



Guiding Principles for the Board of Directors

Preamble

The following principles were adopted by the Board of The Midcounties Co-operative Limited by resolutions dated 3 October and 28 November 2005 (minutes 05/282 and 05/334). They were updated by resolutions dated 1 October 2007 (minute 07/148) and 26 November 2012 (minute 12/164.2). They help guide the Board in its decision making and provide the framework and expectations for the way directors should interact with one another and with others with whom they have business.

On 1 October 2007, the Board also agreed that the sections of the governance code produced by Co-operatives UK for consumer co-operative societies which covered the duties and responsibilities of directors and which set out a code of conduct for directors should be appended to these Guiding Principles, to reinforce the expectation that directors should observe the principles and standards set out therein.

Principles

As directors on the Board, we will:

1. Remember that our first responsibility is to represent the members who own and control the Society and that the Society is a co-operative, subscribing to co-operative values and principles which underpin all that we do.
2. Work together as a team, consistently presenting a unified front with respect to Board decisions.
3. Be thoroughly professional in all that we do.
4. Participate actively in the work, continuous performance development and building business awareness of the Board.
5. Give equal standing to all members, respect their views and opinions and protect their right to express them.
6. Be willing to give and accept constructive criticism.

7. Not seek to dominate Board discussions, pursue personal agendas or behave, verbally or non-verbally, in a way that is aggressive, offensive or abusive.
8. When appropriate, constructively challenge one another or others with whom we work as a Board.
9. In relation to decisions that we take, satisfy ourselves of the adequacy of the information before us particularly in relation to our responsibilities for risk assessment and due diligence.
10. Foster a positive relationship between the Board and the management of the Society.
11. Contribute to building a positive perception of the Board among the Society's membership and all colleagues.
12. Support all efforts to increase and engage the Society's membership and ensure that an active dialogue is maintained with members to enable them to participate in a meaningful way in decision taking on important matters which affect their Society.
13. Promote the co-operative advantage and, particularly, the Society in the wider community.
14. Treat all information which we receive as directors of the Society and all discussion within the boardroom in the utmost confidence, and not disclose such information or use it to our own advantage; and we acknowledge that this obligation continues after we have left the Board.
15. Recognise that we may from time to time have conflicts of interest with the Society and where this is the case report these to the Secretary with immediate effect.
16. Recognise that being a director carries legal duties and responsibilities and undertake to exercise these to the best of our abilities.
17. Seek to update our knowledge and skills to allow us to direct the affairs of the Society to best effect.

Edward Parker
Secretary & Head of Governance

Code of Conduct for Directors

Status of this Code of Conduct

This Code of Conduct (the “Code”) sets out the standards of personal behaviour and conduct required of directors of consumer co-operative societies¹. A co-operative’s rules should refer to this Code, confirm its approval by its board and require its board to adopt it and to enforce compliance with it.

Every existing director of a consumer co-operative society must sign an acknowledgement accepting his or her obligation to comply with this Code in its entirety. Candidates seeking election as a director will be asked to confirm that they have read and understood it, and, if elected, must sign a similar acknowledgement confirming their obligation to comply with it.

Qualification for office

The co-operative’s rules set out the criteria under which an individual is eligible to be a director. A director shall notify the secretary immediately on becoming aware that he or she is not, or may no longer be, eligible to be a director.

Commitment to Co-operative Principles

The co-operative is established to provide goods and services to its members as a successful co-operative business.

Each director will discharge his or her responsibilities in a way which seeks to ensure that the co-operative remains committed to operating in accordance with the values and principles that are set out in the International Co-operative Alliance Statement of Co-operative Identity, which is the basis of all co-operative enterprises.

Directors are elected by the members of the co-operative to represent their collective interests. They should, therefore, consider whether there is sufficient evidence that the proposals they are making accord with the interests of the members or establish mechanisms for consultation to ascertain the collective views of members.

Carrying out the directors’ responsibilities

Being a director brings with it a commitment to carry out all necessary duties and responsibilities which must be performed by the board. Each director will:

- Understand and abide by their legal duties and responsibilities. [see Duties and Responsibilities of Directors guidance note]
- Act in accordance with the rules of the co-operative.

¹ For the purposes of the Code the term ‘consumer co-operative’ refers to a co-operative owned and controlled by its members, where its members are its customers. With its business focussed on operating traditional co-operative retail outlets in food, travel, funeral care and pharmacy.

- Attend every meeting of the board and of any committee or sub-committees of the board to which he or she is appointed, unless there is an unavoidable reason for non-attendance, in which case the director shall notify the secretary of this.
- Prepare properly for every meeting by reading in advance any documents sent out for the purpose of the meeting.
- Arrive on time for every meeting fully prepared and able to take an active role in discussions and decision making.

Standards of behaviours

In addition to fulfilling their legal duties, directors are expected to show high standards of behaviour in carrying out their responsibilities. This is necessary in order that the board can function properly as a board, that it can play its part appropriately in the co-operative's overall governance, and that the co-operative's good name and reputation is maintained.

Directors will observe the following general standards:

- In their dealings with each other, with the co-operative's officers, and with its management executive and employees and members, directors must treat people politely, fairly, and with dignity and respect.
- On public occasions and on all co-operative business, directors must behave with integrity and in a way which is appropriate for a director of such an organisation. The director must not bring the co-operative into disrepute or prejudice its general good standing in any way.
- Directors should behave in a way that demonstrates their belief in the values and principles and ethical stance of the co-operative and shall conduct themselves in a way that does not call these beliefs into question or prejudice the general good standing of the co-operative in any way.
- Directors will treat meetings of the board or of any committee or sub-committee of the board to which he or she is appointed, as formal occasions, and will:
 - accept the authority of the chair of any meeting, expressing all questions and points of view through the chair;
 - listen to the views of the directors with an open mind, seek advice or clarification where needed, express their own views, and come to their own decisions on individual matters in good faith in what they believe to be in the best interests of the co-operative, taking into account relevant factors and ignoring irrelevant factors;
 - accept decisions made by the board in accordance with the law and the co-operative's rules, even if he or she disagrees with it, and voted against it if a vote was taken. This includes a commitment to support any decision of the board outside of board meetings;
 - not resort to behaviour that could be considered aggressive or intimidating, e.g. swearing, name calling, shouting, finger pointing;

- keep to the agenda, raise other issues under “any other business” according to agreed procedures, and not engage in discussions during the meeting which are not relevant to the issues of the meeting;
- not present misleading information or behave in a way designed to mislead the board;
- ensure that they do not attend any meetings under the influence of alcohol, or illegal or recreational drugs.

Confidentiality

Directors will treat all information which they receive in their capacity as directors, and all discussions at board meetings or within committees or sub-committees of the board, as confidential. Directors who are employees of the co-operative will take particular care not to disclose to their colleagues any confidential information which comes to them in their capacity as a director.

Directors will observe the following obligations of confidentiality:

- They will not disclose any information outside board meetings unless it is already in the public domain, or they are specifically authorised by the board to do so. This includes information about the co-operative’s business, the deliberations of the board in reaching decisions, and the way individual directors voted on issues.
- They will not use any information for personal advantage.
- They will not pass information to any representative of the press or media, and will refer any press or media enquiries to the co-operative’s management executive.
- They will not make unauthorised photocopies of any documents.
- They will take proper care of any documents they receive as directors, and store and dispose of them securely.

Conflicts of interest

Directors must avoid any situation which may lead to a potential conflict of interest.

Directors must disclose to the board, through the secretary, any situation which they believe may potentially give rise to a conflict of interest.

Where such a potential conflict is notified, the board shall decide whether the director may proceed with the situation giving rise to the conflict (for example, taking up a non-executive appointment in another organisation) or whether he or she must avoid it.

Directors must disclose to the board, through the secretary, any material interest² which they or their spouse or partner holds in:

² For the purposes of the Code “Material interest” includes being an employee, holding any position of authority or responsibility, or owning any financial interest. It does not include the holding of

- any business which competes with or carries on the same trade as the co-operative;
- any business which is providing goods or services to the co-operative, or is being considered as a potential supplier of goods and services;
- any public body, voluntary organisation or charity with which the co-operative has or is likely to have dealings.

Where such an interest is notified, the board shall decide whether the director needs to take any action to manage this and, if so, what this must be. Examples of such action include not receiving papers on an issue related to the conflict, not attending board meetings where an issue relating to the conflict is being discussed or not voting on such issue. The board may determine any other action it believes is necessary to manage the conflict.

Subject to the co-operative's rules, no director may take part in any discussion on a matter in which they have a material interest, or take part in any decision, or vote on any resolution. This applies to meetings of the board and of any committee or sub-committee of the board.

The secretary must keep a register of directors' interests which is open to inspection by members.

Taking independent advice

The co-operative's management executive is responsible for running the day-to-day business of the co-operative. If one or more directors have any questions about any aspect of the co-operative's affairs, they should be raised in the first instance with the management executive, through the secretary.

If any director, or any committee or sub-committee of the board, believes that it is essential for independent advice to be sought on any matter to enable them to properly perform their duties then this should be done through the secretary. If the matter on which the advice is sought directly concerns the secretary, the advice shall be sought through the chair.

If one or more directors are dissatisfied with advice given by the management executive or the co-operative's external advisors, or the board fails to obtain their requested advice, they should raise the matter with the secretary. The secretary may take further independent advice if he or she considers it to be in the best interests of the co-operative to do so.

If the secretary is involved in the matter in question and cannot be regarded as independent for the purposes of taking further advice, a member of the management executive shall act in place of the secretary. If neither the secretary nor any member of the management executive can be regarded as independent for the purposes of the matter, it shall be referred to the Secretary General of Co-operatives UK.

shares which amount to less than 2% of the entire issued share capital of any company whose shares are listed on a stock exchange.

Induction and Ongoing Professional Development

New directors must complete the formal induction programme developed by the board to ensure that they can become as effective as possible, as quickly as possible, in their new role. Failure to do so without good reason is a serious breach of this Code.

Directors should ensure that they are properly equipped to carry out their responsibilities. It is not sufficient to rely on current knowledge and experience. In order to keep pace with changing needs, and changing legal and financial obligations, directors need to undergo appropriate training and professional development on an ongoing basis.

All directors shall take part in any training which the board resolves that they should undertake. Failure to do so without good reason is a serious breach of this Code.

Hospitality and Gifts

Directors must not, in their capacity as director (or what might be perceived as their capacity as director), receive from or give to any person or organisation any hospitality, gift or any other benefit, except in the following circumstances:

- Working meals or refreshments;
- Inexpensive items (less than £10 in value) such as free calendars;
- Hospitality in the course of the co-operative's business, which is disclosed to the secretary and recorded in a register kept for this purpose.

Directors must observe the terms of any policy that the co-operative might have concerning hospitality and gifts.

Serving on the Board of another organisation

Directors who serve on the board of any other organisation must treat their roles as director of the co-operative and director of any such organisation as separate.

This means that:

- They must maintain confidentiality in relation to information they receive in one capacity, and not disclose any such information in the other capacity unless they are expressly authorised to do so.
- When making decisions as a director of the co-operative, they must make such decisions in what they consider to be in the best interests of the co-operative, and when making decisions as a director of another organisation, make them in what they consider to be in the best interest of that organisation.

Breach of this Code

All directors accept that they must comply with this Code if the board is to function and carry out its role properly and efficiently. Where any director alleges that another director is in breach of this Code, the following provisions will apply:

- If the allegation is made in the course of a meeting, the matter is to be referred to the chair, who may;
 - request the director alleged to be in breach to desist from any behaviour giving rise to the breach;
 - defer the matter to be considered by the board on a subsequent occasion;
 - adjourn the meeting;
 - request that the director alleged to be in breach temporarily leaves the meeting for the matter to be discussed by the remaining directors present;
 - exclude the director alleged to be in breach for the remainder of the meeting.

- If the remaining directors are to consider an allegation of a breach of this Code at any time, the director alleged to be in breach shall be given the opportunity to respond to the allegation.

- If the remaining directors consider that a director has committed a breach of this Code;
 - the breach shall be minuted by the secretary;
 - the board may recommend that the director in breach undergoes disciplinary action and/or training;
 - the board may resolve to report the matter to the members at the next members' meeting.

Subject to the rules of the co-operative, a director in serious breach of this Code may be removed from office by a resolution approved by not less than three-quarters of the remaining directors, provided that the remaining directors also consider that it is not in the best interests of the co-operative for that individual to continue as a director. Before any such resolution can be considered, the director alleged to be in serious breach shall be notified in writing of the alleged breach, and shall have an opportunity to answer the allegations made and to rectify the breach. In such cases where the rules make provision for this instance they will take precedence over this Code.

This Code of Conduct has been approved by the board of The Midcounties Co-operative Limited

Date: 1 October 2017

Duties and Responsibilities of Directors

The position of director of a consumer co-operative society¹ carries many demanding and important duties that need to be recognised before appointment and throughout a director's period of office. Directors owe a primary duty to the co-operative, rather than to individual members or employees. These can be divided into statutory duties, fiduciary duties and duties of care.

This document sets out the legal duties and responsibilities of directors of co-operative societies. It is only a summary. Directors should ensure they remain up-to-date with the law as it affects them and the co-operative and if they are in any doubt about their duties, or any aspect of performance of their duties, they should consult the secretary for clarification and guidance.

Directors have important legal duties, and failure to carry out these duties can result in personal liability. Broadly there are three categories of legal duty as follows:

- The duty to obey relevant laws and regulations
- The duty of good faith
- The duty to take care

Duty to obey the law

Most consumer co-operatives are registered under the Industrial and Provident Societies Act. This Act does not codify directors' duties but the Companies Act 2006 (CA2006) does. As a matter of good governance practice, directors of co-operative consumer societies should follow the codified Companies Act duties.

The directors' duties set out in the Companies Act 2006 are:

- The duty to act within the powers i.e. for a society this means within the rules [CA2006 section 171];
- The duty to promote the success of the company i.e. the director should act and make decisions in a way he or she thinks will best promote the success of the society [CA2006 section 172];
- The duty to exercise independent judgment [CA2006 section 173];
- The duty to exercise reasonable care, skill and diligence [CA2006 section 174];
- The duty to avoid conflicts of interest [CA2006 section 175];
- The duty not to accept benefits from third parties [CA2006 section 176]; and
- The duty to declare an interest in a proposed transaction or arrangement [CA2006 section 177].

¹ For the purposes of the Co-operatives UK Corporate Governance Code the term 'consumer co-operative' refers to a co-operative owned and controlled by its members, where its members are its customers. With its business focussed on operating traditional co-operative retail outlets in food, travel, funeral care and pharmacy.

Various Acts of Parliament and statutory provisions impose direct obligations upon directors and upon the co-operative itself. These cover such areas as occupational health and safety, employment matters, equality, data protection, competition, consumer protection, the environment, and keeping proper accounting records. Although directors do not carry executive responsibility for ensuring that these statutory requirements are met, they are responsible as a board for ensuring that others take executive responsibility and discharge it accordingly. Where a board fails to ensure this, directors can become subject to statutory penalties and personal liability.

Directors have a direct and personal responsibility for ensuring that the co-operative does not continue to trade if it is insolvent. Failure to discharge this responsibility can result in personal liability.

Duty of good faith

A director is in a position similar to that of a trustee – namely being responsible for somebody else's (the co-operative's and the members') property. As a result the law imposes a duty of good faith on directors, which can broadly be summarised as follows:

- Truthfulness and honesty – acting with complete integrity in any dealings with or on behalf of the co-operative.
- Treating the co-operative's affairs as confidential - individual directors have no legal authority to disclose anything outside of board meetings except what is already in the public domain, or what they are expressly authorised by the board to disclose.
- Acting at all times in the best interests of the co-operative – this means ensuring that the co-operative's interests always come first, and that a director never uses their position to obtain a benefit or advantage for themselves, for other people or other organisations.
- Respecting the collective decision making process – directors should accept decisions made by the board in accordance with the law and the co-operative's rules, even if he or she disagrees with it, and voted against it if a vote was taken. This includes a commitment to support any decision of the board outside of board meetings.
- Avoiding conflicts of interest – directors should avoid putting themselves in a position where their duties and responsibilities as a director conflicts with other personal interests. Where a conflict arises, they must comply with the co-operative's rules. See also CA2006 duties 175-177 under 'Obeying the law'.

Duty to take care

In carrying out their responsibilities and decision-making, directors must take proper care. They are expected to show:

- Such skill and care in carrying out their responsibilities as a person having their background and experience would reasonably be expected to show (the subjective test); and
- The levels of skill and care that a person carrying out that role would reasonably be expected to show (the objective test).

In other words, the directors are not expected to be experts, but they are expected to use such expertise as they have. Furthermore, directors must recognise that an objective standard is applied, which means that where they do not have the knowledge and expertise needed, they should either undergo training, or additional skills should be brought onto the board, possibly through the co-option of professional external directors.

The duty to take proper care includes the following:

- Reading board papers before meetings, and coming to meetings properly prepared;
- Asking questions, requesting clarification if further information or explanation is needed, and challenging the members of the management executive when not satisfied with the answers given;
- Taking advice both from the management executive and from independent advisors, when appropriate, in the best interests of the co-operative;
- Disclosing any material interest² to the board as provided for in the rules of the co-operative. Directors should also do this in conjunction with any Conflict of Interest Policy that the co-operative may adopt and the Code of Conduct for Directors as approved by the board.

Directors should aim to carry out their role to the highest possible standards. It is not acceptable to leave things to other people, to fail to attend meetings without an unavoidable reason for doing so, or to treat other matters as more important than those of the co-operative. A director who does not give an appropriate level of commitment to the co-operative's affairs is failing in his or her duty.

Directors should ensure that they are properly equipped to carry out their responsibilities. It is not sufficient to rely on current knowledge and experience. In order to keep pace with changing needs, and changing legal and financial obligations, directors need to undergo appropriate training and professional development on an ongoing basis.

² For these purposes "Material interest" includes being an employee, holding any position of authority or responsibility, or owning any financial interest. It does not include the holding of shares which amount to less than 2% of the entire issued share capital of any company whose shares are listed on a stock exchange.

Duty to maintain and uphold the co-operative status of the organisation

Directors should discharge their legal duties and responsibilities in a way which seeks to ensure that the co-operative remains committed to operating as a successful co-operative business in accordance with the values and principles that are set out in the International Co-operative Alliance Statement of Co-operative Identity, which is the basis of all co-operative enterprises, and serve the interests and protect the assets of the co-operative's members by exercising independent and objective judgement.

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