General Meeting, the Board may invest any part of the capital and funds of the Society in any manner which the Board may from time to time determine.

### **Books of Account**

- 10.7 The Board shall ensure there are adequate accounting records of the transactions of the Society, its assets and liabilities, and shall establish and maintain a satisfactory system of control of such accounting records, the cash holdings and all receipts and expenditure of the Society in accordance with the law.

### **Financial Year and Half-Year End**

- 10.8 The financial year of the Society shall end, subject to the **Registration Authority** permitting it, on such date as the Board may decide, and the financial half-year of the Society shall end on such date as the Board shall determine.

### **Division of Profits available for distribution**

- 10.9 The Board recommends to the Society General Meeting for its approval how the **profits available for distribution** shall be applied. No payment or distribution shall be made other than in accordance with a recommendation of the Board. The Board is at liberty to recommend that no payment or distribution be made or that a payment or some payments and/or a distribution or some distributions be made and others not.

- 10.10 The Board may recommend a financial limit below which no dividend shall be paid.
- 10.11 Any dividend may be paid partly or wholly in vouchers.
- 10.12 The **profits available for distribution** may be used in the following ways:
- 10.12.1 to increase the reserve funds of the Society;
  - 10.12.2 in the payment of a dividend:
    - (i) to Individual Members and/or **Independent Society Members** at the date of the declaration of the dividend (and at any earlier date or dates as the Board may specify) who have made Qualifying Purchases; and/or
    - (ii) to persons who are members of an **Independent Society Member**, in accordance with reciprocal arrangements agreed with such societies, who have made Qualifying Purchases; and/or
    - (iii) to **societies, companies, corporations** and persons, not being **Independent Society Members** or Individual Members at both and/or either of the date of declaration of the dividend and any earlier date or dates as the Board may specify under the Rules, who have made Qualifying Purchases, provided that the sum so paid shall not exceed one half of the sum to which they would have been entitled had they been Individual or, as the case may be, **Independent Society Members** at both the date of declaration of the dividend and any earlier date or dates as the Board may have specified; and/or
    - (iv) to **Employees** who are Members, subject to criteria to be determined by the Board;
  - 10.12.3 for any purpose to the extent and in the manner recommended by the Board whether such purpose be charitable or philanthropic or otherwise whatsoever and whether within the Objects of the Society or not.
- 10.13 The Board decides what is included in Qualifying Purchases, and this may be different for Individual Members and **Independent Society Members**. Purchases Regulations shall set out what is included in Qualifying Purchases.
- 10.14 In relation to payment of a dividend to those who have made Qualifying Purchases, the Society may pay dividends (whether final or interim) in proportion to their respective Qualifying Purchases or otherwise as the Board may determine, and, in particular, may pay dividends (whether final or interim) of different rates (including a rate of zero) or computed on differing bases as between all or any of the following and/or as between all or any of the individuals, **companies, societies** or **corporations** comprising all or any of the following:

- 10.14.1 **Independent Society Members;**
- 10.14.2 until and including the **Payment Date**, Individual Members who at the **Britannia Effective Date** were members of **Britannia** entitled to participate in the **Britannia Member Reward Scheme** and either were also members of the Society or became members of the Society with effect from that Date as a result of accepting an offer of membership made by the Society in relation to the transfer of the **Britannia Business** to The Co-operative Bank plc;
- 10.14.3 until and including the **Payment Date**, Individual Members who at the **Britannia Effective Date** were members of **Britannia** not entitled to participate in the **Britannia Member Reward Scheme** and either were also members of the Society or became members of the Society with effect from that date as a result of accepting an offer of membership made by the Society in relation to the transfer of the **Britannia Business** to The Co-operative Bank plc;
- 10.14.4 until and including the **Payment Date**, Individual Members who at the **Britannia Effective Date** were members of **Britannia** but were less than sixteen years of age;
- 10.14.5 Individual Members who are **Employees** (whether or not they also fall within any of the previous three sub- paragraphs);
- 10.14.6 other Individual Members;
- 10.14.7 those who fall within none of the above

and in so doing the Board may take account of different classes or individual types of Qualifying Purchases and/or different outlets and/or different Areas in which Qualifying Purchases are or have been effected.

- 10.15 The Board may, with the sanction of a Society General Meeting, authorise the payment to **Independent Society Members** of a special dividend on Qualifying Purchases. The Board may from time to time and with the sanction of a Society General Meeting, pay such interim dividend or dividends as appears to the Board to be justified.

#### **Settlement of Disputes**

- 10.16 Any dispute, between:
  - 10.16.1 the Society or an officer of the Society on the one hand and an Individual Member or **Independent Society Member** on the other hand, or
  - 10.16.2 a **society, company, corporation** or person which has for not more than six months ceased to be an Individual Member or, as the case may be, **Independent Society Member** on the one hand and the Society or an officer of the Society on the other hand

as to the interpretation of or arising out of the Rules (other than an issue (a) to be determined by the Secretary as provided by the Rules, or (b) as to whether a Member ceases to be entitled to membership under the Rules, or (c) relating to the Society's calculation or declaration of any dividend paid or to be paid other than to a **Independent Society Member**), shall (except as otherwise provided in the Rules) be referred, in default of agreement between the parties to the dispute, to a person appointed by **Co-operatives UK**, on application by any of the parties. The person so appointed shall act as sole arbitrator in accordance with the Arbitration Act 1996 and such person's decision shall (including any decision as to the costs of the arbitration) be final.

### **The Secretary**

- 10.17 The Board appoints and may remove the Secretary.
- 10.18 The Board may appoint an acting secretary on a temporary basis, if for any reason the Secretary is unable to discharge their functions.
- 10.19 The Secretary
  - 10.19.1 has the functions set out in the Rules and any other functions which the Board assigns;
  - 10.19.2 also acts as secretary to committees of the Board and Subsidiary Boards, but subject to the Board's approval, may appoint another person for those purposes;
  - 10.19.3 acts as Returning Officer at and is responsible for the conduct of all elections and referenda described in the Rules (except where the Rules provide otherwise);
  - 10.19.4 as Returning Officer is solely and absolutely responsible for settling the form of notices, resolutions, proposals, voting cards and voting papers for meetings, for the purpose of ensuring that the results of all matters put to a vote either by way of a show of hands or poll or referendum are clear and conclusive;
  - 10.19.5 has absolute discretion to decide any issue or question which the Rules require the Secretary to decide.
- 10.20 The Secretary appoints and may remove the Regional Secretaries subject to the approval of the relevant Regional Board.
- 10.21 The roles and responsibilities of Regional Secretaries are set out in Regional Regulations.

### **Register of Members**

- 10.22 The Society shall keep at its registered office a register of Individual and **Independent Society Members** as required by the law. Any Individual or **Independent Society Member** wishing to inspect the register (or any part of it) shall provide the Society with

not less than 14 days' prior notice given in writing (and any transmission of the notice by electronic mail or facsimile shall not satisfy the requirement that the notice be given in writing) to the Secretary at the Society's registered office.

### **The Seal**

- 10.23 The Society shall have its name engraved in legible characters on a seal. The seal of the Society shall be in such custody as the Board directs and shall be used only by the authority of the Board and in the presence of the Secretary or any such other person or persons as the Board may from time to time appoint for the purpose who shall sign every instrument to which the seal is affixed. In favour of any person bona fide dealing with the Society the signature of the Secretary or any other such appointed signatory to the sealing of any instrument shall be conclusive evidence of the fact that the seal of the Society has been properly affixed thereto.

### **Copies of Rules and Regulations**

- 10.24 The Secretary will provide a copy of the Rules to any person who demands it, and may charge a sum (not exceeding ten pence or the maximum allowed by the law) for providing such a copy.
- 10.25 The Secretary will provide a copy of any Regulations referred to in the Rules to any Member who requests it and may charge a reasonable sum for doing so.

### **Directors' and Officers' Indemnity**

- 10.26 Subject to the law, every member of the Board or other officer of the Society and every officer of every other member of the **Group** shall be indemnified out of the assets of the Society against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted, or in connection with any application in which the court grants them relief from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Society or the affairs of any other member of the **Group**.
- 10.27 In addition, the Society may, by resolution of the Board, provide indemnification to any member of the Board and any other of its officers and to any officers of any other member of the **Group** 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.
- 10.28 The Society may purchase and maintain insurance for the benefit of:
- 10.28.1 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 or the affairs of any other member of the **Group**;
  - 10.28.2 members of the governing body of any other member of the **Group**, the other officers of that member of the **Group** and those of that member of the



**Group's** employees as the Society may designate against a liability or some or all of the liabilities (as the Society shall determine) arising from any act and/or omission of any such member, officer or employee in relation to the affairs of that member of the **Group** or the affairs of any other member of the **Group** (including the Society);

10.28.3 members of the Board, members of the governing body of any other member of the **Group**, the other officers of the Society and/or of any other member of the **Group** and those employees of the Society and/or of any other member of the **Group** as the Society may designate against a liability or some or all of the liabilities (as the Society 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 any third party where the relationship of that member, officer or employee with that third party has previously been specifically approved by the Board or the Group Chief Executive or the governing body of the other member of the **Group** in question;

10.28.4 the Society by way of reimbursement of any sums paid by it under or relating to any indemnity provided by it under this Rule.

10.29 Without limiting any other provisions in the Rules, the Society may, by resolution of the Board, provide any member of the Board, any other of its officers, or any officers of any other member of the **Group** with funds to meet expenditure incurred or to be incurred by that member or officer:

10.29.1 in defending any criminal, civil or regulatory proceedings; or

10.29.2 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.

10.30 Any indemnification provided by the Society to any member of the Board or officer of the Society, or to any officer of any other member of the **Group** under the Rules and any funds provided to any member of the Board, any other of its officers, or any officers of any other member of the **Group** so as to meet expenditure incurred or to be incurred in connection with legal proceedings, in each case at any time during a financial year of the Society, shall be declared in the Society's published accounts for that financial year.

10.31 Notwithstanding any other provision of the Rules a member of the Board shall be counted in the quorum in relation to, and may speak and vote upon, any motion before the Board concerning:

10.31.1 insurance which the Society proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including any Director; or

10.31.2 the Society providing that member of the Board (whether or not in the company or others) with (i) an indemnity permitted by law and the Rules, or (ii) funds in circumstances permitted by law and the Rules so as to meet expenditure incurred or to be incurred in connection with legal proceedings or (iii) the benefit of any other action permitted by law and the Rules to enable that member to avoid incurring any such expenditure

provided always that any such motion where it relates exclusively to an individual member of the Board shall not be passed as a resolution of the Board by virtue only of that individual member having voted in its favour.

## 11 TRANSITION PROVISIONS

- 11.1 These provisions apply following the registration of the Rules in 2008, and what is said elsewhere in the Rules is subject to these provisions.

### **First Board, First Regional Boards, and First Area Committees**

- 11.2 For the purposes of eligibility to be elected as a Director, the requirement to have been a member of a Regional Board for at least the 24 months immediately preceding the date of nomination may be fulfilled (in whole or in part) by membership of the Board of (the former) United Co-operatives Limited and of the United Regional Board.
- 11.3 For the purposes of eligibility to be elected to a Regional Board, the requirement to have been a member of an Area Committee for at least the 24 months immediately preceding the date of nomination may be fulfilled (in whole or in part) by membership of a Regional Council or Member Relations Committee of (the former) United Co-operatives Limited.
- 11.4 For the purposes of eligibility to be elected as a Director, service on the Board before the Annual General Meeting in 2009 shall be ignored.
- 11.5 In relation to those individuals who are elected to the Board as Regional Directors and who take office from the conclusion of the Annual General Meeting in 2009, the retirement dates will be as follows:

<b>Region</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Scotland & Northern Ireland	0	1	1
North	1	1	1
North West & North Midlands	1	1	1
Central & Eastern	1	0	1
Cymru/Wales	0	1	0
South & West	1	0	1
South East	1	1	0

- 11.6 In relation to those individuals who are elected to the Board as Corporate Directors and who take office from twelve o'clock midnight on the day of the Annual General Meeting in 2009, two will retire at twelve o'clock midnight on the day of the Annual General Meeting in 2010, one will retire at twelve o'clock midnight on the day of the Annual General Meeting in 2011, and two will retire at twelve o'clock midnight on the day of the Annual General Meeting in 2012.

## APPENDIX

1. The Rules should be read and understood on the basis of what is set out below.
2. Words in the singular include the plural, and words in the plural include the singular.
3. Any reference to legislation includes any subsequent enactments, amendments and modifications, or any subordinate legislation.
4. The section, rule and paragraph headings are inserted for convenience only and shall not affect the interpretation of the Rules.
5. The following words and phrases have the special meaning set out below.

<b><i>Britannia</i></b>	Britannia Building Society, a building society registered in England and Wales under number 322B
<b><i>Britannia Business</i></b>	all the property, rights and liabilities of <b><i>Britannia</i></b> , of whatever nature and whether or not capable of being transferred or assigned, as they existed on the <b><i>Britannia Effective Date</i></b>
<b><i>Britannia Effective Date</i></b>	the date on which the transfer of the <b><i>Britannia Business</i></b> to The Co-operative Bank plc took place
<b><i>Britannia Member Reward Scheme</i></b>	The scheme established by <b><i>Britannia</i></b> which was designed to reward members of <b><i>Britannia</i></b> for the contribution they made to the continued success of <b><i>Britannia</i></b>
<b><i>Close Relative</i></b>	husband or wife, partner, grandfather, grandmother, father, mother, son, daughter, brother, sister, half brother, half sister, grandson, granddaughter, stepfather, stepmother, stepbrother, stepsister, stepson and stepdaughter; 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 together in the same household as a couple, irrespective of their sex or sexual orientation
<b><i>company</i></b>	a company registered with limited liability under the Companies Act 2006 or any previous Companies Act, or under any law of the country where it is situate whereby it acquires the right of trading as a body corporate with limited liability
<b><i>Co-operative Movement</i></b>	the national and international community of societies defined by their shared commitment to <b><i>Co-operative Values and Principles</i></b>
<b><i>Co-operative Values and Principles</i></b>	the values and principles from time to time forming part of the International Co-operative Alliance's statement on the Co-operative Identity
<b><i>Co-operatives UK</i></b>	Co-operatives UK Limited, Holyoake House, Hanover Street, Manchester M60 0AS, registered number IP2783R

<b>Corporate Mutual</b>	body corporate with limited liability (other than a <b>society</b> ), established on a mutual basis and designated by the Board as a “ <b>Corporate Mutual</b> ” for the purposes of the Rules
<b>corporation</b>	a <b>society</b> , a <b>company</b> or any other body corporate
<b>Employee</b>	any person who is, or has been at any time in the last three years, a worker for the Society or any other member of the <b>Group</b> . For the purposes of this provision, the definition of a worker is that set out in Section 230 of the Employment Rights Act 1996, except that any person not working under a contract of employment shall not be a worker if the contract under which that person works is for a fixed term of less than 6 months
<b>Registration Authority</b>	Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS, Company Number 01920623, or such other body appointed to carry out its function as registration authority
<b>Group</b>	the Society and: <ul style="list-style-type: none"> <li>(i) every <b>company</b>, <b>society</b> and <b>corporation</b> in which the Society from time to time directly or indirectly either holds the majority of votes exercisable in general meeting, or has the right to appoint those members of that <b>company’s</b> or <b>society’s</b> or <b>corporation’s</b> governing body who are entitled to exercise the majority of votes exercisable at a meeting of that governing body; and</li> <li>(ii) every other <b>company</b>, <b>society</b> and <b>corporation</b> designated from time to time by the Board in writing as a subsidiary entity of the Society;</li> </ul>
<b>Independent Society</b>	any <b>society</b> , <b>company</b> or <b>corporation</b> in membership of the Society from time to time
<b>Member</b>	
<b>Payment Date</b>	the date on which the Society pays a final dividend under the Rules in respect of all or the greater part of 2013 or the date on which the Society determines not to declare any such dividend
<b>profits available for distribution</b>	profit before payments to and on behalf of members less taxation as shown in the income statement in the Annual Accounts
<b>society</b>	a co-operative society registered with limited liability under the Industrial and Provident Societies Act 1965 or under any law of the country where it is situate whereby it acquires the right of trading as a body corporate with limited liability
<b>senior manager</b>	any manager who reports directly to a member of the Executive, any member of the Executive or the Group Chief Executive, any employee who reports directly to the Secretary, and any other person employed within the secretariat division of the Society as decided by the Board from time to time
<b>United Employee Share Scheme</b>	the Employee Share Scheme established by a Deed of Trust dated 25 September 2001 made between United Co-operatives Limited (then known as United Norwest Co-operatives Limited), the “Participating Societies” identified in that Deed of Trust, and Norwest Estates Services Limited

6. The following words and phrases are identified in the Rules set out below.

Annual Accounts	Rule 7.1
Annual General Meeting	Rule 4.7
Annual Report and Accounts	Rule 7.5
Area	Rule 5.3
Area Committee	Rule 2.1
Audit and Risk Committee	Rule 6.40.1
Auditors	Rule 7.3
Board	Rule 2.1
Board Member	Rule 4.25
Chief Financial Officer	Rule 4.19.3
Group Chair	Rule 6.34
Group Chair Designate	Rule 6.34
Group Chair's Committee	Rule 6.40.4
Group Chief Executive	Rule 2.1
Co-operative Values and Principles Committee	Rule 6.40.3
Corporate Director	Rule 6.4.2
Corporate Election	Rule 6.4.2
Delegation	Rule 4.2.1
Deputy Chair	Rule 4.25
Deputy Chief Executive	Rule 2.11.4
Director	Rule 6.1
Election Regulations	Rule 6.15
Executive	Rule 2.1
Half Yearly Meeting	Rule 4.7
Independent Professional Non-Executive Directors	Rules 6.2
Individual Member	Rule 3.1
Joint Individual Member	Rule 3.5
Member	Rule 2.1
Members Council	Rule 5.5
Objects	Rule 10.2
Ordinary General Meeting	Rule 4.5
Ordinary Regional Meeting	Rule 4.36
Principal Subsidiary Corporation	Rule 1.7
Purchases	Rule 4.15
Purchases Regulations	Rule 4.16
Purpose	Rule 1.3
Qualifying Purchases	Rule 10.13
Region	Rule 5.1
Regional Board	Rule 2.1
Regional Director	Rule 6.4.1
Regional Election	Rule 6.4.1

Regional Office	Rule 5.2
Regional Meeting	Rule 4.1
Regional Regulations	Rule 5.7
Regional Secretary	Rule 5.2
Regional Value and Principles Committee	Rule 5.2
Register of Members	Rule 10.22
Regulations	Rule 1.9
Remuneration and Appointments Committee	Rule 6.40.2
Rules	Rule 1.8
Returning Officer	Rule 6.18
Secretary	Rule 2.18
Society	Rule 1.1
Society General Meeting	Rule 4.1
Special General Meeting	Rule 4.8
Special Regional Meeting	Rule 4.36
Standing Orders	Rule 6.33
Subsidiary Board	Rule 2.1

