



Rules

**Approved by Members at the Annual General Meeting
held on 15 May 2010**

Further revisions effected on:	– 14 May 2011
	– 11 May 2013
	– 10 May 2014
	– 07 May 2016
	– 13 May 2017
	– 12 May 2018
	– 13 October 2020
	– 13 May 2021
	– 14 October 2021
	– 09 January 2023
	– 13 May 2023

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CHAPTER 1 – What your Society is established for

1. Name

- 1.1. The name of the Society is The Midcounties Co-operative Limited and it is called “the Society” in these Rules.

2. Purpose

- 2.1. The purpose of the Society is to carry out its objectives and functions as a co-operative.

3. Values and Principles

- 3.1. In conducting its affairs, the Society is committed to:
- a) following the Co-operative Values and Principles;
 - b) respecting the rights and diversity of its members, employees and people dealing with the Society, treating them fairly and not discriminating on any grounds;
 - c) conducting its business in an open and honest way.
- 3.2. The net profits of the Society’s business shall be used in accordance with the Co-operative Principles.

4. Objects

- 4.1. The objectives of the Society are, in accordance with its purpose:
- a) 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 services or credit transactions; and

- b) 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 functions above.

CHAPTER 2 – Membership

5. Members

- 5.1. The Society consists of its members and the members are the people and corporate bodies whose names are entered in the register of members.
- 5.2. Membership is open to any person who has attained the age of 16 years and any corporate body who completes the membership application form specified by the Board (which shall include an application for the minimum number of shares) and whose application is accepted by the Board. For the purposes of this Rule, corporate body means any body which, in the reasonable judgment of the Board, acts as a co-operative, mutual, charitable or other not for profit organisation and which supports the Society's aims and objectives, together with any body which is a member of The Phone Co-op Limited at the time the proposed transfer of engagements between The Phone Co-op Limited and the Society completes ('Phone Co-op Corporate Member'). The membership of a Phone Co-op Corporate Member shall terminate at the point it ceases to use the telecoms services provided by the Society and if it does not, in the reasonable judgment of the Board, act as a co-operative,

mutual, charitable or other not for profit organisation which supports the Society's aims and objectives.

- 5.3. Any member under the age of 18 may not be an officer of the Society.
- 5.4. Any member changing their address shall give notice to the Secretary and the necessary alterations shall be made in the register of members.
- 5.5. A member may specify an email address which may be used by the Society for any communication required by these Rules to be sent to members. Any member specifying an email address in this way shall notify the Society of any change to this email address.
- 5.6. The Board has an absolute discretion to accept or refuse any membership application, does not have to give reasons for its decision and may take into consideration (amongst other things) the applicant's likely participation in the Society's business and affairs, and their support of the Co-operative Values and Principles.
- The Board may delegate responsibility for deciding membership applications to the Chief Executive, other senior managers and, under their supervision, to other employees, subject to oversight by the Secretary. Any such decision shall be made in accordance with the Society's membership policy.
- 5.7. Where two or more people are joint members, they may continue to be joint members but no new joint memberships may be created. The first named will be regarded as the member for membership participation.

6. Termination of Membership

- 6.1. A member shall cease to be a member if:
- a) they withdraw from membership by giving written notice to the Secretary, and withdraw their shares under these Rules; or
 - b) they are expelled or cease to be entitled to be a member of the Society under these Rules;
 - c) they are removed from the register of members by the Secretary in accordance with the Maintenance of Register provisions in these Rules;
 - d) they die (if an individual person) or cease to exist (if a corporate body).

6.2. A member may be expelled for conduct detrimental to the Society by a resolution passed by two-thirds of the members present and entitled to vote at a Special Members' Meeting of the Society, provided they are given at least one month's notice before the meeting of the conduct alleged against them and they are given an opportunity at the meeting to answer the allegations made against them.

Pending the decision of the Special Members' Meeting, a member may be suspended from membership of the Society by a resolution of the Board if, in the opinion of the Board, they have been guilty of conduct detrimental to the interests of the Society.

An expelled member shall be paid the full sum paid or credited on any shares in the Society held by them at the date of the resolution of their expulsion and their shares shall be cancelled.

7. Shares

- 7.1 The shares of the Society shall have a nominal value of £1. Shares can be withdrawn but cannot be transferred, except where permitted by these Rules.
- 7.2 Every member shall hold at least one fully paid-up share, and all shares shall be paid for in full on application.
- 7.3. The Society shall allot:
- a) to members when they are admitted, the share(s) for which they have applied, and after that any further share(s) applied for;
 - b) to the trustee of any Employee Share Scheme such shares as the Board decides in its absolute discretion; any shares so issued shall, subject to the Rules of the Employee Share Scheme, be transferable only by the trustee to employees or former employees who are already individual members or are then admitted as individual members, by a transfer document in a form approved by the Board.
- 7.4. Nobody shall be allotted shares which will cause them to hold more than the maximum number of shares permitted by the Co-operative and Community Benefit Societies Act 2014.
- 7.5. An application for the withdrawal of any share(s) held jointly must be made by all the joint holders who individually shall be able to give a valid receipt for any share(s) repaid.
- 7.6. On the death of a joint holder, any shares held by the deceased shall be transferred into the name of the survivor or survivors on their application.

- 7.7. The Board may apply money, for which they cannot find profitable investment, in repaying to members the amounts paid up on their shares subject to the following:
- a) the Board may only do this if a Members' Meeting has approved it;
 - b) repayment shall be made by paying back to the member(s) who hold(s) the largest number of shares the difference between their shareholding and that of the next largest shareholding;
 - c) no repayment shall be made which causes the number of shares held by any member to fall below the minimum number of shares required by these Rules to be held as a condition of membership;
 - d) any share in respect of which the amount paid up or credited has been repaid shall be cancelled.
- 7.8. Where repayment is to be made in accordance with Rule 7.7, notice thereof shall be given to the member(s) stating the date on which repayment is to be made. No interest shall be payable on any amount so to be repaid after the date for repayment stated in the notice.
- 7.9. Interest shall be calculated on the balance of each member's share account at the close of business each day, provided that no interest shall be payable on any balance less than £10.
- 7.10. Subject to the other provisions of this Rule and the minimum shareholding requirements under these Rules, the Board shall have absolute discretion to set limits on the withdrawal of shares by members from time to time, provided that:

- a) all withdrawals shall be paid in the order in which the notices are received by the Society;
- b) the Board may waive any notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as it considers fit;
- c) unless the Board agrees, not more than one-tenth of the paid up share capital at 1st January each year (including all sums under notice of withdrawal at that date) shall be withdrawable during that calendar year;
- d) unless the Board agrees, no member shall be entitled to withdraw during any year more than one-tenth of the share capital standing to their credit on 1st January of that year, unless the member withdraws from membership of the Society;
- e) the right to withdraw may by resolution of the Board be suspended either wholly or partially and either indefinitely or for a fixed period; the suspension shall extend and apply to all notices of withdrawal which have been received and remain unpaid at the time the resolution suspending the right to withdraw is passed by the Board. Where the suspension is for a fixed period, such period may be extended from time to time by a resolution of the Board;
- f) during any period when the right of withdrawal has been suspended, the shares of a deceased member may, if the Board so determines, be withdrawn by their legal representative upon giving such notice as the Board may require and subject, as regards the amount payable on withdrawal, to such deduction as the Board may from time to time determine;

- g) the amount to be paid to a member on withdrawal shall be the amount paid up or credited on the share or on the part of the share to be withdrawn;
- h) no payment of withdrawable share capital shall be made while any claim due on any amount is unsatisfied.

7.11.

Subject to the provisions of the Co-operative and Community Benefit Societies Act 2014 dealing with the nomination of property, the following provisions shall apply:

- a) a member may nominate any person(s) to whom any of their property in the Society at the time of their death shall be transferred;
- b) on receiving satisfactory proof of death of a member who has made a nomination the Board shall, if and to the extent that the nomination is valid, either transfer or pay the full value of the property comprised in the nomination to the person(s) entitled to it;
- c) upon a claim being made by the legal representative of a deceased member or the trustee in bankruptcy of a bankrupt member to any property in the Society belonging to the deceased or bankrupt member, the Board shall transfer or pay such property to which the legal representative or trustee in bankruptcy has become entitled as the legal representative or trustee in bankruptcy may direct them.

7.12.

Subject to the provisions of this Rule, where in the case of a member, or person claiming through such a member, the Board is satisfied after considering medical evidence that such member or person is incapable, through disorder or disability of mind, of managing their own affairs and the Board is also satisfied that no

person has been duly appointed to administer the member's property on their behalf and it is proved to the satisfaction of the Board that it is just and expedient so to do, the Society may pay the amount of any shares and loans belonging to such member, or person claiming through such member, to any person whom they shall judge proper to receive it on their behalf, whose receipt shall be a good discharge to the Society for any sum so paid.

The foregoing shall not apply when such member or person is a patient within the meaning of the Mental Health Act 2007 or is a person as to whom powers are exercisable and have been exercised under that Act.

7.13.

If the Board so determines, the Society may introduce a separate class of shares known as Employee Shares, which shall have a nominal value of £1 each and be withdrawable only. A single Employee Share shall be issued to any permanent employee who has been confirmed in post. Employee Shares shall not confer membership rights which, for the avoidance of doubt, shall be taken to include the right to attend and participate at members' meetings and the right to vote. Employee Shares shall be cancelled and the amount of paid up share capital forfeited automatically on the cessation of employment with the Society for whatever reason.

CHAPTER 3 – How your Society is organised

8. Structure and Governance of the Society

Members

- 8.1. The Society is a membership organisation founded on Co-operative Values and Principles. Members of the Society should exercise the responsibilities of membership appropriately. This includes a commitment to Co-operative Values and Principles and participation in the affairs of the Society.

Board

- 8.2. The governance of the Society shall be vested in a Board of directors comprising directors appointed or elected in such manner as the Rules provide.

Regions

- 8.3. The Board may determine that the Society is divided into Regions and/or Districts and shall have the power to change any such Regions and/or Districts so created. Additionally, the Board may determine that any Regions shall be governed by Regional Boards with such powers as may be determined by the Board and set down in these Rules.

Board Duties and Responsibilities

- 8.4. The Board is responsible for the general control and direction of the Society. This includes the following duties and responsibilities:

- a) ensuring that the Society's affairs are conducted in accordance with these Rules, the best interests of the Society and its members and in accordance with the Co-operative Values and Principles;
- b) determining the Society's strategic aims, objectives and policies and to monitor their implementation by management;
- c) exercising all the powers of the Society;
- d) ensuring the effective accountability of the Management Executive;
- e) maintaining an effective system of internal control and an effective risk management process;
- f) encouraging members to develop and increase their participation in the affairs of the Society;
- g) seeking to ensure the Management Executive have an affinity with Co-operative Values and Principles.

8.5.

The Board shall prepare and approve a schedule of matters reserved for its decision. Subject to the provisions of the schedule and these Rules, the Board may delegate the executive management of the Society or any of its powers to the Chief Executive and the Management Executive, or to Board Committees. However, the following particular duties and responsibilities may not be delegated:

- a) all matters concerning the determination and general operation of the Society's Rules;

- b) reporting to members with particular reference to the frequency, location and content of members' meetings and directors' reports;
- c) determination of profit distribution policies;
- d) determination of proposals to be forwarded to Co-operatives UK Limited, the Co-operative Group Limited, the Co-operative Party and similar bodies, but excluding matters relating to day-to-day trading;
- e) reviewing from time to time the Society's policy regarding co-operation with other co-operatives, taking into account the interests of the co-operative movement as well as the interests of the Society;
- f) approval of the Society's budgets and forecasts;
- g) approval, over a certain value as set by the Board from time to time, of capital expenditure, acquisitions and disposals of businesses and property, and leasing transactions;
- h) approval of all funding arrangements;
- i) approval of all openings and closings of branches and member services;
- j) appointment and removal of the Chief Executive including all associated terms;
- k) involvement with the Chief Executive in the appointment of other members of the Management Executive and the structure of the Management Executive;
- l) appointment of the Society Secretary;

- m) approval of the Society's principal personnel policies.

Chief Executive

8.6. The Chief Executive is responsible for conducting the day-to-day business of the Society to ensure a sustainable, financially sound and profitable operation. They shall do this in accordance with these Rules, instructions given by the Board and Co-operative Values and Principles.

8.7. The Chief Executive's duties and responsibilities shall include:

- a) appointing, in conjunction with the Board, members of the Management Executive,
- b) controlling all expenditure within any limits laid down by the Board;
- c) establishing an effective management structure with clearly defined responsibilities;
- d) establishing and reviewing performance targets for each business and support service;
- e) advising the Board on the formation of strategy and policy;
- f) recommending development opportunities to the Board;
- g) preparing financial budgets and forecasts for approval by the Board;
- h) seeking to ensure that the Society is viewed positively in all aspects of its activities;
- i) maintaining effective communications within the Society.

Secretary

- 8.8. The functions of the Secretary include:
- a) acting as the Secretary to the Board;
 - b) monitoring the conduct of the Society's affairs to ensure that they are conducted in accordance with the these Rules;
 - c) publishing to members in an appropriate form information which they should have about the affairs of the Society;
 - d) acting as returning officer for elections;
 - e) preparing and sending all returns required to be made to the Financial Conduct Authority;
 - f) making all necessary entries in all registers required by these Rules, or the Co-operative and Community Benefit Societies Act 2014 to be kept by the Society; and
 - g) reporting directly to the Board on matters relating to the governance of the Society.
- 8.9. The office of the Secretary shall not be held by the person who for the time being holds the office of Chief Executive of the Society.

CHAPTER 4 – Members’ Meetings

9. Meetings

9.1. Meetings of the members of the Society (‘Members’ Meetings’) are either ordinary meetings or special meetings.

The Board may make whatever arrangements it considers appropriate to enable members to attend Members’ Meetings and exercise their rights to speak and vote, including providing communication by video-link or any other electronic means. A member who joins a Members’ Meeting by whatever means provided by the Board will be deemed to be present in person at the meeting.

9.2. In each year the Society shall hold one ordinary meeting, called the Annual General Meeting, and such other additional ordinary meetings as the Board decides, called Interim Members’ Meetings. All other meetings of the members of the Society are Special Members’ Meetings.

The Annual General Meeting shall be held not more than 17 weeks after the year end of the Society.

9.3. The Board may decide to hold a Members’ Meeting at a number of locations to facilitate the attendance of members. Such meetings are defined as ‘Local Meetings’ for the purposes of these Rules.

Where a Members’ Meeting is comprised of Local Meetings:

- a) at least four such Local Meetings must be held;

- b) the first Local Meeting shall be deemed to be the date of the meeting for the purposes of submission of motions and the giving of notice as set down in these Rules;
- c) members shall be entitled to attend only one such meeting, except for the directors, officers, auditors, and such other persons as may be determined by the Board;
- d) no member shall vote at more than one meeting;
- e) a proposer and seconder of any motion or amendment on the agenda shall have the right to attend all such meetings for the purpose only of dealing with their motion or amendment except that, at one meeting, they may also participate in other business;
- f) the same agenda of business shall be considered at all such meetings and all votes for and against matters coming before the meetings shall be added together and the matters shall be determined accordingly; in the case of motions and amendments, all meetings shall vote thereon as though the amendments were separate motions and such motion or amendment shall be carried as receives the highest number of votes in support;
- g) the result of all voting shall be declared at the last meeting held.

Business of Members' Meetings

9.4. An ordinary meeting may transact the following business:

- a) receiving and adopting the accounts, balance sheets, and the reports of the Board and of the auditor and the application of profits;
- b) the announcement of the election of directors;

- c) the fixing of the remuneration of directors;
- d) the appointment of the auditor;
- e) to receive reports and presentations;
- f) to consider any other items that may appear on the agenda of the meeting;
- g) to consider any motion of which at least 42 clear days' written notice has been given the Secretary by a member.

9.5.

The Board has the discretion not to include a motion submitted by a member in the agenda of a Members' Meeting if, in its and the Secretary's reasonable opinion:

- a) it seeks to intervene in the exercise of the powers under these Rules vested in the Board, the Management Executive, the Secretary or any authorised committee or sub-committee of the Society; or
- b) the publicity for it would be likely to diminish substantially the confidence in the Society of investing members of the public; or
- c) it seeks needless publicity for defamatory matters; or
- d) it is submitted for frivolous or vexatious purposes; or
- e) it does not relate directly or indirectly to the affairs of the Society; or
- f) it is in substantially the same terms as any motion which has been defeated at any meeting of the Society held during the preceding year.

Any amendments to proposals appearing on the notice convening a meeting shall be submitted in writing to the Society's registered office not less than 14 clear days before the date of the meeting.

9.6. A member must have been a member for at least six months in order to submit a motion for consideration at a Members' Meeting.

9.7. A Special Members' Meeting shall not transact any business not specified in the notice convening it.

An ordinary meeting may be made a Special Members' Meeting for any purpose of which due notice has been given, provided that such business is not considered until the business of the ordinary meeting is concluded.

Convening Members' Meetings

9.8. Ordinary meetings shall be convened by the Secretary on an order of the Board.

9.9. Ordinary meetings are to be held at the registered office and/or at such other place(s) as the Board decides.

9.10. Special Members' Meetings shall be convened by the Secretary, either on an order of the Board, or on a written requisition signed by 50 members, save that a members' requisition for a Special Members' Meeting at which a resolution for any purpose specified in Rule 18 or any resolution for the solvent dissolution of the Society is to be proposed, shall be signed by at least 750 members, all of whom shall have been members for at least six months at the date of submitting the requisition.

Any Special Members' Meeting so requisitioned shall be held as soon as is reasonable after the receipt of the order or delivery of the requisition, at the place and time at which ordinary meetings are usually held, so far as is possible. A requisition must state the objects of the meeting and must contain the full name, address and share number of each requisitioner and must be delivered to the registered office of the Society.

9.11. If the Secretary has failed, within 14 clear days of the delivery to the registered office of a written requisition, to convene a Special Members' Meeting, any of the requisitionists may convene a Special Members' Meeting by giving the notice provided for in these Rules and shall have a claim upon the Society for any costs properly incurred in giving such notice.

9.12. A Members' Meeting shall be convened by notices posted conspicuously in the registered office and in all other places of business of the Society to which the members have access and on the Society's website (if it has one), at least 21 clear days before the day of the meeting. The notice shall specify the place, the time, and the date of the meeting, whether the meeting is an ordinary or a special meeting and the business to be transacted at the meeting.

Attending and voting at Members' Meetings

9.13. Every member (including the delegate of a corporate body) shall be entitled to attend Members' Meetings on the production of such evidence as the Board may from time to time determine.

9.14. A member of the Society which is a corporate body may, by a resolution of its directors or committee of management, appoint any person as a delegate to act on its behalf at any Members' Meeting(s). A copy of such a resolution, signed by the secretary and two directors or members of the committee of management, must be delivered to the registered office of the Society at least 24 hours before the holding of the Members' Meeting(s) concerned. A delegate appointed in this way shall be competent during the continuance of their appointment to act as if they were a member of the Society. The appointment of a delegate shall continue until a copy of a resolution appointing another person as a delegate in their place is delivered in the same way to the Society's registered address.

9.15. Every member of the Society shall be entitled to cast one vote on any resolution put to the members at a Members' Meeting, provided that any member whose application was received less than 6 months prior to any such meeting shall not be entitled to vote at that meeting, unless such member has become a member on attaining 16 years of age as a result of taking part in any programme organised by the Society to encourage participation in the affairs of the Society.

Joint members shall have one vote between them, which shall be exercised by the joint member whose name appears first in the register of members, unless the joint members together appoint in writing another joint member and the appointment is delivered to the registered office of the Society not less than 24 hours before the meeting.

9.16. The Board may make arrangements for members to vote at Members' Meetings by post or by electronic means.

9.17. At any Members' Meeting, a resolution put to the vote shall be decided on a show of hands or by ballot, as determined by the Board. If a show of hands, a ballot may be demanded by ten members present at the meeting, or one-third of the total number of members present at the meeting, whichever is the higher. The ballot shall be taken at the meeting in such manner as the Chair of the meeting directs. Subject to any special provision contained in these Rules or an Act of Parliament, all resolutions shall be carried by a simple majority of votes.

9.18. In the event of an equality of votes, the Chair of the meeting shall have a second or casting vote.

Procedure at Members' Meetings

9.19. The President of the Society, or in their absence another member of the Board, shall chair a Members' Meeting. If no member of the Board is present, such member as the meeting may determine shall chair the meeting.

9.20. Except as provided below, the quorum at a Members' Meeting shall be 80 members and, where a Members' Meeting is made up of Local Meetings, the quorum at each Local Meeting shall be 20 members.

9.21. A Members' Meeting convened on the requisition of the members for any purpose specified in Rule 18, or at which a resolution for the rescission or alteration of this Rule or Rules 9.10, 17.3, 20 or 21 or for the solvent dissolution of the Society is to be proposed, may only proceed to business:

- a) when Local Meetings are held, if a quorum of at least 1,400 members or 1% of the total membership of the Society (as recorded in the Society's last Annual Return) if greater, all entitled to vote, is present at each Local Meeting within half an hour after the time fixed for the meeting, provided always that no resolution may be passed at any such meeting unless the aggregate number of members entitled to vote present at all the Local Meetings equates to at least 3% of the total membership of the Society as at the date of the final Local Meeting; or
- b) where Local Meetings are not held, if a quorum of at least 4,200 members or 3% of the total membership of the Society (as recorded in the Society's last Annual Return) if greater, all entitled to vote, is present at the meeting within half an hour after the time fixed for the meeting.

In all cases:

- i. representatives of corporate bodies having a vote and being present in person shall be counted towards the quorum;
- ii. a Members' Meeting may proceed to business if a quorum is present within half an hour after the time fixed for the meeting; otherwise the meeting, if a Special Members' Meeting convened on the requisition of the members, shall be dissolved but, if an ordinary meeting or a special meeting convened by order of the Board, then shall stand adjourned to the same day in the week following, at the same time and place, and the adjourned meeting may proceed to business whatever is the number of members present;
- iii. no meeting shall become incompetent to transact business for the want of a quorum arising after the Chair has been taken.

9.22. Any properly constituted Members' Meeting may adjourn to such place, time, and day within 30 days as the members present direct, and may continue any such adjournment from time to time. No business shall be transacted at any adjourned meeting which could not have been transacted at the meeting from which the adjournment took place; and the same notice shall be given of any meeting adjourned for more than 21 days, as is required in the case of an original meeting.

9.23. Standing Orders for the conduct of Members Meetings and for the closure of business may be made by the Board and, subject to any resolution passed at an ordinary meeting, such Standing Orders shall be binding on all members and their representatives.

CHAPTER 5 – The Board of Directors

10. Election of directors

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 Secretary shall be the returning officer for all elections and shall have the power to determine all questions arising in the course of elections in their sole and absolute discretion.

Elections to the Board shall be by the members using a postal ballot system or such other means as the Board shall determine based on the Society's Members' Mailing List.

If over two successive elections the average number of candidates is less than one and a half times the number of vacancies (rounded down if relevant), then the following measures shall be taken prior to the next election:

The Board shall:

- i) encourage members attending the next Annual General Meeting to stand for election
- ii) contact other active members by letter/email to encourage them to stand for election
- iii) ensure that members who express an interest in standing for election are offered information, support and encouragement to stand.

If, at the next election, the measures set out in i) - iii) above do not take the number of candidates to more than one and a half times the number of vacancies (rounded down if relevant), then prior to the subsequent election the Board shall repeat the above measures and, in addition, shall take active steps to encourage nominations from

individuals within the co-operative movement who have a demonstrable co-operative commitment and experience.

Should insufficient candidates put themselves forward for election following the actions set out above, the Board will conduct surveys to understand what barriers there might be to becoming a director and take action accordingly in time for the next election.

Save for any members who join the Society at 16 years of age as a result of taking part in any programme organised by the Society to encourage participation in the Society's affairs, a member whose application was received less than 6 months prior to the closing date for voting shall not be entitled to vote at that election.

For the Society elections taking place in 2018 only, the following paragraph shall apply, in place of the above paragraph, for any member who was a member of The Phone Co-op Limited at the time the proposed transfer of engagements between The Phone Co-op and the Society completes ('Phone Co-op Member'), provided completion of the transfer takes place before the close of nominations for these elections.

A Phone Co-op Member whose application for membership of The Phone Co-op was received more than 6 months prior to the closing date for voting in the 2018 Board of Director and Membership Strategy Committee elections shall be entitled to vote in these elections.

Nominations must be delivered in writing, on forms to be provided by the Secretary and returned to the Secretary by the date determined by the Board.

In the event of:

- a) a delay in the result of an election being declared and with the approval of the Board, persons due to retire from office shall continue in office on a temporary basis only until the declaration of the results of the elections by the Secretary, or until the conclusion of the Annual General Meeting next following, whichever shall be earlier when (unless declared to have been re-elected in the elections) they shall retire;
- b) candidates receiving the same number of votes in any election, if this leads to more candidates being eligible for terms of office than there are places, shall be selected by lot, at the absolute discretion of the Secretary.

10.2.

Subject to the provisions of this Rule 10.2, no more than four places on the Board shall be held by members of the Society who are:

- a) employees of the Society, or
- b) former employees of the Society who have left the Society within the preceding 3 years prior to the date of their nomination; or
- c) spouses or partners of the above.

Hereinafter referred to as 'Employee Directors'.

Casual Vacancies

10.3. Casual vacancies arising on the Board shall not be filled prior to the next annual elections, unless and until the number of directors continuing in office falls below 13, in which case all such casual vacancies shall be filled as soon as practicable by election conducted under the procedures for elections set out in these Rules and any additional procedures as approved by the Board.

Any person so elected under this Rule shall serve out the term of office for which their predecessor in office was last elected and shall then be eligible for re-election in the normal manner.

Board Training and Conduct

10.4. The Board of directors shall provide structured training programmes that are appropriate to the skills, experience and training needs of directors and shall encourage all directors to participate in such training opportunities. These will include:

- a) a structured training programme for newly elected directors to be completed to the satisfaction of the Board within eighteen calendar months of election; and
- b) a programme of continuing development for all directors as agreed by the Board from time to time.

10.5. The Board will approve a code of conduct for directors.

Removal of a Director

10.6.

A director may be removed from office at any time by two-thirds of the votes cast at a Special Members' Meeting of the Society. Pending the decision of such Special Members' Meeting, a director may, in the interim, be suspended from their duties by a resolution of the Board passed by at least three-quarters of the Board if, in the opinion of the Board, the director has been guilty of conduct seriously detrimental to the interests of the Society, or they have committed a serious breach of the code of conduct for directors, or they are otherwise thought to be unfit to carry out their duties.

The following procedures are to be followed:

- a) the Board shall consider the matter having taken such steps as it considers appropriate to ensure that any relevant director's point of view is heard and may either:
 - i. dismiss the matter and take no further action; or
 - ii. for a period not exceeding twelve months, suspend the rights of the director complained of to attend Board meetings and vote under these Rules; or
 - iii. arrange for a resolution to remove from office the director complained of, to be considered at the next Board meeting.
- b) at the next meeting, the Board will consider evidence in support of the complaint and such evidence as the director complained of may wish to place before them;
- c) if the director complained of fails to attend the meeting without due cause, the meeting may proceed in their absence;

- d) a director removed from office will cease to be a director upon the declaration by the Chair of the meeting that the resolution to expel them is carried.
- 10.7. At the first meeting of the Board following the announcement of the results of the annual election of directors, the directors shall elect:
- a) one of their number to be the President of the Society; a director can serve as President for a maximum of 6 years in any rolling 12 year period;
 - b) two of their number to be Vice-Presidents of the Society.
- 10.8. The President shall not be an employee of the Society nor be employed in a managerial capacity in any firm or corporate body (excluding any co-operative or social enterprise organisation which supplies goods or services to the Society) such that in the reasonable opinion of the Board, their employment and/or remuneration is to a material extent dependent upon the Society, nor the spouse nor partner of any of the foregoing.
- 10.8.b The President shall be removed from office if the Secretary receives a notice signed by 12 or more directors stating that the President should cease to act as President. In such an eventuality, the Board shall, at its next meeting, elect a new President to serve until the first Board meeting following the announcement of the next annual elections.
- 10.9. A director who is absent from four consecutive meetings of the Board without good reason established to the satisfaction of the Board shall vacate their seat.

Eligibility to be a Director

10.10.

A person shall only be eligible to be nominated for election as a director and to remain a director once elected if they meet the criteria set out in this Rule. Any director who ceases to meet any of these criteria shall immediately cease to be a director:

- a) they are a member of the Society and have been so for at least one year prior to their nomination;
- b) on nomination, they or their partner or member of their household with whom they are financially interdependent, must have spent at least £500 on purchases in the 12 month period finishing one month prior to their nomination; the above rate of purchases must be maintained during service on the Board; “purchases”; shall be evidenced by the Society’s record of purchases;
- c) they have not been dismissed (save for redundancy) from the employment of the Society or a society which has transferred its engagements to the Society;
- d) neither they nor their spouse, partner or member of their immediate family is engaged in a managerial capacity in the conduct of any business trade or undertaking which, in the opinion of the Board, competes in a material way with any business trade or undertaking carried on by the Society;

- e) neither they nor their spouse, partner or member of their immediate family is engaged in a managerial capacity with a supplier to the Society, other than in a Co-operative or social enterprise organisation, and where the employment or remuneration of the member, or spouse or partner or family member is dependent to a material extent on the Society's patronage of the supplier;
- f) they have not previously been removed from office as a director under these Rules;
- g) they are not bankrupt, nor subject to a disqualification order made against them under the Company Directors Disqualification Act 1986 or the Charities Act 1993, as amended;
- h) they sign a deed when required to do so pursuant to Rule 18.3.

Notwithstanding Rule 10.2, senior management in the Society, as defined by the Board from time to time, cannot stand for election to the Board (i) while they are employed by the Society, and (ii) once they have left the employment of the Society, where their date of leaving falls within the period of 18 months prior to the close of nominations.

A person who is incapable through disorder or disability of mind of managing their own affairs shall not be a director.

For the Society elections taking place in 2018 only, the following shall apply, in place of Rules 10.10(a) and 10.10(b), for any member who was a member of The Phone Co-op Limited at the time the proposed transfer of engagements between The Phone Co-op Limited and the Society completes ('Phone Co-op

Member'), provided completion of the transfer takes place before the close of nominations for the elections:

- i) a Phone Co-op Member must have joined The Phone Co-op at least six months prior to their nomination;
- ii) a Phone Co-op Member, if elected to the Board shall be required to spend at least £500 on purchases each year during their service on the Board; "purchases" shall normally be evidenced by the Society's record of purchases, and shall include purchases by themselves, or their partner, or member of their household with whom they are financially interdependent.

Board Meetings

- 10.11. Board shall meet and regulate its meetings as it may determine. Except in an emergency or by agreement of the Board, seven clear days' notice of the date, time and place of each meeting is to be given in writing by the Secretary to all directors.
- 10.12. At least half of the directors will form a quorum, provided that less than half of those present are employees of the Society.
- 10.13. The Board may agree that directors can participate in meetings by telephone, computer or video link. Participation in a meeting in this manner shall be deemed to constitute presence in person at the meeting.
- 10.14. Meetings of the Board shall be chaired by the President, or in their absence a Vice-President or, in their absence, another director.

10.15. Questions arising at any meeting of the Board shall be decided by a majority of votes and in the case of an equality of votes the Chair of the meeting shall have a second or casting vote.

10.16. A special meeting of the directors may be called by a notice in writing given to the Secretary by not less than one-third of the directors, or by the President, in agreement with the Vice-Presidents, where in their reasonable opinion the matter is of extreme urgency. In both cases, at least three clear day notice is required. The notice shall state the objects of the meeting and the Secretary shall communicate such notice to all directors as soon as possible after the receipt thereof. No other business shall be transacted at the meeting than the business stated in the notice.

Disclosure of Interest

10.17. Any director who has a material interest in a matter as defined in Rule 10.20 shall declare immediately such interest to the Board and unless the Board decides otherwise:

- a) may not be present in any discussion of the matter; and
- b) shall not vote on the issue.

10.18. Details of any such interest shall be recorded by the Secretary in the register of the interests of directors.

10.19. Any director who knowingly fails to disclose any interest required to be disclosed under the preceding paragraph must

permanently vacate their office if required to do so by a majority of the remaining Board.

10.20.

Unless the Board decides otherwise, a material interest in a matter is any interest in any transaction or act or proposed or potential transaction or act of the Society and any office or position (save for the exceptions referred to below) held by a director, their spouse, partner or member of the same household living together as a family unit, in any firm or company or business which is involved in a transaction or proposed or potential transaction with the Society. The exceptions which shall not be treated as material interests are as follows:

- a) an employment contract with the Society;
- b) shares not exceeding 2% of the total shares in issue held in any company whose shares are listed on a Stock Exchange.

Committees

10.21.

The Board may delegate any of its powers to committees consisting of such directors as it thinks fit who shall, in the functions entrusted to them, follow in all respects the instructions given to them by the Board.

10.22.

The Board shall appoint:

- a) an Audit Committee; and
- b) a Remuneration Committee.
- c) The Audit Committee's responsibilities shall include monitoring and reviewing the integrity of the financial statements of the Society, the independence, objectivity and effectiveness of the

Society's external auditor, and the effectiveness of the Society's systems of internal control, so as to provide assurance to the Board and to members in these areas.

- d) The Remuneration Committee's responsibilities shall include, subject to endorsement by the Board, the determination of the reward policy for the Chief Executive and Management Executive, including the determination of salaries, benefits, contractual terms and termination payments. The Committee shall produce an annual report (the 'Remuneration Report') to be included in the Society's annual report to members. The Remuneration Report shall cover such matters as the Committee deems appropriate, taking into account the governance Code of Best Practice produced by Co-operatives UK Limited and the Co-operative Values of openness and honesty; specifically, the Remuneration Report shall include the amount of any termination payment made to the Chief Executive or any other member of the Management Executive during the year under review.

Remuneration of Directors

10.23.

The members of the Society shall from time to time fix the remuneration of the directors, who shall in addition be reimbursed their reasonable travel, hotel and out of pocket expenses, wholly and necessarily incurred on Society business at such rates as may be determined from time to time by the Society.

Protection of Directors

10.24.

Anything done in good faith by any meeting of the Board or by the Chief Executive, Secretary or any member of the

Management Executive shall be valid, notwithstanding that it is afterwards discovered that there was any defect in the appointment of any of them, or that any one or more of them were disqualified, and shall be as valid as if every director and the Chief Executive and the Secretary and every member of the Management Executive had been duly appointed and was duly qualified to serve.

10.25. Separate from any other indemnity to which they may be entitled, and subject to what is said in the rest of this Rule, every director, the Chief Executive, the Secretary and every member of the Management Executive shall be indemnified out of the funds and assets of the Society against all actions, claims, costs, demands and expenses and any personal liability whatsoever, whether civil or criminal, arising out of or in connection with the exercise or purported exercise of their duties on behalf of the Society.

10.26. This indemnity excludes liability for offences incurred under Section 128 of the Co-operative and Community Benefit Societies Act 2014, and liability for wilful default, fraud or dishonesty. No person shall be indemnified against costs or expenses recovered from them by order of the Financial Conduct Authority.

10.27. The Society is authorised to purchase and maintain insurance for the purpose of:

- a) indemnifying the directors and officers (the Chief Executive, Secretary and members of the Management Executive) of the Society against any liability which they or any of them might incur, in respect of negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Society but

excluding liability for wilful default, fraud, dishonesty or breach of trust; and

- b) indemnifying the Society itself as reimbursement for indemnity actually and lawfully provided to its directors and officers under the first paragraph of this Rule.

10.28.

Upon a written requisition handed to the Secretary signed by not less than one-third of the directors, those directors ("the requisitionists") shall be entitled to take independent professional advice at the Society's expense upon any question or questions relating to the governance of the Society or the conduct of its affairs, in accordance with the following procedure:

- a) the requisition need not state the precise question or questions upon which independent professional advice is required but it shall identify the broad area(s) of concern (eg. legal, accountancy, taxation, valuation, employment, trade, etc);
- b) for the purpose of taking advice, the requisitionists shall appoint one of their number to act as the requisitionists' clerk, whose identity shall forthwith be notified to the Secretary;
- c) the requisitionists shall be entitled to production and copies of any documents and information which they may reasonably require and may call upon the Secretary for any necessary assistance in preparing their case and in seeking and obtaining advice;
- d) before any professional fees are incurred by the requisitionists, a written estimate or quotation in respect of the anticipated expense thereof shall be submitted for the approval of the Secretary who shall forthwith give their written approval to

same or if they think fit may refer same to the Board for approval; in either case, such approval shall not be unreasonably withheld or delayed and any question or dispute as to the grant or refusal of such approval shall forthwith be referred to the Board of Co-operatives UK Limited whose decision shall be binding and conclusive;

- e) a complete copy of any written advice or opinion obtained by the requisitionists shall be passed to the Secretary, who shall make this available for inspection (if required) by the remainder of the Board.

The above procedure must not be used as a means of causing unreasonable delay in the implementation of any Board resolution or resolutions relating to the matter in question.

CHAPTER 6 – Co-operative Appointments

11. Co-operative Appointments

- 11.1. The Board shall determine the delegates to be sent on behalf of the Society to meetings of the Co-operative Group Limited and to meetings of Co-operatives UK Limited, and any similar such bodies.
- 11.2. The Board may establish Society Party Councils to achieve the objects of the Co-operative Party as applicable within the heartlands of the Society. The constitution of the Society Party Councils shall be determined by agreement between the Society and the Co-operative Party members in the regions concerned

and shall be registered with the National Executive Committee of the Co-operative Party.

CHAPTER 7 – Register of Members

12. Register of Members

- 12.1. The Society shall keep at its registered office a register of members in which the Secretary shall enter the following information:
- a) the names and addresses of the members;
 - b) if provided by the member, their email address;
 - c) a statement of the number of shares held by each member, of the amount paid or agreed to be considered as paid, on the shares of each member;
 - d) a statement of other property in the Society, whether in loans, deposits, or otherwise held by each member;
 - e) the date at which each person was entered in the register as a member and the date at which any person ceased to be a member;
 - f) the names and addresses of the directors and the Secretary, with the offices held by them respectively, and the dates on which they assumed office.
- 12.2. The register shall be kept in such a way that it is open for inspection as required by the Co-operative and Community

Benefit Societies Act 2014 disclosing only the information in subparagraphs 12.1(a), 12.1(e) and 12.1(f).

Right of Inspection

- 12.3. Any member or person having an interest in the funds of the Society may inspect their own account and the books containing the names of the members, including the information referred to above in the register of members, at all reasonable hours at the registered office or at any place where they are kept. This right of inspection is subject to any regulations about the time and manner of inspection which may be made by the members of the Society in a meeting.

Updating the Register of Members

- 12.4. The Secretary may remove members from the register of members in the circumstances set out in Rules 12.5 - 12.8.

- 12.5. Where:

- a) the Society has evidence that a member no longer lives at the address shown in its register of members (“registered address”);
or
- b) no name or no address is shown against an entry in the Society’s register of members; or
- c) a member has not engaged with the Society for a period of three years (the definition of engaged to be determined by the Board from time to time);

then subject to carrying out the procedures in Rule 12.6, the Secretary may remove the name of such member or the entry from the register of members and the Society may then cancel

the shares and forfeit the amount standing to the credit of such member or such entry in the share ledgers of the Society together with any sum of money representing interest or dividend credited to the member or to the entry in the books of the Society in respect of the shares (together referred to as “credit accounts”) as set out in Rule 12.6(c).

12.6.

The procedures are as follows:

- a) for a member covered by Rule 12.5(a) the Secretary shall take all reasonable steps to establish whether there is a forwarding address and, if there is one, to contact the member at the forwarding address with the information set out below; for a member covered by Rule 12.5(c) the Secretary shall contact the member at their registered address with the information set out below;
- b) the Secretary shall cause advertisements to be posted conspicuously in all places of business of the Society to which members have access, giving the following information:
 - i. advising that the Society intends, after a notice period of not less than three calendar months, to revise its register of members to remove members covered by Rules 12.5(a), 12.5(b) and 12.5(c);
 - ii. advising that any credit accounts can be claimed in the future in accordance with Rule 12.6(d);
 - iii. providing postal, telephone and website contact details for any person wishing to update their registered details, or to withdraw from membership of the Society and claim the funds contained in any credit account;

- c) at the end of the notice period, the Secretary shall cause the register of members to be revised by removing those members covered by Rules 12.5(a) and 12.5(b), cancelling the shares and transferring any credit accounts to the Society, and by removing those members covered by Rule 12.5(c), cancelling the shares and transferring any credit accounts to a fund set up to fulfil the Society's community, co-operative and social goals and/or any initiative(s) approved by the Board, designed to further the Society's sustainability agenda;
- d) any member removed from the register of members under the terms of Rules 12.5 and 12.6 and who is able to show, to the satisfaction of the Secretary, that they had been a member of the Society, shall be reinstated as a member. Any member so reinstated shall have the amount standing to the credit of their share account at the time they were removed from the register credited to a new share account, together with the share interest that would have been earned from the date they were removed from the register of members had they not been so removed and any other share interest owed.

12.7. If a member has not, throughout the immediately preceding period of twelve calendar months, maintained a balance in their share account of at least £1, then subject to carrying out the following procedures, the Secretary may remove the name of such member from the register of members and the Society may cancel their shares and forfeit to the Society the amount standing to the credit of such member in the share ledgers of the Society together with any sum of money representing interest or dividend credited to the member in the books of the Society in respect of their shares.

12.8. The procedures are as follows:

- a) the Society shall give not less than two calendar month notice to the member stating that it is proposed to cancel their share and specifying the sums to be forfeited to the Society;
- b) unless the member increases the balance in their share account to £1 within the period of notice, the Society shall cancel and forfeit their share;
- c) a notice under the provisions of this clause may be sent to the member by ordinary post at their registered or last known address and shall include a statement to the effect that, if the member objects to the cancellation and forfeiture of their share and wishes to remain a member of the Society, they should within two calendar months increase the balance on their account to £1.

CHAPTER 8 – Audit

13. Auditor

- 13.1. There shall be appointed in each year of account a qualified auditor to audit the Society's accounts and balance sheet for that year. In this Rule "qualified auditor" means a person who is a qualified auditor under Section 91 of the Co-operative and Community Benefit Societies Act 2014.
- 13.2. None of the following persons shall be appointed as auditor of the Society:
 - a) an officer or employee of the Society;

- b) a person who is a partner of or in the employment of or who employs an officer or employee of the Society.
- 13.3. At least every ten years, the Society shall offer the opportunity of appointment as auditor to other qualified auditors. No audit partner can act as auditor to the Society for more than five years.
- 13.4. Except as provided for in these Rules, every appointment of an auditor shall be made by resolution of a Members' Meeting of the Society.
- 13.5. The Board may appoint an auditor to fill any casual vacancy occurring between Members' Meetings of the Society.
- 13.6. An auditor appointed to audit the accounts and balance sheet of the Society for the preceding year of account (whether by a Members' Meeting or by the Board) shall be reappointed as auditor of the Society for the current year of account (whether or not any resolution expressly reappointing them has been passed) unless:
- a) a resolution has been passed at a Members' Meeting of the Society appointing somebody instead of them or providing expressly that they shall not be reappointed; or
 - b) they have given to the Society notice in writing of their unwillingness to be reappointed; or
 - c) they are not a qualified auditor or are a person prohibited from appointment under these Rules; or
 - d) they have ceased to act as auditor of the Society by reason of incapacity.

13.7. A retiring auditor shall not automatically be reappointed if notice of an intended resolution to appoint another person in their place has been given in accordance with these Rules and the resolution cannot be proceeded with because of the death or incapacity of that other person or because that other person is not a qualified auditor or is a person prohibited from appointment by these Rules.

13.8. A resolution at a Members' Meeting of the Society:

- a) appointing another person as auditor in place of a retiring auditor; or
- b) providing expressly that a retiring auditor shall not be reappointed

shall not be effective unless notice of the intention to move it has been given to the Society not less than 28 days before the meeting at which it is to be moved.

On receipt by the Society of notice of such an intended resolution, the Society shall immediately send a copy of the notice to the retiring auditor.

If it is practicable to do so, the Society shall give notice to its members of the intended resolution at the same time and in the same way as it gives notice in accordance with these Rules of the meeting at which the resolution is to be moved.

If that is not practicable, the Society shall give notice to its members by advertisement, not less than 14 clear days before the meeting, in a newspaper circulating in the area in which the Society conducts its business.

Where the retiring auditor makes any representations in writing to the Society with respect to the intended resolution or notifies the Society that he intends to make such representations, the Society shall notify the members accordingly as required by Section 94 of the Co-operative and Community Benefit Societies Act 2014.

- 13.9. The auditor shall, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014, make a report to the Society on the accounts examined by them and on the revenue account or accounts and the balance sheet of the Society for the year of account in respect of which they are appointed.
- 13.10. Where necessary in law, or where the membership requires, the Board shall cause the accounts of the Society to be submitted at least once in every year to the auditor for audit.
- 13.11. For the purposes of any audit, the auditor shall be given access to and be entitled to call for and examine all books, deeds, documents, and accounts of the Society. They shall be entitled to require from the officers of the Society such information and explanations as they think necessary for the performance of their duties. The auditor shall be entitled to attend any Members' Meeting of the Society, to receive all notices of and other communications relating to any Members' Meeting which any member of the Society is entitled to receive and to be heard at any meeting which they attend on any part of the business of the meeting which concerns them as auditor.

CHAPTER 9 – Reports and Accounts

14. Board responsibilities

- 14.1. The Board shall cause proper books of account to be kept with respect to its transactions and its assets and liabilities, and it shall establish and maintain a satisfactory system of control of its books of account, its cash holdings and all of its receipts and remittances in accordance with the Co-operative and Community Benefit Societies Act 2014.
- 14.2. The Board shall, in respect of each year of account cause to be prepared:
- a) 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;
 - b) a balance sheet giving a true and fair view as at the date thereof of the state of the affairs of the Society;
 - c) a written report on the state of affairs of the Society signed by the President of the Society (the 'Annual Report').
- 14.3. The Annual Report shall cover such matters as the Board deems appropriate, taking into account the governance Code of Best Practice produced by Co-operatives UK Limited and Co-operative Values and Principles. The Annual Report shall include the Remuneration Report as set out in Rule 10.22(d), and a report on the governance of the Society, such report to include a review of

the governance policies and practices of the Society for the year under review.

- 14.4. The Board shall have power to prepare in addition a revenue account or revenue accounts for less than one year of account and a balance sheet and written report at the end of the period covered by such revenue account or revenue accounts.
- Every such balance sheet presented to a meeting of members shall be accompanied by a report of the Board on the state of the Society's affairs, signed by the President of the Society.
- 14.5. In the preparation of accounts, the Board shall ensure that the Society adopts and conforms strictly to the accounting standards recommended from time to time by the Performance and Accounting Standards Committee of Co-operatives UK Limited. If the Society does not observe the recommended standards, then this fact shall be reported clearly to the members in the Society's Annual Report.
- 14.6. The Society shall publish half-yearly interim statements of trading activities, summary revenue account and balance sheet information.
- 14.7. A copy of each revenue account and balance sheet made during the period shall be sent by the Secretary to the Financial Conduct Authority together with the annual return and such copy shall incorporate the report made thereon by the auditor.
- 14.8. The Society shall keep a copy of the last balance sheet for the time being, always displayed in a conspicuous place at its registered office.

CHAPTER 10 – Administrative Provisions

15. Administrative Provisions

Registered office

- 15.1. The Society's registered office is Co-operative House, Warwick Technology Park, Gallows Hill, Warwick CV34 6DA, or such other place as the Board decides.

Name

- 15.2. The name of the Society shall be clearly displayed:
- a) on the outside of every office or place of business of the Society;
 - b) in all business letters, notices, advertisements, official publications, bills of exchange, promissory notes, endorsements, cheques, orders for money or goods purporting to be signed by or on behalf of the Society, and on all bills, invoices, receipts or letters of credit of the Society.

Minutes

- 15.3. The Secretary shall arrange for minutes of all Members Meetings, Board meetings and Committee meetings to be kept.

Powers

- 15.4. The Society has full power to do all things necessary or expedient for accomplishing any of its objectives and functions.
- 15.5. In particular the Society may:

- a) 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;
- b) enter into block discounting transactions;
- c) 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 £200m and the interest payable on advances, other than advances on bank overdraft and loans secured by mortgage or charge shall not exceed a rate which, in the opinion of the Board, is reasonable having regard to general terms of borrowing at the time
- d) 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;
- e) issue a debenture or other security or mortgage or give a charge, as a continuing security to cover any sum due or to become due upon the account of the Society to any person with whom it may transact banking business but not exceeding the amount up to which the Society may obtain advances as set out in Rule 15.5(c);
- f) appoint a representative to act on behalf of the Society in relation to any other body corporate in the shares or on the security of which the Society has invested any part of its capital;

- g) establish, maintain, manage, support and contribute to any schemes for the acquisition of shares in the Society by or for the benefit of any individuals who are employees or former employees of the Society or any subsidiary society or company upon such terms as the Board shall approve (“an Employee Share Scheme”), and to establish, maintain, manage, support and contribute to any schemes for sharing profits of the Society or any such subsidiaries with any such employees or former employees;
- h) receive from any persons, whether members or not, sums on deposit, withdrawable on not less than two clear day notice, not exceeding in total the amount permitted under the law applicable to Societies for the time being in force.

15.6. Charges or debentures executed by the Society may contain a fixed charge upon any property of the Society specified therein and/or a floating charge upon its undertaking and all its property and assets both present and future. A separate register shall be kept of all such charges and debentures.

15.7. The capital of the Society may be invested in or upon any of the securities or shares specified in Section 27 of the Co-operative and Community Benefit Societies Act 2014, and in advances to members or others on the security of real or personal property, but not otherwise.

Annual Return

15.8. The Society shall, within the time allowed by legislation in each year, send to the Financial Conduct Authority:

- a) a general statement in the prescribed form, called the annual return, relating to its affairs during the period covered by the return;
- b) a copy of the report of the auditor on the Society's financial statements for the period included in the return; and
- c) a copy of each revenue account and balance sheet made during that period and of any report of the auditor on that balance sheet.

Copy of Rules and Annual Return

15.9 The Secretary is to deliver:

- a) a copy of these Rules to any person who asks for them, on payment of an amount fixed by the Board subject to the statutory maximum;
- b) a copy of the most recent annual return of the Society to any member or person interested in the Society's funds who asks for it, free of charge; when doing so, the Secretary shall also supply a copy of the report of the auditor on the accounts and balance sheet contained in the return.

Service of Notices

15.10. A notice required to be given by the Society to any member under these Rules or under the Co-operative and Community Benefit Societies Act 2014 or otherwise may be given (unless these Rules state otherwise) by sending it by post to the member

at their address in the register of members or by leaving it at that address. A notice sent by post shall be deemed to be served by properly addressing, prepaying, and posting a letter containing the notice, and it shall be deemed to have been served in the ordinary course of post.

Execution of Deeds

15.11. All documents executed as deeds by the Society shall be signed by either two directors or by one director and the Secretary, or by such other person or persons as the Board may from time to time appoint for that purpose.

The Society shall not have a seal.

Disputes

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

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

is to be submitted to an arbitrator agreed by the parties or in the absence of agreement to be nominated by the Chief Executive of

Co-operatives UK Limited. The arbitrator's decision will be binding and conclusive on all parties.

- 15.13. Any person bringing a dispute must, if so required, deposit with the Society a reasonable sum (not exceeding £100) to be determined by the Board. The arbitrator will decide how the costs of the arbitration will be paid and what should be done with the deposit.

Disclosure of Interest

- 15.14. Any member of the Management Executive who has a material interest in a matter as defined below shall declare such interest to the other members of the Management Executive and unless the Board decides otherwise:

- a) may not be present in any discussion of the matter, and
- b) shall play no part in the decision-making in relation to the matter.

- 15.15. Details of any such interest shall be recorded by the Secretary in the register of the interests of members of the Management Executive.

- 15.16. Unless the Board decides otherwise, a material interest in a matter is any interest in any transaction or act or proposed or potential transaction or act of the Society and any office or position (save for the exceptions referred to below) held by a member of the Management Executive, their spouse, partner or member of the same household living together as a family unit, in any firm or company or business which is involved in a transaction or proposed or potential transaction with the Society.

The exceptions, which shall not be treated as material interests, are as follows:

- a) an employment contract with the Society;
- b) shares not exceeding 2% of the total shares in issue held in any company whose shares are listed on any Stock Exchange.

CHAPTER 11 – Application of profits

16. Application of profits

16.1. The net profits of all business carried on by or on account of the Society shall be applicable as follows:

Interest on share capital

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

Dividend on purchases

b) in paying such dividend upon the value of the purchases made from the Society as an ordinary meeting may declare to persons

who were members of the Society at the time of such declaration, and where an ordinary meeting so determines, to any other person, provided that:

- i. the Board may determine that no dividend or that reduced rates of dividend shall be paid in respect of such purchases as they specify from time to time, and such power of determination shall extend to the specification of goods or services and/or to the places or areas in which goods are sold or services provided by the Society;
- ii. no dividend shall exceed the amount recommended by the Board, but the members in ordinary meeting may declare a dividend or other benefit of less than the amount recommended by the directors;
- iii. the Board may from time to time pay such interim dividend as appears to them to be justified by the profits of the Society and either purchases on which an interim dividend has been paid shall not rank for dividend in the final distribution of profits in any one year or such purchases shall rank for dividend in the final distribution of profits, in which case, any such dividend paid shall be deducted from the final dividend for the year, as shall be determined by the directors;
- iv. any amount payable in respect of a dividend which is not withdrawn by a member within one calendar month after it has become payable may be applied in payment for further shares;

Member and co-operative activities

- c) in setting aside for member and co-operative development such amounts as an ordinary meeting may determine;

Employees

- d) in paying such dividend to holders of Employee Shares (as defined in Rule 7.13) based on requisite levels of service and such other equitable formula to be established by the Board;
- e) in paying the cost of such shares as the Board decides to issue under the terms of any Employee Share Scheme;

Community

- f) in making such payments for charitable purposes or for the benefit of the community as the Board shall determine;

Other distributions

- g) in paying, while the Society continues to be a member of the Co-operative Party, such subscriptions to the funds of the Party as the Rules and orders of the Party may from time to time determine and an ordinary meeting of the Society may resolve to pay; and additionally an annual grant to the local Society Party(ies) for local Party activities at such rate as the Board shall recommend and the annual meeting of the Society each year may resolve to pay;
- h) in paying the annual subscription levied by Co-operatives UK whilst the Society continues to be a member of Co-operatives UK;
- i) in making payments for any lawful purpose whatsoever whether within the functions for which the Society is formed or not, provided that no distribution of the profits aforesaid to the members shall be made, except as is expressly provided for in this Rule;

- j) in setting aside to a reserve fund such amount, if any, as the Board may determine;
 - k) in retaining as reserves any of the profits not applied in one of the ways set out above.
- 16.3.
- a) Any profits of the Society allocated to member and co-operative development under Rule 16.2 (c) shall be administered by the Board for the development of member involvement, the promotion of Co-operative Values and Principles, and the development of Co-operative activity.
 - b) The Board may delegate the monitoring of all or part of the profits so allocated to committees that it may form from time to time. Members of such committees may be paid fees as approved by the Society. In addition, they shall be reimbursed their reasonable travel, hotel and out of pocket expenses incurred whilst undertaking duties on behalf of any such committees.
 - c) A member shall only be eligible for election to any such committee if they, or their partner, or member of their household with whom they are financially interdependent, have spent at least £100 on purchases in the 12 month period finishing one month prior to their nomination; the above rate of purchases must be maintained during their service on the committee; “purchases” shall normally be evidenced by the Society’s record of purchases. Any member who ceases to meet this level of spend shall immediately cease to be a member of the committee in question.

For the Society elections taking place in 2018 the following paragraph shall apply, in place of the above paragraph, for any

member who was a member of The Phone Co-op Limited at the time the proposed transfer of engagements between The Phone Co-op Limited and the Society completes ('Phone Co-op Member'), provided completion of the transfer takes place before the close of nominations for these election.

A Phone Co-op Member shall only be eligible for election to any such committee provided their application for membership of The Phone Co-op was received more than 6 months before the closing date for voting. Any Phone Co-op Member elected onto any such committee shall be required to spend at least £250 on purchases each year during their service on the committee; "purchases" shall normally be evidenced by the Society's record of purchases, and shall include purchases by themselves, or their partner, or member of their household with whom they are financially interdependent. Any Phone Co-op Member who ceases to meet this level of spend shall immediately cease to be a member of the committee in question.

CHAPTER 12 – Amendment of Rules, Transfer of Engagements etc.

17. Amendment of Rules

- 17.1. Except where these Rules say otherwise, any of these Rules may be amended or rescinded, or any new Rule may be made, by a resolution passed at a Special Members' Meeting of the Society by two-thirds of the votes cast.
- 17.2. No amendment of Rules is valid until registered. When submitting Rule amendments for registration, the Secretary may,

at their sole discretion, accept any alterations required or suggested by the Financial Conduct Authority without reference back to a further Special Members' Meeting of the Society, providing that the alteration does not alter materially the Rule amendment as submitted.

17.3. Subject to necessary re-numbering of Rules, this Rule (Rule 17.3), Rule 9.10, 9.20, 9.21, 18.2 and 21.1 may only be rescinded or altered by resolution passed at a Special Members' Meeting of the Society at which 95% of the total votes have been cast in favour of such a resolution.

18. Amalgamation, Transfer of Engagements, and Conversion

18.1. The Society may, by special resolution passed in the way required by the Co-operative and Community Benefit Societies Act 2014, amalgamate with or transfer its engagements to any other society. The Society may also accept a transfer of engagements and assets by resolution of the Board or of a meeting of members.

18.2. The Society may, by special resolution passed in the way required by the Co-operative and Community Benefit Societies Act 2014, amalgamate with or transfer its engagements to a company or convert itself into a company under the Companies Acts. In relation to calling a meeting of members for the purpose of such resolution, the following provisions shall apply:

- a) the Society shall give to members not less than two months' notice of the meeting;

- b) notice of the meeting shall be posted in a prominent place at the registered office and at all trading premises of the Society to which members (including employees) have access;
- c) the notice shall be accompanied by a separate statement setting out for members:
 - i. the reasons for the proposal;
 - ii. whether the proposal has the support of the Board of the Society;
 - iii. what alternative proposals have been considered, and whether they are viable;
 - iv. details of the number of shares in the Society held by members of the Board, senior executives, and persons connected with them;
 - v. a recommendation by reputable independent financial advisors that the members should support the proposal rather than any alternative proposal;
- d) where the separate statement is contained in another document, information shall be provided in the notice specifying where members can obtain a copy of the document;
- e) where the Rules permit the use of proxy voting at members' meetings, proxy voting shall not be allowed;
- f) the quorum for a meeting at which a special resolution to amalgamate with, transfer engagements to or convert into a company is to be voted upon shall be as set out in Rule 9.21.

Compensation

- 18.3.
- a) No director or person holding any other elected position within the Society shall be permitted to receive from the Society, or any other person or organisation any payment greater than that permitted below (the “permitted amount”) by way of compensation for loss of office or otherwise, however described, in connection with any amalgamation, transfer of engagements, or other reorganisation or restructuring of the Society’s business (“reorganisation”).
 - b) The permitted amount, which a director or person holding any other elected position with the Society shall be permitted to receive in the circumstances set out above shall be an amount:
 - i. which is no greater than the amount of remuneration which any such person would have been entitled to receive from the Society if the reorganisation had not taken place, and if the individual had been able to complete the term of office for which they had been elected; and
 - ii. which takes into account any remuneration which the individual receives in relation to a period equivalent to the outstanding term of office, in connection with any office to which they are elected or appointed following the reorganisation; and
 - iii. which has been approved by the members of the Society at a members’ meeting before the reorganisation becomes effective.
 - c) Every director and every person holding an elected position within the Society shall execute a deed in a form specified by the Secretary, acknowledging that they are not entitled to any such compensation beyond the permitted amount, and assigning any

sum beyond the permitted amount, if paid, to Co-operatives UK Limited or any successor in title to Co-operatives UK Limited. Any person who fails to execute such deed when required to do so shall immediately cease to hold office. If any such payment is made, then:

- i. it will be held by the recipient on trust for Co-operatives UK Limited or any successor in title, who shall be entitled to call upon the recipient for payment of such sum; and
- ii. it shall be applied by Co-operatives UK Limited or any successor in title in furtherance of its objects as its Board shall decide.

19. Dissolution

19.1.

The Society may be dissolved:

- a) by winding up in accordance with the Co-operative and Community Benefit Societies Act 2014 in pursuance of an order or resolution made as is directed in regard to companies by the Insolvency Act 1986; or
- b) by an instrument of dissolution signed by not less than three-fourths of the members for the time being, in accordance with section 119 of the Co-operative and Community Benefit Societies Act 2014.

20. Surplus Assets

20.1.

If, on the solvent dissolution or winding-up of the Society there remain, after the satisfaction of all its debts and liabilities and the repayment of the paid up share capital, any assets whatsoever, such assets shall not be paid to or distributed among the members of the Society but shall be:

- a) transferred to one or more other societies in membership of Co-operatives UK Limited having the same or similar Rule provisions as regards surplus distribution as this Rule, as may be determined by the members at an ordinary or Special Members' Meeting; or
- b) if not so transferred, shall be paid or transferred to Co-operatives UK Limited.

20.2. This Rule (Rule 20.1 and 20.2) may not be changed, except by a special resolution of the members passed in accordance with the requirements for the passing of a special resolution under section 111 of the Co-operative and Community Benefit Societies Act 2014.

21. Major Transactions

21.1. Any major transaction or proposed transaction, or any series of transactions within any period of three years, involving the sale or disposal of any major asset of the Society of a value in excess of 25% of the value of the Society's tangible fixed assets, as stated in the Society's latest audited financial statements, to another society, corporate body or individual not in membership of Co-operatives UK Limited, shall require the prior approval of a Members' Meeting.

SIGNATURES OF MEMBERS

Full Name in BLOCK CAPITALS (no initials)



HELEN RITA WISEMAN



VIVIAN STANLEY WOODELL



HEATHER ADELE RICHARDSON

SIGNATURE OF SECRETARY

Full Name in BLOCK CAPITALS (no initials)



Edward Geoffrey Parker