

The Midcounties Co-operative Limited

Special Meeting – 15 July 2025, 6.00pm – 6.30pm

Explanatory note

This note provides an explanation to the Rule change being proposed by the Board to members at the above Special Meeting. The Rule change was originally passed by members at a Special Meeting held on 24 May 2025. Unfortunately, due to a procedural error, the Rule change cannot be accepted.

The Board is keen to rectify this, so is calling a further Special Meeting to put the Rule change to members once again.

The below provides more detail.

Special Meeting – 24 May 2025

At the Society's AGM held on 24 May 2025, a Special Meeting was held to propose a change to the Society's Rules. During the meeting, a member proposed an amendment to the proposed Rule change which was duly passed by members at the meeting. The Rule change, as amended, was then also passed by members.

Following the meeting, a detailed review of the Society's Rules shows that it is not possible to accept amendments to proposals put forward during a Special Meeting – Society Rule 9.7 applies: "A Special Members' Meeting shall not transact any business not specified in the notice convening it". Thus, and unfortunately, the Rule change cannot be accepted.

The Board is keen to address this procedural error, so has taken the decision to hold a further Special Meeting to propose the Rule change as amended during the Special Meeting on 24 May 2025.

The below provides the rationale for the Rule change.

Proposed Rule change

The Board has been reviewing elements of its governance arrangements over the last few months and wishes to propose the below Rule change. If approved, the change would align the Society with best governance practice in the co-operative sector in this particular area.

As may well be known, the Board is made up of 16 directors who have all been elected by the Society's members. This accords well with the formal principles on which co-operatives are founded¹ – in particular, the second principle:

Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions.

For some years now the co-operative Corporate Governance Code published by Co-operatives UK² has allowed for the appointment (rather than election) of 'independent non-executive directors'. The thinking is that a co-operative Board could be strengthened and so undertake its role more effectively, if it was able to appoint an individual(s), should it be felt needed, with particular skillsets or different experiences to the elected directors on the Board. This to help 'ensure that the board can fulfil its role properly and act to its full potential'.

To accompany this provision, Co-operatives UK has also introduced standard wording for co-operative societies which can be adopted into their rules to allow for such appointments. It is proposed to adopt all the key points from the standard wording into the Society's rules as safeguards are included to take account of co-operative principles - for example, appointed directors should have their appointment ratified by members each year, should be reviewed every 12 months by the Board, etc.

Most co-operatives similar to the Society have adopted such a rule into their rule books, and most have appointed at least one 'independent non-executive director' as a result to complement the strengths of their member elected directors.

The Society's Board and members generally have always been cautious about adopting this rule given the strong belief in the second co-operative principle - Member Democratic Control (noted above). This was reflected in the discussion by members at the Special Meeting held on 24 May 2025, and the suggested amendment to the Rule which added an additional safeguard – that the appointment of an independent non-executive director should only be made 'in exceptional circumstances'.

¹ there are seven co-operative principles set out by the International Co-operative Alliance (the apex body for co-operatives globally); you can find out more here - <https://ica.coop/en/cooperatives/cooperative-identity>

² the Code sets out best practice co-operative governance principles and provisions; it is owned and published by Co-operatives UK (the apex body for co-operatives in the UK)

However, recognising that the Society operates in an increasingly complex and challenging environment, and conscious of the best practice governance recommendations from Co-operatives UK, the Board believes it is now appropriate to make provision in the Society's rules to allow for the appointment of one independent non-executive director. This would allow the Board, should it believe it necessary, and 'in exceptional circumstances', to appoint an individual to the Board if it was felt this would enhance performance and allow it to more effectively fulfil its responsibilities and obligations.

The proposed Rule change to allow for this is set out overleaf. As mentioned above, it tracks the standard wording from Co-operatives UK, and includes the additional wording agreed by members at the Special Meeting on 24 May 2025.

We hope you will be able to join us for the meeting. But, in the meantime, if you have any questions on the above, please contact the undersigned.

Edward Parker
Secretary & Head of Governance

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Proposed Rule change

The proposed new rule is as underlined below. The words highlighted in yellow were added at the Special Meeting held on 24 May 2025.

Rule 10.1

The Board shall consist of sixteen directors elected by the members of the Society in accordance with election procedures set out in these Rules and additional procedures approved from time to time by the Board.

The Board shall have the power to determine whether there shall be reserved places for directors on the Board and, if so, the numbers of such reserved places. Any such determination shall take into account the geographic distribution of members and/or sales within the Society.

Directors shall be elected for terms of three years, unless stated otherwise in these Rules, and shall take office from the close of the Members' Meeting at which the election results are announced.

The Board may, in exceptional circumstances, co-opt an independent external Director to the Board in addition to the number of Directors specified in these rules. To be eligible to serve as a co-opted Director an individual must be a member of the Society.

A co-opted Director shall serve for a fixed period determined by the Board at the time of co-option, and such period shall be subject to review by the Board at least every twelve months; can serve for no more than nine years in total; may be removed from office at any time by a resolution passed by a majority of the members of the Board; cannot be an employee or former employee of the Society; cannot serve as President or Vice-President of the Society; shall be remunerated in an amount (to be disclosed in the Society's published accounts) as fixed by the Board.

A co-opted Director's appointment must be ratified by members at each Annual General Meeting of the Society.

Rules 10.10a and 10.10b shall not apply to co-opted Directors. [i.e. co-opted directors do not have to have been a member for a year before being able to serve on the Board, and do not have to have any qualifying spend with the Society].