

REGISTERED NUMBER 525R

**RULES
OF
CO-OPERATIVE GROUP LIMITED
(the **Society**)**

**Registered under the Co-operative and Community Benefit Societies
Act 2014**

June 2018

ALL PREVIOUS RULES RESCINDED

REGISTERED OFFICE: 1 ANGEL SQUARE, MANCHESTER, M60 0AG

VISIT - <http://www.co-operative.coop>

Rule	Page
Introducing the Society	6
1. Name	6
2. Registered Office and website	6
3. Registration	6
4. Governance Principles	6
5. Purpose.....	6
6. Objects	6
7. Powers.....	8
8. No restrictions.....	8
9. Interpretation.....	9
10. How the Rules operate	9
11. How the Society operates.....	9
12. Governing documents	9
13. Overview of governance structure	11
14. Transitional Provisions	11
Finances and regulation	11
15. General borrowing	11
16. Borrowing from Members	12
17. FSMA 2000.....	12
18. Investment of funds.....	12
Members.....	12
19. Who can be Members: Individual Members and Independent Society Members	12
20. Who can be an Individual Member.....	13
21. Minimum holdings for Individual Members.....	13
22. Joint Individual Members	13
23. Who can be an Independent Society Member.....	13
24. Minimum holdings for Independent Society Members	13
25. Requirements of the Independent Society Members for certain goods and services.....	13
26. Cessation of Membership	14
27. Removal from Membership	14
28. Consequences of removal from Membership	15
29. Expulsion from Membership	15
30. Contact with lost Members	16
31. Share capital.....	17
Society General Meetings.....	22
32. Annual General Meeting and Half Yearly Meeting	22
33. Special General Meetings	24
34. Notices for Society General Meetings	26
35. Quorum at meetings	27
36. Meeting at more than one place	28
37. Procedure at Society General Meetings	28
38. Entitlement of Members to attend meetings of the Society and vote.....	30
39. Appointment of Voting Representatives	31
40. Joint holding of shares	32
41. Counting of Votes	33
42. Referendum.....	33
Board	33
43. General powers of the Society vested in the Directors	34

44.	Delegation.....	34
45.	Committees	35
46.	Agents	36
47.	Composition of the Board.....	36
48.	Eligibility Criteria	37
49.	Membership Criteria	37
50.	Methods of appointment of Independent Non-Executive Directors and Executive Directors.....	37
51.	Method of appointment of Member Nominated Directors	38
52.	Separate resolutions for election of each Director	38
53.	Board education and training	38
54.	Retirement of Directors.....	39
55.	Election and re-election of Independent Non-Executive Directors and Executive Directors.....	39
56.	Disqualification as a Director	40
57.	Power of the Society to remove a Director	40
58.	Suspension	40
59.	Board evaluation	41
60.	Alternate Directors.....	41
61.	Directors' fees.....	41
62.	Pensions and other benefits of Executive Directors.....	42
63.	Expenses	42
64.	Offices of profit.....	42
65.	Calling a meeting of the Board	42
66.	Quorum	43
67.	Appointment of Group Chair and Senior Independent Director	43
68.	Voting	44
69.	Participation in meetings.....	44
70.	Resolutions in writing	44
71.	Minutes	44
72.	Validity of acts of the Board or committee of the Board	44
73.	Directors' Conflicts of interest.....	45
74.	Appointment of the Executive, officers, employees of the Group and others	47
75.	Executive responsibilities	48
76.	The Group Secretary	48
77.	Interim officers.....	49
The Council		49
78.	Council's roles, powers and responsibilities.....	49
79.	Council's responsibilities.....	49
80.	Council Annual Statement	52
81.	Committees	52
82.	Proceedings of the Council and the Senate	52
83.	Composition of the Council	53
84.	Council Eligibility Criteria	53
85.	Council Diversity	53
86.	Membership Criteria	53
87.	Methods of election of a Council Member	53
88.	Council education and training	54
89.	Disqualification as a Council Member.....	54
90.	Suspension	55
91.	Council Members' fees	55
92.	Expenses	55
93.	Offices of profit.....	55

94.	Calling a meeting of the Council	55
95.	Quorum	55
96.	Appointment and removal of President	55
97.	Council Members' conflicts of interest.....	56
98.	The Council Secretary.....	56
99.	Roles and responsibilities of the Senate.....	57
100.	Composition of the Senate	57
101.	Methods of appointment of a member of the Senate	57
102.	Senate member terms	58
103.	Calling a meeting of the Senate	58
104.	Quorum	58
105.	Chair of the Senate.....	58
106.	Secretariat and administrative support.....	58
Area Committees and post-May 2015 structures		59
107.	Area Committees	59
108.	Post-May 2015 structures	60
Significant Transactions		60
109.	Significant Transactions.....	60
Reporting to Members		61
110.	Preparation of Accounts.....	61
111.	Auditors and Accounts.....	61
112.	Presentation of Accounts	62
113.	Publication of Accounts and Balance Sheet	62
114.	Copy of Balance Sheet to be displayed.....	62
115.	Annual Return.....	62
116.	Financial Year End and Half Year End	63
117.	Books of Account	63
Alterations.....		63
118.	Alteration of Rules.....	63
Liability of Members.....		64
119.	General.....	64
Profits		65
120.	Application of Profits Available For Distribution	65
Amalgamation, transfer of Engagements, conversion and dissolution.....		66
121.	Amalgamation and Transfer Involving Another Society	66
122.	Amalgamation, Transfer and Conversion Involving a Successor Company	66
123.	Dissolution	68
124.	Distribution of surplus assets on winding-up or dissolution.....	69
Administrative arrangements.....		69
125.	Communications to the Group Secretary	69
126.	Communications by the Society	69
127.	Common Seal.....	72
128.	Register of Members.....	72
129.	Copies of the Rules	72
130.	Indemnity to Directors and officers	72
131.	Settlements of dispute on the Rules	74

Appendix

- 1. Interpretation75
- 2. Diagrammatic representation of the governance structure of the Society81
- 3. Transitional Provisions82

INTRODUCING THE SOCIETY

1. Name

The Society's name is Co-operative Group Limited.

2. Registered Office and website

2.1 The Society has its registered office at 1 Angel Square, Manchester, M60 0AG (the **Registered Office**), and this is the address to which all communications and notices to the Society may be addressed unless the Society notifies the Members on its website or otherwise from time to time.

2.2 The Society's website is <http://www.co-operative.coop>.

2.3 Any change to the Society's Registered Office shall be agreed by the Board and the Council.

3. Registration

The Society is a registered society under the Statutes and is registered with the Registration Authority on the basis that it is a bona fide co-operative.

4. Governance Principles

These Rules give effect to the following governance principles:

- (a) The creation of a Board of directors elected by Members that is individually and collectively qualified to lead an organisation of the size and complexity of the Society;
- (b) The establishment of a structure that gives Members appropriate powers to hold the Board properly to account for the performance of the business and adherence to co-operative values and principles;
- (c) A move to the concept of 'one member one vote' with appropriate representation for Independent Society Members; and
- (d) The inclusion of necessary provisions to protect the Society against demutualisation.

The governance arrangements as set out in the Rules and Regulations will be subject to ongoing review and will be subject to a formal review within three years of 1 September 2014 and at least once every five years subsequently unless the Council and the Board otherwise agree.

5. Purpose

5.1 The Society's Purpose is to serve its Members by carrying on business as a co-operative for the benefit of its Members in accordance with the Values and Principles.

5.2 The current expression of the Society's Purpose is "Championing a better way of doing business for you and your Communities", or such other expression or expressions of the Purpose as are recommended by the Board and the Council from time to time and approved by Members by Ordinary Resolution.

6. Objects

6.1 The Society shall have the following Objects in accordance with its Purpose (the **Objects**):

- (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 financial services or credit transactions;
- (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 above Objects;
- (c) To acquire, undertake or manage the whole or any part of the business, goodwill, property, assets and liabilities of any person, firm, company or body carrying on or proposing to carry on any business which the Society is authorised to carry on or having any property of any kind suitable for the Society's purposes;
- (d) To invest and deal with the moneys of the Society not immediately required in such a manner (including the making of loans) and on such terms and conditions as may from time to time be determined by the Board and to hold or otherwise deal with any investments made;
- (e) To enter into any agreement for partnership or for sharing profits, union of interests, co-operation, joint venture or reciprocal concession with any society, company, corporation or person and to acquire shares, stocks, debentures or other securities in any such society, company or corporation and if any such agreement shall so require to depute the management of any business or venture to any representative or agent as may be agreed on and to confer all necessary powers on any such agent or representative;
- (f) To promote, or participate or assist in the promotion of, any company or society whether or not having objects similar to those of the Society;
- (g) To borrow and raise money in any manner and to secure the repayment of any money borrowed, raised or owing by mortgage, charge, standard security, lien or other security upon the whole or any part of the Society's property or assets (whether present or future), including its uncalled capital, and also by a similar mortgage, charge, standard security, lien or other security to secure and guarantee the performance by the Society of any obligation or liability it may undertake or which may become binding on it;
- (h) To purchase, hold, sell, charge, mortgage, exchange, develop, rent, lease or sub-lease lands of any tenure in the United Kingdom or elsewhere and to erect, pull down, repair, alter or otherwise deal with any building thereon and to acquire and grant rights, privileges and easements in, over, or in respect of, any land or any building thereon and to acquire any machinery, plant, property or rights which may be necessary for or conveniently used with or may enhance the value of any other property of the Society;
- (i) To establish and promote societies, companies and other bodies corporate and to acquire and dispose of shares, stocks or debentures in any society, company or other body corporate and to make loans with or without security and give credit to and guarantee or give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any such society, company or body corporate;
- (j) To engage in any business, trade, industry or profession, which may seem to the Board directly or indirectly conducive to the interests of or convenience of the Society's undertaking or any section thereof;
- (k) To sell or dispose of its property, assets or undertaking or any part thereof for such consideration or in any manner as the Society may think fit and in particular for shares,

stocks or debentures of any society, company or other body corporate, whether or not having objects altogether or in part similar to those of the Society;

- (l) To undertake the management of the business or businesses of or to act as representative or agent for any person, society, company or corporation on such terms as may be agreed with any such person, society, company or other body corporate;
- (m) To provide financial or other assistance to its Members or to such other societies, companies, bodies corporate, persons or other bodies within the Group as the Board may from time to time think fit on such terms and conditions and for such period or periods as may from time to time be deemed expedient and for any such purpose to enter into such agreements, deeds of covenant, guarantees, indemnities or other documents as may from time to time be necessary in compliance with the Statutes or as the Board may think fit;
- (n) In conjunction with any other society, company or body corporate to participate in pension or superannuation schemes and to make contributions thereto and to enter into any trust deed or any other documents for such purpose and to act as trustee or joint trustee of such scheme and of any fund established thereby and to act as such trustee or joint trustee through or by the Board;
- (o) In addition and without prejudice to any other power contained herein to enter into any arrangements with financial institutions, to enter into any agreement in connection with its financial affairs, including any agreement for reducing, limiting or compensating for any financial risk, whether by way of interest rate swaps or otherwise, on such terms and conditions as the Board thinks fit;
- (p) To guarantee or secure (whether gratuitously or otherwise) the performance of all or any of the obligations of any society, company, body corporate, person or other body whether by personal covenant or by mortgage or charge upon the whole or any part of the undertaking, property or assets of the Society and to enter into (whether gratuitously or otherwise) indemnities of all kinds;
- (q) To do all things which the Board may think expedient for, or incidental or conducive to, the carrying out of all or any of the above Objects; and
- (r) To do all or any of the things mentioned in this Rule in any part or parts of the world.

7. Powers

7.1 The Society has full power to do all things necessary, expedient or desirable for the accomplishment of any of the Objects (the **Powers**).

7.2 Anything which the Society may do may be done by it in any part of the world either alone or in partnership, association or joint venture with one or more persons and either directly or indirectly. In carrying out the Purpose or exercising any of the Powers, the Society may act in any capacity and this includes acting as agent for another person and carrying out any functions for any other person.

8. No restrictions

8.1 Nothing in Rules 6 and/or 7 shall limit or impose any restriction on the Objects, Powers or activities of the Society.

8.2 The Purpose and Powers set out in Rules 5, 6 and 7 are to be interpreted using the following principles:

- (a) each subparagraph and each activity referred to in any subparagraph is to be interpreted in the broadest possible sense and any examples given are not to be interpreted as restricting the meaning of the Purpose or the Powers which they relate to; and
- (b) each subparagraph and each activity referred to in any subparagraph is to be interpreted separately and none of the subparagraphs or activities is to be interpreted in a way which would make it subordinate or incidental to any other subparagraph or activity, unless the wording expressly requires this.

9. Interpretation

- 9.1 In addition to terms defined elsewhere in the Rules, the definitions and other provisions in Appendix 1 shall apply throughout the Rules, unless the contrary intention appears.
- 9.2 The headings in the Rules do not affect its interpretation.
- 9.3 Any reference to writing or written or any similar expression includes a reference to any method of reproducing words in a legible form.
- 9.4 Any reference to signature or to something being signed or executed shall include either: (i) a signature printed or reproduced by a mechanical or other means; (ii) any stamp or other distinctive marking made by or with the authority of the person required to sign the document to indicate it is approved by such person; or (iii) to the extent that the Board has approved this for the relevant purpose, an electronic signature or other means of verifying the authenticity of communications in electronic form.
- 9.5 Unless the contrary intention appears, words used in the singular include the plural and the plural includes the singular.

10. How the Rules operate

- 10.1 The Rules, together with the Appendices, are binding on the Society and the Members.
- 10.2 The provisions of Appendix 3 (Transitional Provisions) shall apply to the Society and the Members.

11. How the Society operates

Subject to the Rules, the Society may own, control and co-ordinate its businesses through subsidiaries.

12. Governing documents

- 12.1 The Rules set out the way in which the Society is owned, organised and governed.
- 12.2 The Board may make Regulations setting out other provisions in addition to the Rules. Such Regulations shall not be inconsistent with the Rules. If there is any conflict or inconsistency between the Rules and any of the Regulations, the Rules shall take precedence. For the purposes of the Rules, the Board shall also maintain the following:
 - (a) the Board code of conduct (the **Board Code of Conduct**), including (but not limited to):
 - (i) the duties and responsibilities of the members of the Board (including to whom each duty and each responsibility is owed);
 - (ii) the conduct of members of the Board;

- (iii) a framework for handling breaches of the Board Code of Conduct;
 - (iv) a conflicts of interest policy for the Board;
 - (v) an expenses policy;
 - (vi) a confidential information policy for the Board; and
 - (vii) a ways of working charter, setting out guidelines for the working relationship between the Board, the Council and the Executive (agreed by the Board and the Council and subject to annual review);
- (b) a Board Composition Charter including the Eligibility Criteria for all Directors (provided that any substantive changes require the prior approval of the Council);
 - (c) Board Election Regulations (agreed by the Board and the Council);
 - (d) Purchases Regulations (agreed by the Board and the Council and subject to annual review);
 - (e) a Board Policies and Procedures Manual, including but not limited to the proceedings of committees;
 - (f) a Policies and Procedures Manual for Society General Meetings (agreed by the Board and the Council and subject to annual review);
 - (g) Significant Transactions Regulations (agreed by the Board and the Council); and
 - (h) Regulations (if applicable) regarding the operation of and, if the Board determines it necessary or appropriate, the appointment of a person to operate an internal market in relation to Member Investor Shares or Member Certificates.

12.3 The Group Secretary shall evaluate the adequacy of any and all Regulations from time to time and shall be responsible for updating any and all such Regulations, when appropriate.

12.4 The Council may make Council Regulations setting out other provisions in addition to the Rules. Such Council Regulations shall not be inconsistent with the Rules. If there is any conflict or inconsistency between the Rules and any of the Council Regulations, the Rules shall take precedence. For the purposes of the Rules, the Council shall also maintain the following:

- (a) the Council code of conduct (the **Council Code of Conduct**), including (but not limited to):
 - (i) the duties and responsibilities of the Council Members (including to whom each duty and each responsibility is owed);
 - (ii) the conduct of Council Members;
 - (iii) a framework for handling breaches of the Council Code of Conduct;
 - (iv) a conflicts of interest policy for the Council;
 - (v) an expenses policy;
 - (vi) a confidential information policy for the Council; and

(vii) a ways of working charter, setting out guidelines for the working relationship between the Board, the Council and the Executive (agreed by the Board and the Council and subject to annual review);

(b) Member Nominated Director Election Regulations (agreed by the Board and the Council);

(c) Council Election Regulations;

(d) Membership Regulations (agreed by the Board and the Council);

(e) Purchases Regulations (agreed by the Board and the Council and subject to annual review);

(f) a Council Policies and Procedures Manual; and

(g) Significant Transactions Regulations (agreed by the Board and the Council).

12.5 The Council Secretary shall evaluate the adequacy of any and all Council Regulations from time to time and shall be responsible for updating any and all such Council Regulations, when appropriate.

13. Overview of governance structure

13.1 The Society has Members, a Council (with the ability to delegate its powers, duties and responsibilities (including the power to delegate further) to committees, including, without limitation, the Senate) and a Board (with the ability to delegate its powers, duties and responsibilities to committees, including, without limitation, the Risk and Audit Committee, the Nominations Committee and the Remuneration Committee and including the power to delegate further).

13.2 Appendix 2 sets out a diagrammatic representation of the governance structure of the Society for illustrative purposes only.

14. Transitional Provisions

The Rules specified in Appendix 3 shall apply until the completion of the Society's Annual General Meeting in May 2015 (or earlier, if an earlier date is specified in relation to a particular Transitional Provision in Appendix 3) (the **Transitional Period**).

If, at the end of the Transitional Period, there is not a majority of Independent Non-Executive Directors on the Board in accordance with Rule 47, steps will be taken to rectify any shortfall as soon as reasonably practicable, having regard to the need to ensure that all Directors satisfy the high standards required by the Eligibility Criteria and the other requirements set out in the Rules and the applicable governing documents made in accordance with Rule 12. Subject to this Rule 14, all other Rules shall apply and shall, to the extent possible, be given effect following the Transitional Period.

FINANCES AND REGULATION

15. General borrowing

15.1 Subject to Rule 15.2, the Board may exercise all the powers of the Society to obtain advances of money and to mortgage or charge any of its property or assets and to issue debentures or other securities, and to enter into any agreement in connection with its financial affairs, including any agreement for reducing or compensating for any financial risk. In the exercise of its powers to borrow, the Society may issue Member Certificates to Individual Members on such terms and conditions as the Board may from time to time in its absolute discretion determine subject to the

Board being satisfied that the Society will continue to meet its Purpose and Objects. Member Certificates issued by the Society do not themselves give the holder any Membership rights.

- 15.2 The Group's Total Borrowings, when added to the Society's total paid up share capital in respect of Corporate Investor Shares, Member Investor Shares and Redeemable Shares, shall not at any time exceed the greater of 20 times the amount of the paid up share capital of the Society for the time being and 150 per cent of the Society's consolidated net worth for the time being but the person or body making any such advances shall not be concerned to inquire whether and shall not be affected by notice that such limit has been or will be exceeded. Any mortgage, charge, debenture or other security may be given or issued as a continuing security to cover any sum or sums due from time to time by the Society to any society, company, corporation, person or body with which it may have a banking account or transact banking business.

For the purposes of this Rule 15.2:

Consolidated net worth for these purposes means the aggregate of the amount of the paid up share capital of the Society for the time being and the aggregate amount of all reserves as shown in the latest audited consolidated accounts of the Society; and

Total Borrowings means all drawn borrowings of the Society and its subsidiaries excluding Co-operative Banking Group Limited and its subsidiaries.

16. Borrowing from Members

In accordance with the co-operative principle of member economic participation the interest paid by the Society on money borrowed from Members shall not exceed such rate as is necessary to attract and retain the capital required to further the Society's Objects and Purpose.

17. FSMA 2000

The Society shall not undertake any activity regulated under the Financial Services and Markets Act 2000 without first seeking authorisation from the Prudential Regulation Authority and/or Financial Conduct Authority.

18. Investment of funds

Subject to any restriction imposed by Ordinary Resolution, the Board may invest any part of the capital and funds of the Society in any manner which the Board may from time to time determine.

MEMBERS

19. Who can be Members: Individual Members and Independent Society Members

- 19.1 The Society has Members who are either Individual Members or Independent Society Members. The Council has responsibility for determining who is eligible to be a Member, who shall cease to be a Member, who shall be removed from being a Member (and the consequences thereof) and who shall be expelled from being a Member. The Individual Members and Independent Society Members of the Society are those whose names are recorded in the Society's Register of Members from time to time. Each of Member Investor Shares and Member Certificates will be issued from time to time by the Society only to Individual Members.

- 19.2 If in exceptional circumstances an issue arises on the grant or refusal of Membership, the case shall be referred to the Council (which shall have regard to the International Co-operative Alliance's Statement on the Co-operative Identity).

Individual Members

20. Who can be an Individual Member

Individual membership is open to any individual of any age who wishes to trade with the Society, who is committed to the Values and Principles, and who applies for Membership. Individuals under 16 years of age may only become Individual Members if a parent or guardian applies for Membership on their behalf, in this event, these individuals will be treated as junior Individual Members who will have the right to receive dividends but not the right to vote until they reach the age of 16, in accordance with these Rules and as approved by the Council.

21. Minimum holdings for Individual Members

Every Individual Member is required to hold at least one Individual Share, which will be issued upon grant of Membership.

22. Joint Individual Members

The Society shall not have any joint Individual Members, except:

- (a) those who are already joint Individual Members; or
- (b) on a transfer of engagements of another society to the Society, when joint individual members of the transferring society shall become joint Individual Members of the Society; or
- (c) where the terms and conditions of Member Investor Shares or Redeemable Shares permit such shares to be held by joint Individual Members.

Independent Society Members

23. Who can be an Independent Society Member

Independent Society Membership is open to any society, company or corporation (including any subsidiary of the Society) wishing to trade with the Society, which is committed to the Values and Principles and which applies for Membership in the way approved by the Council.

24. Minimum holdings for Independent Society Members

Every society, company or corporation making an application for Membership as an Independent Society Member shall apply for and, on admission as an Independent Society Member, shall immediately take up (subject to the law) not less than one £5 corporate share for every two (or such larger number as the Council may decide at the time) of its members, or a fraction of such number at the date of application for Membership.

25. Requirements of the Independent Society Members for certain goods and services

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

26. Cessation of Membership

An Individual Member or Independent Society Member ceases to be a Member of the Society in the following circumstances (subject to the terms and conditions of any Member Investor Shares or Redeemable Shares):

- (a) (being an Individual Member) they die; or
- (b) (being an Independent Society Member) it is dissolved or otherwise ceases to exist; or
- (c) they cease to hold the minimum number of shares required by the Rules (which, in respect of Independent Society Members, is the minimum number of shares the relevant Independent Society Member was required to subscribe for upon its accession to Membership pursuant to Rule 24 above) or, in the case of a person who is a Member solely by virtue of holding a Member Investor Share or Redeemable Share, that person's name is no longer entered in the Register of Members as the holder of a Member Investor Share/Redeemable Share or a fraction of a Member Investor Share/Redeemable Share; or
- (d) they cease to be entitled under the Rules to be a Member and are removed; or
- (e) they are expelled from Membership under the Rules.

27. Removal from Membership

27.1 Save in the case of Membership conferred by a Member Investor Share or a Redeemable Share, in respect of which share its terms and conditions shall apply, an Individual Member or an Independent Society Member may, subject to the Rules, be removed from Membership by the Council Secretary after careful consideration by the Council and the Council having reached the conclusion that continued Membership would be detrimental to the Society in either of the following circumstances:

- (a) where the Council determines that the Member is no longer committed to, or has demonstrated any behaviour incompatible with, the Values and Principles; or
- (b) where an Individual Member, on applying for Membership, agreed to pay the nominal value of the share or shares taken up by them by permitting the Society to deduct and retain the unpaid amount (or part of it) from any dividend or dividends declared in their favour under the Rules, and having been asked by the Council, such an Individual Member has not, within the later of (i) two years from admission to Membership of the Society and (ii) their 16th birthday, made Qualifying Purchases (or, if the Council has decided that it is appropriate, entered into transactions similar to Qualifying Purchases), in an amount which the Council in its absolute discretion regards as consistent on the part of the Individual Member in question with the Values and Principles.

27.2 Save in the case of Membership conferred by a Member Investor Share or a Redeemable Share, in respect of which share its terms and conditions shall apply, an Individual Member or an Independent Society Member may, subject to the Rules, be removed from Membership by the Council Secretary if the records of the Society show that a Member has made no Qualifying Purchases, nor added, save by accrued interest, to their share capital in the Society for a consecutive period of three years. The Council Secretary shall be entitled to rely on the information provided by the Register of Members and trading records of any entity from which Qualifying Purchases may be made. The Council Secretary will report annually to the Council and the Board on the number of Individual Members or Independent Society Members removed from the Register of Members under this Rule 27.2 and the number of shares forfeited.

28. Consequences of removal from Membership

- 28.1 Subject to the Rules, the Council Secretary may, in exercising the powers to remove a Member, take steps to remove the Member concerned from the Register of Members and forfeit their shares.
- 28.2 If removal from Membership is proposed under Rule 27.1, a notice period of not less than two months shall be given to the Member, providing them (or, in the case of an Individual Member under the age of 16, their parent or guardian) with the opportunity to take any appropriate action in order to continue as a Member. If no such action is taken by the Member, the Council Secretary is entitled to remove the Member from the Register of Members and forfeit the Member's shares. No notice to a Member is required to be provided if removal is effected under Rule 27.2.
- 28.3 Any Member removed from Membership shall be entitled to be repaid the nominal value of their share(s) together with any arrears of dividend and/or interest unless the Council on behalf of the Society determines to deduct from that amount, a sum, not exceeding £1 in respect of any shares that have not been paid up.
- 28.4 On the forfeiture of shares in accordance with this Rule 28, the amount of share capital in the Society credited as paid up by the Member, together with any arrears of interest payable on such share capital and any arrears of declared dividend payable under the Rules shall be transferred to a suspense account (**Inactive Suspense Account**) within the books of the Society and at the end of a five year period commencing on the date upon which any sum has been transferred to an Inactive Suspense Account, any such sum that remains unclaimed shall be forfeited to the Society. No Inactive Suspense Account containing more than £10 shall be capable of forfeiture under this Rule.
- 28.5 Any sums held within an Inactive Suspense Account referred to in these Rules may be invested or otherwise made use of by the Board for the benefit of the Society until claimed or forfeited to the Society.

28A. Resignation from Membership

Subject to the Rules and the terms and conditions of the relevant shares (including any right of the Board to suspend withdrawal), an Individual Member or an Independent Society Member may resign from Membership in such manner as determined by the Council Secretary from time to time, in which case they shall receive from the Society a sum equal to the amount of share capital in the Society credited as paid up by the Member, together with any arrears of interest payable on such share capital and any arrears of declared dividend payable under the Rules, in each case at the date of cancellation. The Society shall be entitled to deduct for its own purposes any amount not exceeding £1 in respect of any shares that have not been paid up. Upon cancellation of their shares, they shall cease to be a Member and their name shall be deleted from the Register of Members.

29. Expulsion from Membership

Save in the case of Membership conferred by a Member Investor Share or a Redeemable Share, where in respect of any such share its terms and conditions shall apply, an Individual Member or an Independent Society Member may be expelled from Membership by the Council, on information coming to the attention of the Council of conduct which is or could become injurious or detrimental to the Society. The procedure will be as follows:

- (a) the Council may exercise the power to expel a Member if relevant information comes to the attention of the Council;

- (b) any such information shall be communicated to the Member (or, in the case of an Individual Member under the age of 16, their parent or guardian) by such means as the Council considers appropriate in the circumstances, subject to Rule 126;
- (c) the Member in respect of whom relevant information has come to the attention of the Council (or, in the case of an Individual Member under the age of 16, their parent or guardian) may attend and speak at the meeting whilst the question is under discussion and consideration, but no longer, or may make written representations;
- (d) the Council may proceed in the absence of the Member (or, in the case of an Individual Member under the age of 16, their parent or guardian) provided the Member has received such notice of the meeting as the Council considers appropriate in the circumstances;
- (e) a Member can only be expelled if:
 - (i) in the case of a Member who is a Director, the Member has been removed from the Board following a decision by the Board that he/she is in material breach of the Board Code of Conduct or otherwise;
 - (ii) a resolution for removal is passed by two thirds of the votes cast at the meeting of the Council; and
 - (iii) at a subsequent confirmatory meeting of the Council or Senate (as the case may be), to be held not less than 48 hours later and not more than 14 days later, and at which the Member (or, in the case of an Individual Member under the age of 16, his/her parent or guardian) has the same right to attend and speak, a confirmatory resolution is passed by two thirds of the votes cast at such meeting;
- (f) if expelled by this procedure, on the date of expulsion they shall cease to be a Member, their name shall be deleted from the Register of Members, and their shares shall be cancelled subject to the terms and conditions of such Member's shares; and
- (g) thereafter, subject to the Rules and to the terms and conditions of such Member's shares, they shall receive from the Society a sum equal to the amount of share capital in the Society credited as paid up by the Member, together with any arrears of interest payable on such share capital and any arrears of declared dividend payable under the Rules, in each case at the date of cancellation. The Society shall be entitled to deduct for its own purposes any amount not exceeding £1 in respect of which an Individual Member has previously indicated that in these circumstances, they do not require repayment.

No Member expelled in this way shall be re-admitted to Membership except by a resolution of the Council passed by two thirds of the total votes cast, after notice (being whatever notice the Council considers appropriate in the circumstances) of such resolution has been given to the former Member.

30. Contact with lost Members

- 30.1 Where the Society has evidence that a Member no longer lives at the postal address shown in the Register of Members then subject to carrying out the following procedures and subject to the Rules and the terms and conditions of the relevant shares the Council Secretary may remove the name of such Member from the Register of Members in which case, his/her shares shall be cancelled subject to the terms and conditions of any such share. Thereafter, such Member shall forfeit to the Society a sum equal to the amount of share capital in the Society credited as paid up by the Member, together with any arrears of interest payable on such share capital and any arrears of declared dividend payable under the Rules, in each case at the date of cancellation.

30.2 The procedures are as follows:

- (a) the Council Secretary may at any time cause advertisements to be posted in a conspicuous location in the Society's main places of business to which Members generally have access advising that the Society intends after a notice period of not less than two calendar months to revise its Register of Members to remove those Members no longer living at their registered address. For the avoidance of doubt, such advertisements would not identify such Members individually;
- (b) the Council Secretary shall take all reasonable steps to establish whether there is a forwarding postal address or electronic address and, if there is one, to contact the Member at each address and:
 - (i) advise that the Society intends after a notice period of not less than two calendar months to revise the Register of Members to remove that Member as they are no longer living at their registered postal address; and
 - (ii) invite the member to provide a postal address or an electronic address (and if they so wish a telephone number) in order to update his/her registered address, or to withdraw his/her Membership;
- (c) at the end of the notice period in (a) or (b) above (as applicable), the Council Secretary shall, subject to the terms and conditions of the relevant shares, either cause the Register of Members to be revised where the Member has provided updated information, or remove the Member no longer living at their registered postal addresses, cancelling their shares and transferring a sum equal to the amount of share capital in the Society credited as paid up by the Member, together with any arrears of interest payable on such share capital and any arrears of declared dividend payable under the Rules to an Inactive Suspense Account (to be operated as referred to in Rules 28.4 and 28.5) within the books of the Society;
- (d) at the end of a five year period commencing on the date upon which any sum has been transferred to an Inactive Suspense Account, any such sum that remains unclaimed shall be forfeited to the Society;
- (e) no Inactive Suspense Account containing more than £10 shall be capable of forfeiture under this Rule; and
- (f) the Council Secretary will report annually to the Council and the Board on the number of Members removed from the Register of Members under this Rule 30 and the number of shares forfeited.

31. Share capital

31.1 The Board on behalf of the Society may issue the following types of shares:

- (a) Individual Shares;
- (b) Corporate Shares;
- (c) Corporate Investor Shares;
- (d) Member Investor Shares; and
- (e) Redeemable Shares as and when permitted by the Statutes.

31.2 If another society or Corporate Mutual transfers its engagements to the Society, the Board on behalf of the Society may create other individual shares or corporate shares, which have a nominal value

and such rights, privileges, obligations and conditions that correspond to corporate and/or individual shares of any such incoming society or Corporate Mutual.

- 31.3 No Individual Member or Independent Society Member may have a greater interest in shares than is allowed by any law. Nothing prevents an Individual Member or an Independent Society Member holding shares of differing nominal values.

Individual Shares

- 31.4 Individual Shares:

- (a) have a nominal value of £1, or 10p in the case of shares held before 9th December 1993;
- (b) are withdrawable on such periods of notice as the Board shall decide; and
- (c) are not transferable.

- 31.5 An individual who applies for Membership as an Individual Member shall agree to pay the nominal amount of the share by permitting the Society to deduct and retain some or all of the amount from any dividend or dividends payable under the Rules or by adding the relevant amount to the cost of a transaction undertaken at any of the Group's stores or in relation to any services provided by any member of the Group or in such other way as the Board in consultation with the Council may determine. The share shall be treated as fully paid up for the purposes of the Rules (whether or not it is), save in relation to repayment of share capital.

- 31.6 An Individual Member who applies to be a Member under the age of 16 through their parent or guardian shall pay the nominal amount of the share by permitting the Society to deduct and retain some or all of the amount from any dividend or dividends payable under the Rules or by adding the relevant amount to the cost of a transaction undertaken at any of the Group's stores or in relation to any services provided by any member of the Group or in such other way as the Board in consultation with the Council may determine. The share shall be treated as fully paid up for the purposes of the Rules (whether or not it is), save in relation to repayment of share capital.

- 31.7 The Board may decide to suspend the right to withdraw Individual Shares, and it may decide to do this wholly or in part, and either indefinitely or for a fixed period. Any suspension also applies to all notices of withdrawal which have been received and which remain unpaid at the time when the Board makes its decision.

- 31.8 Subject to the Rules, the Board may decide that Individual Members shall receive interest on the individual share capital which they hold, according to the Society's records. The Board decides the rate of interest within prudent limits, not exceeding 7 per cent per annum or 2 per cent above the base lending rate of The Co-operative Bank p.l.c. (or such other leading retail bank as the Board may determine) at the time, whichever is the greater. The rate may be zero; it may vary for different types of share; and it may be graduated according to the amount of individual share capital held by the Individual Member. Interest shall not be payable on any individual share capital held by an Individual Member with a nominal value of £1 or less in total.

- 31.9 Individual Members who are not joint holders of shares may make arrangements permitted by law for shares they hold to pass on their death to a nominated person or persons. Any nominee to whom any individual share is passed on by nomination in this way, who is not already an Individual Member, shall as a result become an Individual Member.

- 31.10 If an Individual Member (who is not a joint holder of shares) dies or becomes bankrupt, subject to any of the other provisions of the Rules, the Board on behalf of the Society has the following

discretionary power. It may repay the nominal value of any Individual Share and pay any other moneys standing to the credit or account of that Individual Member (including arrears of interest payable on that share and arrears of declared dividend payable under the Rules) to the personal representative or trustee in bankruptcy (as the case may be) of that Individual Member, or as such personal representative or trustee in bankruptcy may direct. The Society shall be entitled, out of any payment or repayment, to retain and deal with as it thinks fit any amount not exceeding £1 in respect of which the Individual Member in question shall have previously indicated that, in these circumstances, they do not require repayment. Upon such repayment being made the Individual Share in question shall be cancelled and extinguished.

31.11 Individual Shares may not be held as Individual Shares by two or more persons jointly unless:

- (a) they are currently recorded as jointly held in the Society's records; or
- (b) as part of a transfer of the engagements of another society to the Society, they are issued to two or more persons in substitution for the shares that those persons jointly held in that other society at the time of the transfer.

31.12 Further in relation to the joint holding of shares:

- (a) either or any of the joint holders of Individual Shares may give a valid receipt for any payment of interest on or repayment of capital in respect of Individual Shares, and for any payment of dividend under the Rules, whether any such payment or, as the case may be, repayment is made to one or more of the joint holders;
- (b) all rights attaching to jointly held Individual Shares shall only be capable of being exercised by, and all notices relating to such Individual Shares shall only be given to the Representative Joint Shareholder; and
- (c) on the death or bankruptcy of either or any one of the joint holders all Individual Shares standing to the credit of the joint holders shall be registered in the name of the other holder or holders.

31.13 Where an Individual Member is removed or expelled from Membership under the Rules, their shares shall be cancelled and thereafter, subject to the Rules, they shall receive from the Society a sum equal to the amount of individual share capital in the Society credited as paid up by the Individual Member at the date of cancellation, together with any arrears of interest payable on such share capital and any arrears of declared dividend payable under the Rules.

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

Corporate Shares

31.15 Corporate Shares:

- (a) have a nominal value of £5;
- (b) are not withdrawable; and
- (c) are transferable in accordance with the Rules.

- 31.16 Each corporate body, on its admission as an Independent Society Member, shall pay the sum of not less than £5 on each Corporate Share taken up, except where a corporate body becomes an Independent Society Member by virtue of the transfer of engagements to the Society. The whole or any part of the unpaid share capital in respect of Corporate Shares may be called up by the Board on giving written notice to that effect. Any Independent Society Member may pay up its Corporate Shares in advance of any call to do so by the Board. No dividend or interest shall be paid to an Independent Society Member until its shares are fully paid.
- 31.17 Any Independent Society Member may, with the approval of the Board, transfer the whole or any part of its Corporate Shares only to any other Independent Society Member by means of a transfer in the form prescribed from time to time by the Board, duly executed and properly stamped which shall be lodged with the Group Secretary. The Independent Society Member to which any Corporate Shares are transferred shall pay all the costs of the transfer, including stamp duty (if any).
- 31.18 Subject to the Rules, each Independent Society Member is entitled to receive interest upon the corporate shares which it holds, according to the Society's records. The Board decides the rate of interest within prudent limits, not exceeding 7 per cent per annum in respect of the number of Corporate Shares for which an Independent Society Member would have been required to subscribe under the Rules had that Independent Society Member joined the Society at the end of the Society's financial year immediately preceding the year for which interest on Corporate Shares is being paid. The rate may be zero; and it may be graduated according to the amount of Corporate Share capital held by the Independent Society Member. Interest paid under this Rule shall be paid each half-year on Corporate Share capital standing to the Independent Society Member's account at the beginning of the half-year.
- 31.19 If any Independent Society Member goes into liquidation whether voluntary or compulsory (save for the purpose of solvent amalgamation or reconstruction) then subject to any of the other provisions of the Rules, the Board on behalf of the Society may at its discretion cancel and extinguish the Corporate Shares of such Independent Society Member. Before doing so, it shall pay to the liquidator any sums lawfully owing in relation to the Corporate Shares, and thereupon the Independent Society Member shall cease to be a Member of the Society.

Corporate Investor Shares

- 31.20 Corporate Investor Shares:
- (a) have a nominal value of £1;
 - (b) are withdrawable in accordance with the Rules; and
 - (c) are not transferable.
- 31.21 Corporate Investor Shares:
- (a) may at the discretion of the Board be issued to existing Independent Society Members which hold fully paid Corporate Shares and which are registered as registered societies or co-operative societies;
 - (b) shall not carry any voting rights; and
 - (c) shall have such terms and conditions, determined and specified by the Board, under which they may be withdrawn or repaid, and as to the rate of interest which shall be paid on such shares (such rate of interest may be graduated according to either the amount of such

shares that are held or the time for which such shares are held, and may be varied from time to time).

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

Member Investor Shares

- 31.23 Member Investor Shares:

- (a) have a nominal value or nominal amount as determined by the Board prior to issue;
- (b) are not withdrawable; and
- (c) are transferable in accordance with the Rules and their terms and conditions.

- 31.24 Subject to the Board being satisfied that the Society will continue to meet its Purpose and Objects as set out in Rules 5 and 6, Member Investor Shares may be issued to an Individual Member in accordance with the provisions in the Rules and on such further terms and conditions as the Board may from time to time in its absolute discretion determine, including:

- (a) any rights of redemption at the option of the Society;
- (b) any rights to interest, including as to whether interest is paid partly or wholly in vouchers, but interest shall not be set at a rate in excess of the greater of 10 per cent per annum and 8 per cent above the 90 Day London Inter Bank Offer Rate (or any successor to such offer rate) at the time (as published in the Financial Times or, in the event of the Financial Times not being in publication, in such other publication as the Board shall specify) without the approval of the Society at a Society General Meeting;
- (c) any rights to substitution of Member Investor Shares with similar instruments or any variation of the terms and conditions of such shares in certain specified events; and
- (d) any rights of pre-emption of existing holders in respect of subsequent issues of Member Investor Shares.

The Society's total paid up share capital in respect of Member Investor Shares immediately following any issue of such shares, when added to the Society's Total Borrowings (as defined in Rule 15.2) immediately prior to such issue of shares and the amount paid up on Corporate Investor Shares and Redeemable Shares, shall not exceed the greater of 20 times the amount of the paid up share capital of the Society immediately prior to the issue of such shares, and 150 per cent of the Society's consolidated net worth for the time being, but any person subscribing for such shares shall not be concerned to enquire whether and shall not be affected by notice that such limit has been or will be exceeded. **Consolidated net worth** for these purposes means the aggregate of the amount of

the paid up share capital of the Society immediately prior to the issue of such shares and the aggregate amount of all reserves as shown in the latest audited consolidated accounts of the Society.

- 31.25 A holder of Member Investor Shares may transfer any Member Investor Share to an Individual Member. Subject to the terms and conditions of issue, no transfer shall be valid unless made in a form approved by the Board and until registered in the Register of Members. The Board shall have the power to implement any procedures as it thinks fit for the transfer of Member Investor Shares and for the regulation of those procedures and to permit Member Investor Shares to be transferred other than by a written instrument.
- 31.26 Upon a winding up or dissolution of the Society, the assets of the Society available for distribution to its Members shall be applied first in paying any arrears or accruals of interest on Member Investor Shares and secondly in the repayment of principal on any Member Investor Shares (in accordance with the terms and conditions of such shares) ahead of all claims in respect of other types of shares in the Society.
- 31.27 Any person becoming entitled to a Member Investor Share as a result of the death or bankruptcy of an Individual Member may, upon such evidence being produced as the Board may from time to time require, and subject to the terms and conditions of such share, be registered as the holder of that Member Investor Share.

Redeemable Shares

- 31.28 Redeemable Shares:
- (a) have a nominal value or nominal amount as determined by the Board prior to issue;
 - (b) are not withdrawable; and
 - (c) are transferable in accordance with the Rules and their terms and conditions of issue.
- 31.29 Subject to the Statutes, the Board may determine the terms and conditions of issue of any Redeemable Shares provided that remuneration on such shares shall not be set at a rate in excess of the greater of 10 per cent per annum and 8 per cent above the 90 Day London Inter Bank Offer Rate (or any successor to such offer rate) at the time (as published in the Financial Times or, in the event of the Financial Times not being in publication, in such other publication as the Board shall specify) without the approval of the Society at a Society General Meeting.
- 31.30 Subject to the terms and conditions of issue, no transfer of Redeemable Shares shall be valid unless made in a form approved by the Board and until registered in the Register of Members.

SOCIETY GENERAL MEETINGS

“A move to the concept of ‘one member one vote’ with appropriate representation for Independent Society Members”

32. Annual General Meeting and Half Yearly Meeting

- 32.1 (a) The Society shall hold an Annual General Meeting within six months of the end of the Financial Year, at such hour, date and place as the Board shall determine.
- (b) The Board is responsible for, and shall take all steps in connection with, convening each Annual General Meeting, including, but not limited to, the approval and provision of notices,

issuing voting papers and proposing motions for resolution and the conduct of proceedings at such meeting.

- 32.2 Where appropriate, the business of an Annual General Meeting shall include (without limitation):
- (a) the receipt of the accounts and balance sheet and the reports of the Board, the Council and Auditors;
 - (b) the appointment or re-appointment of Auditors;
 - (c) the election and re-election of Independent Non-Executive Directors and Executive Directors;
 - (d) the results of the election of Member Nominated Directors (if not previously announced) or the election and re-election of Member Nominated Directors (if applicable);
 - (e) the approval of any distribution recommended by the Council in accordance with Rule 120;
 - (f) any motion for a resolution in accordance with Rule 32.3;
 - (g) the approval of the Directors' Remuneration Report in accordance with Rule 61.1 and (where appropriate) the approval of the Society's remuneration policy; and
 - (h) the transaction of any other business included in the notice convening the meeting.

Motions for resolution

- 32.3 Motions for resolution at an Annual General Meeting may be proposed by the Board, the Council, not less than 100 Qualified Members (as defined in Rule 33.9) or by not less than four Independent Society Members (who are Qualified Members).
- 32.4 Motions for resolution proposed by Qualified Members or Independent Society Members must be signed by either not less than 100 Qualified Members or by duly authorised persons on behalf of not less than four Independent Society Members (who are Qualified Members) (as applicable) and delivered to the Group Secretary at the Registered Office not later than 70 days preceding the date of the Annual General Meeting. The application may consist of several documents in like form each signed by one or more applicants provided that each document is deposited not later than 70 days preceding the date of the Annual General Meeting. The Group Secretary may decline to act upon any application where the authority of a signatory is in doubt (unless the application would be valid if the signature were not present) or where the application is otherwise invalid.
- 32.5 Valid applications received by the Group Secretary in accordance with Rule 32.4 shall be delivered to the Council as soon as practicable following the assessment that the application is valid, following which the Council shall consider and (if appropriate) grant its written approval for each proposed motion for resolution within the timeframe specified in Rule 32.6. Subject to the requirement to comply with any provisions relating to the passing of particular types of resolution specified in the Statutes, the Council shall refuse to grant its approval for a motion for a resolution and must not itself put forward a motion for a resolution which it considers:
- (a) may result in publicity which could adversely impact or diminish confidence in the Society (and for these purposes a resolution pursuant to Rule 57 shall not be considered to adversely impact or diminish confidence in the Society); or

- (b) is defamatory; or
- (c) does not relate directly to the affairs of the Society; or
- (d) has been brought before a Society General Meeting within the last two years, and has been defeated when brought to a vote of the Members; or
- (e) is frivolous or vexatious; or
- (f) would fetter the Board's right and duty to manage the affairs of the Society; or
- (g) would fetter the Council's or Senate's powers and responsibilities; or
- (h) would make the Society more susceptible to demutualisation.

When exercising its judgement in accordance with this Rule 32.5, the Council must act in good faith in the best interests of the Society and its Members as a whole (rather than particular constituencies of Members). It shall be the responsibility of the Council, in consultation with the Group Secretary, to propose the wording of the motion for a resolution in a form which is acceptable to the Board for inclusion in the notice of meeting.

- 32.6 Motions for resolution proposed by the Council, and motions for resolution which have received the prior written approval of the Council in accordance with Rule 32.5, must be delivered in writing to the Board at the Registered Office not later than 56 days preceding the date of the Annual General Meeting. The Board is responsible for putting such motions, in addition to motions proposed by the Board itself, to an Annual General Meeting.

Half Yearly Meeting

- 32.7 The Board shall (unless otherwise agreed with the Council) convene the Half Yearly Meeting which shall be held within the period of six months following the end of the first six months of the Financial Year.
- 32.8 The business of the Half Yearly Meeting shall be set out in the notice convening the meeting.
- 32.9 The provisions in Rules 32.3 to 32.6 (inclusive) shall apply *mutatis mutandis* to Half Yearly Meetings.

33. Special General Meetings

- 33.1 All general meetings other than Annual General Meetings and Half Yearly Meetings shall be called Special General Meetings (the **Special General Meetings** and each a **Special General Meeting**).
- 33.2 The Board shall (except where otherwise provided in the Rules):
- (a) wherever it thinks fit, convene a Special General Meeting; or
 - (b) convene a Special General Meeting upon the written request of the Council; or
 - (c) convene a Special General Meeting upon an application (save as otherwise provided in these Rules) signed by not less than 500 Qualified Members (as defined in Rule 33.9), of whom at least two are Independent Society Members, which has received the prior written approval of the Council in accordance with Rule 33.6 below.

Subject to Rule 33.7, the Board shall decide the date, time and place of any Special General Meeting and of any adjourned meeting and conduct the proceedings of any such meeting as it sees fit.

- 33.3 Applications put forward by Qualified Members must be signed by not less than 500 Qualified Members, of whom at least two of the signatories must be duly authorised persons on behalf of Independent Society Members, and delivered to the Group Secretary at the Registered Office. The application may consist of several documents in like form each signed by one or more applicants provided that each document is deposited with the Group Secretary within 56 days of the date on which the first was deposited.
- 33.4 Subject to the requirement to comply with any provisions relating to the passing of particular types of resolution specified in the Statutes, a deposit of £50 in respect of each signatory to the application shall be lodged with the application. If within half an hour after the time appointed for the Special General Meeting a quorum is not present, all such deposits shall be forfeited. If a quorum is present, the Qualified Members present and entitled to vote shall decide by Ordinary Resolution whether the deposits shall be appropriated either wholly or in part towards the expenses of convening and holding the Special General Meeting and to the extent any such deposits are not so appropriated they shall be returned by the Society to the signatories to the application pro rata.
- 33.5 The Group Secretary may decline to act upon any application where the authority of a signatory is in doubt (unless the application would be valid if the signature were not present) or where the application is otherwise invalid. The purpose of the Special General Meeting shall be stated in the application.
- 33.6 Valid applications received by the Group Secretary shall be delivered to the Council, which shall consider and (if appropriate) grant its written approval for the application. Subject to the requirement to comply with any provisions relating to the passing of particular types of resolution specified in the Statutes, the Council shall refuse to grant its approval for the convening of a Special General Meeting under this Rule 33.6 and must not itself request the convening of such meeting if the motion for a resolution to be considered at such meeting is one which it considers:
- (a) may result in publicity which could adversely impact or diminish confidence in the Society (and for these purposes a resolution pursuant to Rule 57 shall not be considered to adversely impact or diminish confidence in the Society); or
 - (b) is defamatory; or
 - (c) does not directly relate to the affairs of the Society; or
 - (d) has been brought before a Society General Meeting within the last two years, and has been defeated when brought to a vote of the Members; or
 - (e) is frivolous or vexatious; or
 - (f) would fetter the Board's right and duty to manage the affairs of the Society; or
 - (g) would fetter the Council's or Senate's powers and responsibilities; or
 - (h) would make the Society more susceptible to demutualisation.

When exercising its judgement in accordance with this Rule 33.6, the Council must act in good faith in the best interests of the Society and its Members as a whole (rather than particular constituencies of Members). It shall be the responsibility of the Council, in consultation with the Group Secretary,

to propose the wording of any motion for a resolution in a form which is acceptable to the Board for inclusion in the notice of meeting.

- 33.7 An application which has received the prior written approval of the Council in accordance with Rule 33.6, or a request to convene a Special General Meeting made by the Council itself, must be delivered in writing to the Board at the Registered Office. If, within one month from the date of the Board's receipt of the application or request, the Board has not convened a Special General Meeting to be held within two months of the Board's receipt of the application or request, the Council may convene a Special General Meeting.
- 33.8 The purpose of the Special General Meeting shall be stated in the notice of the meeting. No business other than that stated in the notice of the meeting shall be conducted at the meeting.
- 33.9 A Member shall be a Qualified Member for the purposes of Rules 32, 33 and 122 if:
- (a) he/she (or in the case of an Independent Society Member, it) is a Member on the date of the immediately preceding Annual General Meeting or Half Yearly Meeting (whichever is the closest to the date of the relevant application);
 - (b) being an individual, he/she is over 16 years of age at the date of signing the application for the relevant meeting; and
 - (c) he/she (or in the case of an Independent Society Member, it) is shown in the records of the Society to have made a minimum level of Qualifying Purchases (if any), such level to be determined by the Board and the Council in the Purchases Regulations.

34. Notices for Society General Meetings

- 34.1 Notices for Society General Meetings shall be provided in accordance with this Rule 34 and Rule 126.
- 34.2 Not less than 21 days' notice will be given for a Society General Meeting. The notice shall specify the time and place of, and the terms of the proposed resolutions to be put at the meeting setting out the nature of any other business to be transacted. Where applicable, the notice shall specify the name of each candidate for the office of Director (stating whether the candidate is standing for election or re-election as an Independent Non-Executive Director or an Executive Director).
- 34.3 The notice shall state whether each motion for a resolution is to be passed as an Ordinary Resolution, an Extraordinary Resolution, a Special Resolution or a resolution to remove a Director, amend the Rules or adopt new Rules requiring a two thirds majority and any special qualifications required to vote on each resolution and shall (subject to Rule 122.9) state that:
- (a) a Member entitled to attend and vote may appoint one Voting Representative to attend and vote at the meeting instead of him or her subject to Rule 38.2;
 - (b) the Voting Representative shall be an Individual Member, Council Member or (in the case of an Independent Society Member) a Corporate Representative validly appointed by another Independent Society Member under Rule 38.6; and
 - (c) the Member must direct the Voting Representative on how to vote or withhold his or her (or, in the case of an Independent Society Member, its) vote on each motion for a resolution set out in the notice of meeting.

If a Member entitled to attend and vote at a Society General Meeting:

- (i) attempts to appoint a Voting Representative but he/she (or, in the case of an Independent Society Member, it) does not comply with paragraph (b) above, then such appointment shall not be valid and the Voting Representative shall not be entitled to attend and vote at such meeting instead of such Member; or
- (ii) does not comply with paragraph (c) above, then such Member shall be deemed to have withheld his, her or its vote on any motion for a resolution in respect of which no direction has been given to the Voting Representative.

34.4 The Annual General Meeting and the Half Yearly Meeting shall be described as such in the notice of meeting.

34.5 The notice of meeting shall be provided to every Member who would be eligible to vote at the meeting if the meeting were held on the date of the notice. The notice will be:

- (a) sent to each Member who is so eligible;
- (b) displayed on the Society's website; and
- (c) communicated in any other way which the Board decides.

34.6 In the case of the Annual General Meeting, the Annual Report and Accounts (as referred to in Rule 112) for the previous Financial Year, and such other documents as the Board decides, shall be made available to Members eligible to vote before or with the notice.

34.7 The notice of meeting shall be sent to joint Members by sending it to the Representative Joint Shareholder.

34.8 A notice of meeting shall be given to the holder of a power of attorney which has been duly registered in the records at the Registered Office by giving it personally or by sending or delivering it to the address (including any electronic address) of the holder of the power of attorney, and shall relieve the Society of the obligation to give notice to the Member eligible to vote who gave the power.

34.9 If a Member eligible to vote is suffering from mental disorder, a notice of meeting shall be given by the Society to his deputy, curator bonis or other person in that behalf appointed by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder. Such a notice shall be given to such person personally or by sending or delivering it to the address (including any electronic address) supplied for the purpose by the aforesaid deputy, curator bonis or other person or, until such an address has been so supplied, by sending the notice to the registered address of the Member.

34.10 The accidental omission to give, send or deliver a notice of meeting to, or the non-receipt of a notice of meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

35. Quorum at meetings

35.1 No business shall be considered at any Annual General Meeting, Half Yearly Meeting or Special General Meeting unless a quorum is present at the time when the meeting proceeds to business and a quorum shall be constituted for all purposes as follows:

- (a) except where subparagraph (b) below applies, by 20 Members present and entitled to vote on a show of hands under Rule 38.2 (and for these purposes each Voting Representative

present and validly appointed in accordance with the Rules shall count as one Member regardless of the number of Members who have appointed him or her as Voting Representative); and

- (b) in the case of a Special General Meeting requisitioned under Rule 33.2(c), by 500 Members present and entitled to vote on a show of hands under Rule 38.2 (and for these purposes each Voting Representative present and validly appointed in accordance with the Rules shall count as one Member regardless of the number of Members who have appointed him or her as Voting Representative).

35.2 If no quorum is present within half an hour after the time appointed for the Annual General Meeting, the Half Yearly Meeting or Special General Meeting, the Chair of the meeting shall adjourn it to such hour, date and place as he/she shall direct, unless it is a Special General Meeting requisitioned under Rule 33.2(c) whereupon the Chair of the meeting shall dissolve it.

35.3 If at an adjourned meeting a quorum is not present within half an hour from the time fixed for holding the meeting, the meeting shall be dissolved. The quorum for an adjourned meeting shall be the same as for the original meeting except that, in the case of a meeting referred to in Rule 35.1(b) which was adjourned after proceeding to business, the reference to 500 Members shall be replaced by a reference to 200 Members so qualified.

36. Meeting at more than one place

36.1 A Society General Meeting may be held at more than one place if:

- (a) the notice convening the meeting specifies that it shall be held at more than one place; or
- (b) the Board resolves, after the notice convening the meeting has been given, that the meeting shall be held at more than one place; or
- (c) it appears to the Chair of the meeting that the place of the meeting specified in the notice convening the meeting is inadequate to accommodate all persons entitled and wishing to attend.

36.2 A Society General Meeting held at more than one place is duly constituted and its proceedings are valid if (in addition to the other provisions of these Rules relating to Society General Meetings being satisfied) the Chair of the meeting is satisfied that facilities (whether electronic or otherwise) are available to enable each person present at each place to participate in the business of the meeting.

36.3 Each person present at each place who would be entitled to count towards the quorum in accordance with the provisions of Rule 35.1 shall be counted in the quorum for, and shall be entitled to vote at, the meeting. The meeting is deemed to take place at the place at which the Chair of the meeting is present.

37. Procedure at Society General Meetings

37.1 The Group Chair or, in his/her absence, the Senior Independent Director, shall preside at every Society General Meeting. If there is no Group Chair or Senior Independent Director or if neither the Group Chair nor the Senior Independent Director is present within 15 minutes after the time appointed for the meeting, the Directors present shall elect one of their number to be Chair of the meeting. If at any meeting no Director is willing to act as Chair, or if no Director is present within 15 minutes after the time appointed for the meeting, the Members present and entitled under Rule 35.1 above to be included in the quorum for the meeting shall choose one of their number who is present to be the Chair of the meeting.

- 37.2 The Chair of the meeting may, notwithstanding the presence of a quorum (and shall, if so directed by a resolution of the meeting), adjourn the meeting from time to time and from place to place but, except as provided in Rule 37.9, no business shall be transacted at any adjourned meeting other than the business left unfinished or not reached at the meeting from which the adjournment took place.
- 37.3 Every adjourned meeting shall be deemed a continuation of the original meeting but any resolution passed at an adjourned meeting shall for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.
- 37.4 When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting but otherwise it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
- 37.5 A poll may (before or on the declaration of the result of the show of hands) be demanded by:
- (a) the Chair of the meeting; or
 - (b) five Independent Society Members who are entitled to vote at the meeting and are represented by Corporate Representative, by Voting Representative, by attorney, by another representative permitted by the Rules; or
 - (c) 20 Individual Members who are entitled to vote at the meeting and are present in person, by Voting Representative, by attorney, by another representative permitted by the Rules or by a person specified in Rule 38.5,

and in the event of such a demand, a poll shall be taken in accordance with Rule 37.9, but no poll shall be permitted upon a resolution to appoint a Chair.

- 37.6 Unless a poll be so demanded, a declaration by the Chair that a resolution on a show of hands has been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of, or against, such resolution.
- 37.7 If a motion for an Extraordinary Resolution or a Special Resolution or a resolution to amend the Rules or adopt new Rules or the election, re-election or removal of Directors is to be put to the vote of the meeting, a poll shall be deemed to have been demanded by the Chair of the meeting.
- 37.8 Except in the case of a motion for an Extraordinary Resolution or Special Resolution or a resolution to amend the Rules or adopt new Rules or the election, re-election or removal of Directors, the demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the Chair of the meeting, and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.
- 37.9 If a poll is duly demanded in accordance with Rule 37.5, it shall be taken at the meeting at which it is demanded or, if the Chair so decides, at an adjourned meeting and in either case in such manner, subject to Rule 37.11 below, as the Chair of the meeting directs and the result of the poll, shall, notwithstanding Rule 37.3, be deemed to be the resolution of the meeting or adjourned meeting at which the poll was taken. The Chair of the meeting may, in the event of a poll, appoint the scrutineers (who need not be Members) and may adjourn the meeting or adjourned meeting to some hour, date and place fixed by him/her for the purpose of declaring the result of the poll.
- 37.10 A poll demanded on a question of adjournment shall be taken forthwith and the result declared immediately upon the conclusion of the taking of the poll. A poll demanded on any other question

shall not prevent the continuance of a meeting for the transaction of any business other than that upon which the poll has been demanded. The result of a poll, other than on a question of adjournment, shall be declared in the manner and at the time determined by the Chair of the meeting.

- 37.11 Voting papers to be used on a poll shall be valid only if they are issued by the Society. Members are entitled to vote in accordance with Rule 38. In addition, if the Member is voting by Voting Representative, Rule 39 shall apply.
- 37.12 In the case of an equality of votes, whether on a show of hands or on a poll, the Chair of the meeting at which the show of hands takes place, or at which the poll is taken, shall be entitled to a second or casting vote.

38. Entitlement of Members to attend meetings of the Society and vote

38.1 Save as otherwise provided in these Rules and subject to the terms of issue of the shares and to the Statutes, a Member is entitled to attend meetings of the Society and vote on an Ordinary Resolution or a Special Resolution or an Extraordinary Resolution or a resolution to remove a Director, amend the Rules or adopt new Rules or vote in Member Nominated Director elections if he/she (or in the case of an Independent Society Member, it):

- (a) is a Member (i) on the date of the notice of meeting (as specified in the notice), (ii) on the date of the meeting (if voting in person) or (iii) was a Member on the final date for receipt of instruments appointing Voting Representatives (if voting by a Voting Representative);
- (b) is shown in the records of the Society to have made a minimum level of Qualifying Purchases, such level to be determined by the Board and the Council in the Purchases Regulations; and
- (c) being an individual he/she is not under the age of 16 on the date of the meeting.

38.2 Subject to Rule 38.1 above, on a show of hands every Member who:

- (a) being an individual, is present in person or by Voting Representative or by attorney or by another representative permitted by the Rules or by a person specified in Rule 38.5; or
- (b) being an Independent Society Member or other body corporate, is present by Corporate Representative, by Voting Representative, by attorney or by another representative permitted by the Rules,

shall be entitled to one vote provided that a Voting Representative has one vote for and one vote against the resolution if:

- (i) the Voting Representative has been duly appointed by more than one Member entitled to vote on a resolution; and
- (ii) the Voting Representative has been instructed by one or more of those Members to vote for the resolution and has been instructed by one or more of those Members to vote against it.

38.3 Subject to Rules 38.1 and 51, on a poll a Member may vote in person or by Voting Representative or by attorney or by another representative permitted by the Rules or by a Corporate Representative or by a person specified in Rule 38.5 and shall be entitled to one vote, except in the case of an Independent Society Member which shall have weighted votes as specified in the Purchases Regulations and which shall be exercised as follows:

- (a) weighted votes for the Independent Society Members shall be calculated based on the proportion of Qualifying Purchases made by Independent Society Members in aggregate in accordance with the Purchases Regulations;
- (b) the number of votes allocated to Independent Society Members shall be determined by applying the proportion of Qualifying Purchases made by the Independent Society Members in accordance with the Purchases Regulations to the number of votes cast on each relevant motion by Individual Members (the **Relevant Proportion**). The resulting number of votes which shall be allocated to the Independent Society Members shall entitle them to exercise the Relevant Proportion of votes on each relevant motion at a Society General Meeting;
- (c) the votes allocated to Independent Society Members on this basis shall be divided among them according to the size of their respective Qualifying Purchases in accordance with the Purchases Regulations; and
- (d) at no point will the votes allocated to Independent Society Members in aggregate entitle them to cast a majority of votes on a poll.

38.4 The holder of a power of attorney from a person who is a Member and who is entitled to vote under Rules 38.1 or 38.2 shall, if the power of attorney is duly registered at the Registered Office and if the power has the effect of authorising the holder to exercise the rights of the Member under the Rules, be entitled to vote in all circumstances as if he/she were a member and in the Member's stead and may exercise on behalf of the Member the right to appoint a Voting Representative in accordance with Rule 39.

38.5 A Member who is entitled to vote under Rules 38.1 or 38.2 but in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his/her deputy, curator bonis or other representative in that behalf appointed by that court. Any such deputy, curator bonis or other representative may, subject to Rule 38.2, vote by Voting Representative. Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote shall be received at the Registered Office (or such other place as may be specified in the relevant notice of meeting, which may include any electronic address which is specified for the purpose) not less than four clear Working Days before the day appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.

38.6 An Independent Society Member or other body corporate entitled to vote under Rules 38.1 or 38.2 may by resolution of its directors or other governing body expressed in a deed or other duly executed instrument authorise an individual to act as its Corporate Representative at a meeting or adjourned meeting. Such Corporate Representative shall not be entitled to appoint a Voting Representative but shall otherwise be entitled to exercise the same powers on behalf of the Independent Society or other body corporate he/she represents as that body could exercise if it were an Individual Member.

38.7 The right to vote shall be limited to those persons on whom this Rule confers a right to vote.

39. Appointment of Voting Representatives

39.1 A Member entitled to attend and vote at a meeting of the Society:

- (a) may appoint another Individual Member, Council Member or (in the case of an Independent Society Member) a Corporate Representative validly appointed by another Independent Society Member under Rule 38.6 as his/her (or, in the case of an Independent Society Member, its) Voting Representative to attend and, subject to Rule 38.2, to vote at

the meeting instead of him or her (or, in the case of an Independent Society Member, of it); and

- (b) must direct the Voting Representative how to vote on each of the motions for a resolution set out in the notice of meeting.

39.2 A Voting Representative shall be appointed by an instrument in writing which shall be in such form and include such declarations as the Board may from time to time determine. The instrument shall enable the Member appointing the Voting Representative to direct him/her how to vote and, if the instrument is not in the form specified by the Board on behalf of the Society or is not signed by the appointing Member, the appointment of the Voting Representative shall be invalid.

39.3 The instrument appointing a Voting Representative or other representative shall be received at the Registered Office (or such other place as may be specified in the relevant notice of meeting which may include any electronic address which is specified for the purpose) not less than four clear Working Days before the day appointed for holding the meeting, or adjourned meeting, and in default the instrument shall not be treated as valid.

39.4 The instrument appointing a Voting Representative shall be deemed to confer authority to demand or join in demanding a poll, to speak at the meeting and to vote in relation to any adjournment of the meeting and at any adjourned meeting.

39.5 If a Member who at the final date for the receipt of instruments appointing Voting Representatives determined under Rule 39.3 above is entitled to attend and vote at the meeting appoints a person as a Voting Representative to vote instead of him/her (or, in the case of an Independent Society Member, of it) at that meeting and then ceases after that date to be so entitled, that person may notwithstanding Rule 38.1 act as the Member's Voting Representative at that meeting.

39.6 A vote given in accordance with the terms of an instrument appointing a Voting Representative shall be valid notwithstanding the previous death or mental disorder of the appointor or revocation of the instrument or of the authority under which the instrument was executed, or the transfer of a share in respect of which the instrument is given, provided that no intimation in writing of such death, mental disorder, revocation or transfer as aforesaid shall have been received by the Society at its Registered Office (or such other place as may be specified in the relevant notice of meeting which may include any electronic address which is specified for the purpose) before the commencement of the meeting or adjourned meeting at which the instrument is used.

39.7 The Board may from time to time make, vary or revoke Regulations regarding the appointment of Voting Representatives, provided that the same are not inconsistent with the Statutes or these Rules and have received the prior consent of the Council. Such Regulations may include (but need not be limited to) provisions for determining:

- (a) the authenticity and time of receipt of any communication in electronic form which purports to appoint, or to revoke the appointment of, a Voting Representative, or to notify the Society of an event terminating such an appointment; and
- (b) which of two or more appointments of Voting Representatives received from the same Member in respect of the same meeting is to be treated as valid.

40. Joint holding of shares

40.1 No joint holder of shares, other than the Representative Joint Shareholder, may attend a meeting except as a Voting Representative or exercise any right conferred by these Rules on a Member. The Chair of the meeting may however (if in his/her absolute discretion he/she so decides) permit any

other joint holder of shares to attend and speak at a meeting but this shall not confer any further right on such Member.

40.2 Any reference in these Rules to any number of Members shall be read as if any joint holding of shares were held by the Representative Joint Shareholder.

41. Counting of Votes

If on a show of hands or on a poll:

- (a) any votes are counted that ought not to have been counted; or
- (b) any votes are not counted that ought to have been counted,

the error shall not invalidate the decision arrived at unless it has been in the opinion of the Chair of the meeting of sufficient magnitude so to do.

42. Referendum

Subject to the Statutes and the Council's powers under Rule 33.6, the Board may decide (after consultation with the Council or Senate) that a referendum shall be taken on a proposed resolution ordinarily required to be submitted to a Special General Meeting. If the Board makes such a decision:

- (a) a special voting paper will be sent to each eligible Individual Member and Independent Society Member as soon as practicable following the Board decision, and for these purposes a Member shall be eligible if the Member would be eligible to vote at a Society General Meeting if the meeting were held on the date of the voting paper;
- (b) the special voting paper will specify the terms of any motion for a resolution to be voted on, and also any amendment to it and be accompanied by guidance as to how the Member can signify his/her or its decision in relation to it;
- (c) the special voting paper must be returned to the Group Secretary by the deadline decided by the Group Secretary;
- (d) the Group Secretary and a scrutineer appointed by the Board shall have the votes counted and report the result to the Board;
- (e) a motion for a resolution to be passed by referendum shall only be passed if:
 - (i) it is passed by the requisite majority required by the Statutes and/or Rules and for the purpose of calculating the number of votes exercised, the Rules on number of votes per Member voting on a poll shall apply *mutatis mutandis*; and
 - (ii) the number of Members who voted in the referendum would have constituted a quorum at a Society General Meeting convened by the Board under Rule 33.2(a); and
- (f) the Board shall report the result to the next Society General Meeting.

BOARD

“The creation of a Board of directors elected by Members that is individually and collectively qualified to lead an organisation of the size and complexity of the Group”

Directors' Powers and Responsibilities

43. General powers of the Society vested in the Directors

- 43.1 The Board may exercise all powers of the Society that are not, by the Statutes or the Rules, required to be exercised by the Members, the Council or otherwise. No alteration of the Rules and no such direction shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Rule shall not be limited by any special power given to the Board by the Rules. A meeting of the Board at which a quorum is present may exercise all powers exercisable by the Board.
- 43.2 In exercising its powers and responsibilities, the Board must take account of and give effect to the powers and responsibilities of the Executive, the Council and the Senate as set out in the Rules.
- 43.3 Without limiting its powers and responsibilities referred to in Rule 43.1, the Board shall be responsible for:
- (a) determining a strategy for the Group, consistent with the Purpose and the Values and Principles and meeting the needs of its Members;
 - (b) overseeing the business of the Group in accordance with the strategy;
 - (c) motivating and retaining an Executive qualified to deliver the strategy;
 - (d) holding the Executive to account in the performance of its duties, taking into account the views of the Council; and
 - (e) overseeing a risk and internal audit framework designed to provide adequate assurance as to the protection of the Group's assets; the health, safety and welfare of customers, Members and staff; compliance with all relevant laws and regulations and the maintenance of the reputation of the Society.

44. Delegation

The Board may delegate specific powers, duties, discretions and authorities relating to the business of the Society to:

- (a) one or more Directors;
- (b) committees consisting of such Director or Directors, other officer or officers and/or employee or employees as it thinks fit;
- (c) one or more officers or employees; and
- (d) any subsidiary,

(in each case including the power to delegate further) provided that the Board will always remain subject to its fiduciary duties and where the powers of the Board are delegated to a committee pursuant to (b) above, the Board may make, vary or revoke without notice regulations for the membership of the committee and the conduct of its meetings (including but not limited to the quorum).

- 44.2 Subject to any conditions imposed by the Board, the proceedings of a committee with two or more members shall be governed by the Rules regulating the proceedings of Directors so far as they are capable of applying.

45. Committees

45.1 The Board shall establish and maintain the following committees:

- (a) a Risk and Audit Committee (which may operate as a combined committee or separate committees according to the needs of the Society from time to time).
 - (i) Its membership shall comprise at least three members, including the Chair of the committee, chosen by the Board as the most suitably qualified from amongst the Member Nominated Directors and the Independent Non-Executive Directors. At least one member of the committee shall be required to have recent and relevant financial experience. Whilst the Executive Directors shall not be members of the Risk and Audit Committee, the CFO and other members of the Executive shall be invited by the Chair (and shall be expected) to attend meetings frequently.
 - (ii) The Risk and Audit Committee's role is, amongst other things: to oversee the adequacy of the Society's internal systems and controls relating to risk management, disclosure and financial reporting; to ensure the effectiveness of the internal audit function; to oversee the integrity of the Society's financial statements including processes for accounting and financial reporting; to ensure compliance with legal and regulatory requirements and the independence and performance of the external auditors; to co-ordinate the work of any corresponding committees appointed by any other member of the Group; and otherwise to perform those functions given to it by the Board from time to time.
- (b) a Remuneration Committee.
 - (i) Its membership shall comprise at least three members, including the Chair of the committee, chosen by the Board as the most suitably qualified from amongst the Member Nominated Directors and the Independent Non-Executive Directors. Whilst the Executive Directors shall not be members of the Remuneration Committee, the CEO and other members of the Executive shall be invited by the Chair (and shall be expected) to attend meetings as needed.
 - (ii) The Remuneration Committee's role is, amongst other things: to determine the remuneration policy for the Society; oversee its implementation and set appropriate and supportable levels of reward for the Executive, aligned to its purposes and strategy; and otherwise to perform those functions given to it by the Board from time to time.
- (c) a Nominations Committee.
 - (i) Its membership shall comprise the Group Chair, two Independent Non-Executive Directors (one of whom will be the Senior Independent Director), two Member Nominated Directors and the President. The Group Chair shall chair the Nominations Committee. The CEO shall not be a member of the Nominations Committee but shall be invited by the Chair (and shall be expected) to attend meetings as needed. When recommending the appointment of a new Group Chair or the election/re-election of the incumbent Group Chair, the Nominations Committee will be led by the Senior Independent Director.
 - (ii) The Nominations Committee is responsible for ensuring the integrity of the nominations process for Independent Non-Executive Directors and Executive Directors and other specified non Board appointments. This includes leading the

selection process and making recommendations to the Board to assist the Board in making such appointments. Under the direction of the Group Chair, the Nominations Committee is also responsible for keeping the effectiveness of the Board under review by ensuring that the composition of the Board provides an appropriate balance of skills, experience, diversity and gender balance to provide effective leadership and oversight of an organisation of the size and complexity of the Group; for evaluating the performance of Directors both individually and collectively and for ensuring that appropriate succession plans are in place for key roles. The Nominations Committee shall otherwise perform those functions given to it by the Board from time to time.

- (iii) The Nominations Committee shall also have regard to the Board Composition Charter which, amongst other things, sets out the Eligibility Criteria. In exercising its powers to make recommendations to the Board in respect of the appointment, election or re-election of any Independent Non-Executive Director or Executive Director, such recommendations must be unanimous. Following the Society's Annual General Meeting in 2016, the Board and the Council may agree that such recommendations will be made by way of a majority vote or otherwise, provided that no less than two members of the Nominations Committee will have the ability to prevent a recommendation being made to the Board in respect of the appointment, election or re-election of any Director.

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

45.3 The composition of each committee appointed by the Board (with the exception of the Nominations Committee) may be the subject of recommendation by the Nominations Committee, subject always to the overriding requirements set out in the Rules and in each case in accordance with the terms of reference of the relevant committee of the Board.

46. Agents

The Board may, by power of attorney or otherwise, appoint any person to be the agent of the Society for such purposes, with such powers, authorities and discretions (not exceeding those vested in the Board) and on such conditions as the Board determines, including (without limitation):

- (a) authority for the agent to delegate all or any of his/her powers, authorities and discretions;
- (b) the specific powers, authorities and discretions that are vested in the agent; and
- (c) a time limit for the duration of such delegation of powers, authorities and discretions,

provided that the Board will always remain subject to its fiduciary duties.

The Board may revoke or vary such delegation without notice in its absolute discretion at any time.

Eligibility, Election and Retirement of Directors

47. Composition of the Board

- 47.1 The Board shall comprise not less than seven Directors consisting of Independent Non-Executive Directors, up to two Executive Directors (of whom one will be the CEO) and up to four Member Nominated Directors. The Group Chair shall decide the appropriate number of Directors from time to time and in accordance with the Board Composition Charter and having regard to issues such as succession planning or to address the need for particular skills. The Board shall always have at least two Member Nominated Directors, one Executive Director and Independent Non-Executive Directors. The Independent Non-Executive Directors shall be equal to or greater in number than the other Directors.
- 47.2 At least half of the Board, excluding the Group Chair, shall comprise Independent Non-Executive Directors and Member Nominated Directors who are determined by the Board to be independent (unless the Group Chair temporarily otherwise decides for good reasons (for example to facilitate succession planning, to address the need for particular skills or due to the temporary unavailability of suitably qualified candidates)). The test of independence for these purposes shall be construed and interpreted in accordance with the Board Composition Charter and having regard to the UK Corporate Governance Code published from time to time.

48. Eligibility Criteria

No person shall be eligible to be appointed, elected or re-elected as a Director unless:

- (a) he/she is over 16 years of age;
- (b) he/she satisfies the Eligibility Criteria and the Membership Criteria; and
- (c) he/she has not been disqualified to act as a Director pursuant to Rule 56.

49. Membership Criteria

- 49.1 Subject to Rule 49.3, no person shall be eligible to be appointed, elected or re-elected as a Director unless such person is a Member and a Director must remain a Member at all times while on the Board.
- 49.2 Each Director must demonstrate a strong commitment to the Values and Principles in order to be eligible for appointment, election or re-election as a Director, and such commitment will be assessed annually by the Nominations Committee and whether the Director satisfies the Membership Criteria.
- 49.3 A person who is appointed as an Independent Non-Executive Director or an Executive Director may act as such before becoming a Member but it shall be deemed a condition of his/her appointment that he/she becomes a Member within two months of his/her appointment. If he/she does not comply with this requirement then he/she shall no longer be a Director and shall not be eligible for re-appointment as a Director until he/she has become a Member.

50. Methods of appointment of Independent Non-Executive Directors and Executive Directors

- 50.1 Subject to satisfaction of the Eligibility Criteria and the Membership Criteria and subject to meeting any requirement of any relevant regulatory authority a person may be elected as an Independent Non-Executive Director or an Executive Director at an Annual General Meeting in accordance with the Board Election Regulations.
- 50.2 In the case of any vacancy on the Board relating to an Independent Non-Executive Director or an Executive Director not occasioned by the retirement of any Director by rotation, the Board may at any time, and from time to time, appoint a Director to fill such vacancy following recommendation

from the Nominations Committee subject to such person satisfying the Eligibility Criteria and the Membership Criteria.

- 50.3 A Director appointed under Rule 50.2 shall hold office until the conclusion of the Annual General Meeting next following such appointment.
- 50.4 Vacancies on the Board for an Independent Non-Executive Director or an Executive Director shall be advertised as determined by the Nominations Committee from time to time.

51. Method of appointment of Member Nominated Directors

- 51.1 Subject to the satisfaction of the Eligibility Criteria and the Membership Criteria and subject to meeting any requirement of any relevant regulatory authority, Member Nominated Directors shall be elected to the Board by Members who are eligible to vote under the Rules. Member Nominated Director elections shall be held annually in time to fill vacancies arising on retirement unless the Council and the Board agree otherwise. The procedure for nominating and electing Member Nominated Directors shall be set out in the Member Nominated Director Election Regulations which shall be agreed by the Council and the Board. The Member Nominated Director Election Regulations shall include procedures for making nominations, the shortlisting of candidates by the Council, regulation of canvassing and the issuing and returning of voting papers and the counting of votes.
- 51.2 Members are entitled to vote in Member Nominated Director elections in accordance with Rule 38.1. Independent Society Members shall not be entitled to weighted votes based on Qualifying Purchases in accordance with Rule 38.3 when casting votes in Member Nominated Director elections.
- 51.3 Notwithstanding any other provision of these Rules, any person elected by Members to become a Member Nominated Director under a ballot (conducted at or prior to the 2016 Annual General Meeting of the Society) on terms and conditions agreed by the Board and the Council (where such election was conditional on amending the Rules), shall be deemed to be validly elected as a Member Nominated Director under Rule 51.1 with effect from the later of:
- (a) the coming into effect of this Rule 51.3; and
 - (b) the satisfaction of any requirement of any regulatory authority in respect of such person becoming a Director.

52. Separate resolutions for election of each Director

Every resolution of an Annual General Meeting for the election of an Independent Non-Executive Director or an Executive Director shall relate to one named person and a single resolution for the election of two or more persons shall be void.

53. Board education and training

- 53.1 Before accepting a position as a Director an individual must agree to undertake training during his/her first year of office and otherwise as deemed appropriate by the Group Secretary. This training will include information on the roles and responsibilities of being a Director of a co-operative society.
- 53.2 Newly appointed or elected Directors shall receive a comprehensive and timely induction when they join the Board (including, without limitation, in respect of the Values and Principles, tailored to each new Director's existing knowledge, experience and needs, as determined by the Group Secretary, the Group Chair and the new Director and, in particular, training on the Society's business model, its

financial structure, the markets in which it operates and the aspirations of the Board, the particular expectations for a new Director and the Society's governance structure) designed to help them contribute within an appropriately short timeframe to the Board, and to maximise the quality of their contributions.

- 53.3 The Group Secretary shall evaluate the adequacy of any training (including, but not limited to, any induction training) for Directors from time to time and shall be responsible for ensuring it fulfils the requirements contemplated by the Rules, including Rule 53.2.

54. Retirement of Directors

- 54.1 In addition to any Director choosing to retire and stand for re-election, each Director (excluding the Member Nominated Directors) shall retire from office at each third Annual General Meeting following his/her election/re-election, subject to the Board and the Council having the right to agree otherwise in order to avoid a situation where more than half of the other Directors (excluding the Member Nominated Directors) would be retiring from office at the Annual General Meeting in a particular year.
- 54.2 A Director retiring under this Rule shall retain office until the conclusion of the meeting and shall be eligible for re-election subject to Rules 54.3 and 55.
- 54.3 Each Independent Non-Executive Director may serve a maximum of nine years. Any such Director must retire before he or she has exceeded this period and shall not be eligible for re-election.
- 54.4 Each Member Nominated Director may serve a maximum of nine years. Each individual term of office shall not exceed three years.
- 54.5 At the 2018 election of two Member Nominated Directors the first placed candidate shall be appointed for a term of three years and the second placed candidate shall be appointed for a term of two years.

55. Election and re-election of Independent Non-Executive Directors and Executive Directors

- 55.1 No Independent Non-Executive Director or Executive Director shall be elected or re-elected as a Director at any Annual General Meeting unless:
- (a) he/she is recommended by the Nominations Committee;
 - (b) he/she satisfies the Eligibility Criteria;
 - (c) he/she satisfies the Membership Criteria; and
 - (d) the Members decide by Ordinary Resolution at the Annual General Meeting to approve such election or re-election.
- 55.2 No Director facing re-election at the next Annual General Meeting shall be eligible to participate in any discussions with the Nominations Committee or otherwise relating to his/her renomination or re-election to the Board.
- 55.3 If all of the Executive Directors retire at an Annual General Meeting and none of them are re-elected at that Annual General Meeting then the Executive Directors acting in such capacity prior to such meeting shall cease to be Executive Directors unless the Qualified Members present and entitled to vote at the Annual General Meeting decide by Ordinary Resolution that one or both of the Executive

Directors may remain in office until such time as further Executive Directors are appointed to the Board.

56. Disqualification as a Director

A person ceases to be a Director as soon as:

- (a) that person is prohibited from being a director by law; or
- (b) a bankruptcy order is made against that person; or
- (c) an arrangement or composition is made with that person's creditors generally in satisfaction of that person's debts; or
- (d) a registered medical practitioner who is treating that person gives a written opinion to the Society stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months; or
- (e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; or
- (f) notification is received by the Society from the Director that the Director is resigning or retiring from office, and such resignation or retirement has taken effect in accordance with its terms; or
- (g) his/her office as a Director is vacated pursuant to his/her not being re-elected or ceasing to fulfil the Eligibility Criteria or the Membership Criteria; or
- (h) that person has been absent for more than three consecutive meetings of the Board or, in any year, in excess of one half of meetings of the Board held during that period, without permission of the Board, and a majority of the Board resolves that his/her office be vacated; or
- (i) not less than two thirds of the other Directors determine that that person should cease to be a Director on the basis that he/she is in material breach of the Board Code of Conduct or otherwise.

57. Power of the Society to remove a Director

The Members may by a resolution passed by a majority of not less than two thirds of the votes cast on a poll by eligible Members at a Society General Meeting and/or on a referendum under the Rules remove any Director from office (notwithstanding any provision of the Rules or of any agreement between the Society and such Director, but without prejudice to any claim he/she may have for damages for breach of any such agreement). The Board (upon recommendation by the Nominations Committee) may propose that the Members elect another person in place of a Director who was either an Independent Non-Executive Director or an Executive Director removed from office in accordance with this Rule 57.

58. Suspension

Where a process to remove a Director from office under the Rules has commenced, the Board may temporarily suspend that Director from office pending the outcome of the process. No Director proposed to be suspended in accordance with this Rule has any special right to protest against his/her

suspension but the terms of his/her service contract / letter of appointment shall not be affected. Any Director so suspended shall not be entitled during the time of his/her suspension from the Board to attend, speak or vote at any meeting of the Board (or any of its committees).

59. Board evaluation

59.1 The Nominations Committee shall conduct a formal and rigorous evaluation of the Board's performance annually (the **Annual Board Evaluation**) which shall include (but is not hereby limited to) the following:

- (a) a description of how the evaluation was conducted;
- (b) a focus on the regular working practices and dynamics of the Board;
- (c) a review of the reporting of information to the Board to ensure that the Board is receiving sufficient information to carry out its duties (including, but not limited to, ensuring that the Board is receiving such information to allow it to challenge the Executive pursuant to paragraph (d) below);
- (d) a review of the Board's challenging of the Executive to ensure that the Executive is exercising its proper stewardship of the day-to-day management of the Society; and
- (e) recommendations to address any developmental requirements arising out of the evaluation.

59.2 Subject to Rule 59.5, the Group Chair shall be responsible for commissioning each Annual Board Evaluation, and the Nominations Committee shall be responsible for determining the scope of each Annual Board Evaluation.

59.3 The Annual Board Evaluation shall be discussed by the Board and the Nominations Committee and shall directly inform the Nominations Committee's nomination and appointment strategy for the Board and the programme of Board development to be monitored and carried out by the Group Secretary from time to time.

59.4 The Group Chair shall be responsible for ensuring that appropriate remedial action or otherwise is taken as a result of the recommendations arising from the Annual Board Evaluation.

59.5 The Annual Board Evaluation shall be subject to external review at least every two years unless the Nominations Committee and the Group Chair both agree a good reason not to do so.

60. Alternate Directors

None of the Directors shall be able to appoint any other Director or any other person to be an alternate Director to act in his/her place.

Remuneration, Expenses, Pensions and Other Benefits

61. Directors' fees

61.1 Directors (excluding Executive Directors) shall be paid such fees for their roles as members of the Board and for any additional roles they may perform from time to time as set out in their respective letters of appointment and which shall be disclosed in the Directors' Remuneration Report which shall be voted on by Members at the Annual General Meeting.

61.2 Fees for Independent Non-Executive Directors and for Member Nominated Directors shall be determined by the Council, acting through the Non-Executive Directors' Fees Committee.

62. Pensions and other benefits of Executive Directors

In relation to Executive Directors, the Board may (but only in accordance with the Society's remuneration policy) exercise all the powers of the Society to pay, provide, arrange or procure the grant of pensions or other retirement benefits, death, disability or sickness benefits, health, accident and other insurances or other such benefits, allowances, gratuities or insurances, including in relation to the termination of employment, to or for the benefit of any person who is or has been at any time an Executive Director or in the employment or service of the Society or of any society or body corporate which is or was associated with the Society or of the predecessors in business of the Society or any such associated society or body corporate, or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of, or participation in, or contribution to, any pension fund, scheme or arrangement and the payment of any insurance premiums.

63. Expenses

A Director shall be paid out of the funds of the Society all travelling, hotel and other expenses properly incurred by him/her in and about the discharge of his/her duties, including his/her expenses of travelling to and from Board meetings, committee meetings and general meetings in accordance with the Board Policies and Procedures Manual or any other guidelines and procedures established from time to time by the Board. Subject to any guidelines and procedures established from time to time by the Board, a Director may also be paid out of the funds of the Society all expenses incurred by him/her in obtaining professional advice in connection with the affairs of the Society or the discharge of his/her duties as a Director.

64. Offices of profit

64.1 A Director may hold any office or place of profit with the Society (other than the office of auditor) simultaneously with his/her office of Director and may be appointed by the Board to an office or place of profit with any body corporate in which the Society is, or will be, interested.

64.2 A Director so appointed to an office or place of profit with a body corporate in accordance with Rule 64.1 shall disclose to the Board any benefit he/she derives from any such office or place in the Financial Year in which it is received.

64.3 A Director, notwithstanding his/her interest, may be counted in the quorum present at any meeting at which he/she or any other Director is appointed to hold any office or place of profit with the Society or with any body corporate in which the Society is, or will be, interested or at which the terms of any such appointment are arranged. He/she may vote on any such appointment or arrangement other than his/her own appointment or the arrangement of the terms of that appointment.

Decision Making by Directors

65. Calling a meeting of the Board

65.1 Subject to the provisions of the Rules, the Board may regulate its proceedings as it thinks fit.

65.2 A Director may, and the Group Secretary at the request of a Director shall, call a meeting of the Board by giving notice of the meeting to each Director.

65.3 Notice of a Board meeting shall be deemed to be given to a Director if it is given to the Director in person or sent in hard copy form or electronic form to him/her at his/her last known address or such other address (if any) as may for the time being be specified by the Director or on his/her behalf to the Society for that purpose (including any electronic address). A Director absent or intending to be

absent from the United Kingdom may request the Board that notices of Board meetings shall during his/her absence be sent in hard copy form or in electronic form to such address (if any) (including any electronic address) for the time being specified by the Director or on his/her behalf to the Society for that purpose, but such notices need not be sent any earlier than notices sent to Directors not so absent and, if no such request is made to the Board, it shall not be necessary to send notice of a Board meeting to any Director who is for the time being absent from the United Kingdom. No account is to be taken of Directors absent from the United Kingdom when considering the adequacy of the period of notice of the meeting. Any Director may waive notice of a meeting and any such waiver may be retrospective. Any notice pursuant to this Rule need not be in writing if the Board so determines and any such determination may be retrospective.

66. Quorum

- 66.1 Where there is at least one Member Nominated Director, one Independent Non-Executive Director and one Executive Director on the Board, the quorum for the transaction of the business of the Board shall be three Directors of which one is a Member Nominated Director, one is an Independent Non-Executive Director and one is an Executive Director. In the event that the meeting is inquorate the Group Secretary shall call a further meeting of the Board by giving notice under Rule 65.3 and the quorum shall be three Directors. If there is not at least one Member Nominated Director, one Independent Non-Executive Director and one Executive Director on the Board, the quorum shall be three Directors.
- 66.2 Subject to the Rules, if a Director ceases to be a Director at a Board meeting, he/she can continue to be present and to act as a Director and be counted in the quorum until the end of the meeting if no other Director objects and if otherwise a quorum of Directors would not be present.
- 66.3 The continuing Directors or a sole continuing Director may act notwithstanding any vacancies in their number, but if the number of Directors is less than the number fixed as the quorum, the continuing Directors or Director may act only for the purpose of filling vacancies upon recommendation from the Nominations Committee or for calling a Society General Meeting.
- 66.4 No Director who has been suspended by the Board in accordance with Rule 58 shall be counted in the quorum for the transaction of business of the Board.

67. Appointment of Group Chair and Senior Independent Director

- 67.1 The Board shall appoint the Group Chair following a recommendation of the Nominations Committee. For the purposes of the Rules the Group Chair shall be regarded as an Independent Non-Executive Director. The Board shall elect from the Independent Non-Executive Directors (other than the Group Chair) a Senior Independent Director. Each of the Group Chair and the Senior Independent Director shall, subject to Rule 54.1 and Rule 67.3, hold office until he/she ceases to be a Director or shall resign the office. The Group Chair shall preside at all meetings of the Board at which he/she is present. In the absence of the Group Chair, the Senior Independent Director shall take his/her place.
- 67.2 If the Group Chair and the Senior Independent Director so elected shall both be absent from a meeting of the Board or shall both decline to act as Chair, the Directors present at that meeting shall elect a Director to be Chair for the purposes of that meeting.
- 67.3 The Board may at any time remove the Group Chair or Senior Independent Director from office if that person receives notice signed by not less than two thirds of the other Directors stating that that person should cease to be the Group Chair/Senior Independent Director.

67.4 The Board shall fill from its number any casual vacancy (whether or not arising from the exercise of its power under Rule 67.3) in the office of Group Chair and a Group Chair so elected shall, subject to Rule 67.3 above, hold office until the appointment of a new Group Chair or he/she shall cease in the meantime to be a Director or shall resign the office.

68. Voting

Matters to be decided at a Board meeting will be decided by a majority vote of those entitled to vote at such a meeting (unless the Rules specifically provide otherwise). If votes are equal (and neither Directors ineligible to vote at such meetings nor abstentions shall be taken into account for the purposes of determining whether a vote is equal), the Chair of the meeting has a second, casting vote.

69. Participation in meetings

All or any of the Directors can take part in a meeting of the Board by way of a telephone conference or any communication equipment which allows everybody to take part in the meeting by being able to hear each of the other people at the meeting and by being able to speak to all of them at the same time. A person taking part in this way will be treated as being present at the meeting and will be entitled to vote and be counted in the quorum.

70. Resolutions in writing

70.1 Subject to Rule 70.2, a resolution which is signed or approved by all the Directors entitled to vote on that resolution (and whose vote would have been counted) shall be as valid and effectual as if it had been passed at a Board meeting duly called and constituted. The resolution may be contained in one document or communication in electronic form or in several documents or communications in electronic form (in like form), each signed or approved by one or more of the Directors concerned. For the purpose of this Rule the approval of a Director shall be given in hard copy form or in electronic form.

70.2 There shall be excluded from Rule 70.1 any Director who is absent from the United Kingdom unless the Director has provided an address (including any electronic address) at which he or she may be contacted during his/her absence.

71. Minutes

71.1 The Board shall cause minutes to be recorded for the purpose of all proceedings at meetings of the Directors and committees of the Board, including the names of the Directors present at each such meeting.

71.2 Any such minutes, if purporting to be authenticated by the Chair of the meeting to which they relate or of the next meeting, shall be sufficient evidence of the proceedings at the meeting without any further proof of the facts stated in them.

72. Validity of acts of the Board or committee of the Board

Everything which is done by any Board meeting, or by a committee of the Board, or by a person acting as a Director, or as a member of a committee of the Board, will be valid even if it is discovered later that any Director, or person acting as a Director, was not properly appointed. This also applies if it is discovered later that anyone was disqualified from being a Director, or had ceased to be a Director or was not entitled to vote. In any of these cases, anything done will be as valid as if there was no defect or irregularity of the kind referred to in this Rule.

73. Directors' Conflicts of interest

Conflicts of Interest Requiring Authorisation by Board

- 73.1 The Board may, subject to the quorum and voting requirements set out in this Rule, authorise any matter which would otherwise involve a Director having a conflict of interest (**Conflict**).
- 73.2 A Director seeking authorisation in respect of a Conflict must notify the Board in writing of the nature and extent of his/her interest in a Conflict as soon as possible. The Director must give the Board sufficient details of the relevant matter to enable it to decide how to address the Conflict together with any additional information which it may request.
- 73.3 Any Director (including the relevant Director) may propose that the relevant Director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the Board shall be effected in the same way that any other matter may be proposed to and resolved upon by the Board under the provisions of the Rules except that:
- (a) the relevant Director and any other Director with a similar interest will not count in the quorum and will not vote on a resolution giving such authority; and
 - (b) the relevant Director and any other Director with a similar interest may, if the other Directors so decide, be excluded from any meeting of the Board while the Conflict is under consideration.
- 73.4 Where the Board gives authority in relation to a Conflict or where any of the situations described in Rule 73.6 applies in relation to a Director (being a **Relevant Situation**):
- (a) the Board may (whether at the relevant time or subsequently) (i) require that the relevant Director is excluded from the receipt of information, the participation in discussion, counting in the quorum of meetings of the Board and/or the making of decisions (whether at Board meetings or otherwise) related to the Conflict or Relevant Situation; and (ii) impose upon the relevant Director such other terms for the purpose of dealing with the Conflict or Relevant Situation as it thinks fit;
 - (b) the relevant Director will be obliged to conduct himself or herself in accordance with any terms imposed by the Board in relation to the Conflict or Relevant Situation;
 - (c) the Board may also provide that where the relevant Director obtains (otherwise than through his/her other position as a Director) information that is confidential to a third party, the Director will not be obliged to disclose that information to the Society, or to use or apply the information in relation to the Society's affairs, where to do so would amount to a breach of that confidence;
 - (d) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
 - (e) the Board may revoke or vary such authority at any time but this will not affect anything done by the relevant Director prior to such revocation in accordance with the terms of such authority.

Other Conflicts of Interest

- 73.5 If a Director knows that he/she is in any way directly or indirectly interested in a proposed contract with the Society or a contract that has been entered into by the Society, he/she must notify the other Directors in writing of the nature and extent of that interest.
- 73.6 If he/she has disclosed the nature and extent of his/her interest in accordance with Rule 73.5, a Director can do any one or more of the following:
- (a) have any kind of interest in a contract with or involving the Society or another society or undertaking in which the Society has an interest;
 - (b) hold any other office or place of profit with the Society (except that of auditor) in conjunction with his or her office of Director for such period and upon such terms, including as to remuneration, as the Board may decide;
 - (c) alone, or through a firm with which he/she is associated do paid professional work for the Society or another society or undertaking in which the Society has an interest (other than as auditor);
 - (d) be or become a director or other officer of, or employed by or otherwise be interested in any other society or undertaking in which the Society has an interest; and
 - (e) be or become a director of any other society or undertaking in which the Society does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his/her other appointment as a director of that other society or undertaking.

Benefits

- 73.7 A Director does not have to hand over to the Society any benefit he/she receives or profit he/she makes as a result of anything authorised under Rule 73.1 or allowed under Rule 73.6 nor is any type of contract authorised under Rule 73.1 or allowed under Rule 73.6 liable to be avoided.

Quorum and Voting Requirements

- 73.8 A Director cannot vote or be counted in the quorum on a resolution of the Board relating to appointing that Director to a position with the Society or a society or undertaking in which the Society has an interest or the terms or the termination of the appointment.
- 73.9 A Director cannot vote or be counted in the quorum on a resolution of the Board about a contract in which he/she has an interest and, if he/she does vote, his/her vote will not be counted, but this prohibition will not apply to any resolution where that interest cannot reasonably be regarded as likely to give rise to a Conflict.
- 73.10 A Director will be treated as having a relevant interest (**Relevant Interest**) in a society or undertaking if he / she is a member of it (or is a member of its board or committee of management). Interests which are unknown to the Director and which it is unreasonable to expect him / her to know about are ignored.
- 73.11 Where a society or undertaking in which a Director has a Relevant Interest is interested in a contract, the Director will also be treated as being interested in that contract.

73.12 If a question comes up at a Board meeting about whether a Director (other than the Chair) has an interest in a contract and whether it is likely to give rise to a Conflict or whether he/she can vote or be counted in the quorum and the Director does not agree to abstain from voting on the issue or not to be counted in the quorum, the question must be referred to the Chair of the meeting. The Chair of the meeting's ruling about any other Director is final and conclusive unless the nature or extent of the Director's interest (so far as it is known to him/her) has not been fairly disclosed to the Board. If the question comes up about the Chair of the meeting, the question shall be decided by a resolution of the Board. The Chair of the meeting cannot vote on the question but can be counted in the quorum. The Board resolution about the Chair of the meeting is conclusive, unless the nature or extent of the Chair's interest (so far as it is known to him/her) has not been fairly disclosed to the Board.

General

73.13 References in this Rule to:

- (a) a contract include references to an existing or proposed contract and to an existing or proposed transaction or arrangement whether or not it is a contract; and
- (b) a conflict of interest include a conflict of interest and duty and a conflict of duties.

73.14 No conflict of interest shall arise in respect of a Director if such matter cannot reasonably be regarded as giving rise to a conflict of interest.

73.15 The Society can by notice signed by not less than two thirds of the other Directors suspend or relax the provisions of this Rule to any extent or ratify any conflict which has not been properly authorised in accordance with this Rule.

73.16 The Board shall maintain a register of interests (including, without limitation, a record of any conflicts of interest authorised by the Board) at the Registered Office. Any Member wishing to inspect the register (or any part of it) shall provide the Society with at least 14 days' prior written notice to the Group Secretary.

74. Appointment of the Executive, officers, employees of the Group and others

74.1 The Board shall appoint and may, subject to the provisions of any contract or other instrument, terminate the appointment of the CEO and the Group Secretary.

74.2 The Board may also:

- (a) appoint and, subject to the provisions of any contract or other instrument, terminate the appointment of such employees of the Group, officers, advisers, bankers and agents as the Board may at any time determine; and
- (b) appoint under this Rule more than one person to any office or place with the exception of the offices of the CEO and the Group Secretary,

and may require from any person appointed under this Rule such guarantees as in its judgement shall appear necessary.

74.3 In consultation with the Board, the CEO decides the composition and appoints the members of the Executive, apart from the Group Secretary who is a member of the Executive by virtue of his or her office.

75. Executive responsibilities

The Executive shall manage the day-to-day business of the Society with specific responsibilities for:

- (a) proposing a purpose and strategy in line with the Values and Principles to the Board and the Council;
- (b) proposing an annual operating plan in line with the strategy of the Society and, if approved by the Board, delivering against this;
- (c) implementing the decisions of the Board;
- (d) implementing the decisions of the Council which the Council is authorised to make; and
- (e) seeking guidance from the Council on the application of Values and Principles.

76. The Group Secretary

- (a) The Group Secretary:
 - (i) has the functions set out in the Rules and any other functions which the Board may assign from time to time;
 - (ii) is responsible for regularly reviewing the Board's (and its committees') working practices, the production of appropriate agendas for meetings of the Board (and its committees), circulation of papers to the Board (and its committees) in advance of meetings and the production of minutes for the Board (and its committees), in each case in a timely fashion;
 - (iii) also acts as secretary to committees of the Board and boards of subsidiaries, but subject to the Board's approval, may appoint another person or persons for such purposes;
 - (iv) is responsible (together with the Council Secretary) for ensuring co-ordination between the Board, the Executive, the Council and the Senate;
 - (v) acts as Returning Officer at and is responsible for the conduct of all elections and referenda described in the Rules (except where the Rules provide otherwise);
 - (vi) is responsible for settling the form of notices, resolutions, proposals, voting cards and voting papers for meetings, for the purpose of ensuring that the results of all matters put to a vote either by way of a show of hands or poll or referendum are clear and conclusive;
 - (vii) is responsible for maintaining the Register of Members; and
 - (viii) has absolute discretion to decide any issue or question which the Rules require the Group Secretary to decide.
- (b) The Board may appoint an acting secretary on a temporary basis, if for any reason the Group Secretary is unable to discharge his/her functions.

77. Interim officers

Any individual who is appointed as an “interim” employee or officer shall for the purposes of these Rules be obliged to fulfil the duties and have the responsibilities set out in these Rules of a permanent employee or officer.

THE COUNCIL

“The establishment of a structure that gives Members appropriate powers to hold the Board properly to account for the performance of the business and adherence to co-operative values and principles”

78. Council’s roles, powers and responsibilities

The Council’s role is, amongst other things, to:

- (a) act as the guardian of the Society’s Purpose, the Values and Principles and the constitution (the **Guardian Role**);
- (b) hold the Board to account and influence strategic and operational initiatives (the **Holding to Account Role**);
- (c) act as a consultative body and a body for making representations on behalf of the constituencies represented on the Council (the **Consultation and Representation Role**);
- (d) approve matters reserved by the Rules for approval by the Council (the **Approvals Role**); and
- (e) make decisions on those matters reserved to the Council by the Rules (the **Decisions Role**).

79. Council’s responsibilities

The powers and responsibilities of the Council shall include the following, and such other powers and responsibilities as are agreed by the Board and the Council from time to time:

79.1 The Guardian Role

When performing this role, the Council shall have regard in particular to the best interests of the Society and its Members as a whole (rather than particular constituencies of Members):

- (a) reporting to Members in the Council Annual Statement on the performance of the Board and the Nominations Committee in, amongst other things, upholding the Values and Principles;
- (b) exercising rights of approval conferred by Rules 118.6 and 122.12(a) in relation to changes to certain Rules and ensuring that any changes to the Rules do not adversely affect the Values and Principles;
- (c) determining who is eligible to be a Member, who shall cease to be a Member, who shall be removed from being a Member (and the consequences thereof) and who shall be expelled from being a Member in accordance with Rules 27, 28 and 29; and
- (d) ensuring the community implementation plan is aligned with Values and Principles by making representations to the Board.

79.2 The Holding to Account Role

When performing this role, the Council shall have regard in particular to the best interests of the Society and its Members as a whole (rather than particular constituencies of Members):

- (a) the right to require any members of the Board to attend Council meetings or Senate meetings at agreed intervals to answer any questions the Council or Senate may reasonably have;
- (b) the right to sufficient information to enable the Council to hold the Board to account for the performance of the business and adherence to Values and Principles, including (without limitation) information on key strategic and operational initiatives and any critical elements of the management of the business of the Society (subject to overriding legal and regulatory requirements);
- (c) the right to be consulted and influence the Board in its management of the Group's brand across all businesses;
- (d) requiring the Board to explain in the Council Annual Statement any recommendations of the Council which the Board has not followed and setting out the reasons for it failing to do so;
- (e) providing recommendations to Members in respect of Director elections and motions for resolution submitted to Society General Meetings or referenda;
- (f) holding the Board to account for the way in which the annual level of investment is deployed in the community;
- (g) holding the Board to account for its annual planning and performance and in relation to sufficient resources being available for the Group;
- (h) holding the Board to account for the Society's business plan, with a right of consultation as part of any planning activity;
- (i) holding the Board to account for the Society's policy framework;
- (j) reviewing and commenting on the sustainability report;
- (k) holding the Board to account on Executive remuneration and performance criteria; and
- (l) reviewing the Board Composition Charter and making recommendations to the Nominations Committee and the Board and agreeing any substantive changes to the Board Composition Charter.

79.3 The Consultation and Representation Role

When performing this role, the Council shall have regard in particular to the interests of Members and the various constituencies represented on the Council:

- (a) providing a forum in which the interests of Members are represented and promoted;
- (b) acting as a voice for the constituencies represented on the Council;
- (c) promoting the operation of an open democratic organisation where each qualifying Member has a vote;

- (d) soliciting views from Members and making recommendations to the Board on local, regional and national issues to be adopted by the business units;
- (e) in accordance with a Member communication policy agreed by the Board and the Council, delivering updates and communication to Members on, amongst other things, Values and Principles, community activity, sustainability, social goals and ethical standards;
- (f) within the policy agreed between the Board and the Council, monitoring the Society's ongoing affiliation with Co-operatives UK and the wider Co-operative Movement, including the International Co-operative Alliance;
- (g) through the President, representing the Society as part of the Co-operative Movement;
- (h) reviewing on an annual basis the Council's performance and providing an annual account of its activities to Members in the Council Annual Statement; and
- (i) within the policy agreed between the Board and the Council, to develop and promote the involvement of Members in the democratic processes of the Society, including (without limitation) engagement with other Member structures, Employees and Independent Society Members.

79.4 The Approvals Role

When performing this role, the Council shall have regard in particular to the best interests of the Society and its Members as a whole (rather than particular constituencies of Members):

- (a) exercising its right of approval on all matters under the Rules requiring the approval of the Council;
- (b) approving motions for resolutions and questions from Members to be considered at Society General Meetings in accordance with Rules 32 and 33;
- (c) approving how Values and Principles are effectively embedded within the Society based on recommendations submitted by the Executive; and
- (d) acting as the last line of defence on any Special Resolution to amalgamate the Society with, transfer its engagements to, or convert it into a company in accordance with Rule 122.

79.5 The Decisions Role

When performing this role, the Council shall have regard in particular to the constituencies of Members it represents and in balancing their interests:

- (a) determining the composition, role and proceedings of Member structures upon such terms and budgetary constraints as are determined by the Board and agreed with the Council;
- (b) through the Non-Executive Directors' Fees Committee, determining the Independent Non-Executive Directors' and the Member Nominated Directors' respective remuneration (having regard to the Society's remuneration policy);
- (c) determining the distribution of surplus funds between Members, the communities, campaigns, research, innovation and other relevant activities;
- (d) determining the Society's campaigns from a list of recommendations made by the Executive (such recommendations to take account of a wide range of inputs, including

(without limitation) recommendations made by Members and the Council) in relation to the current expression of the Society's Purpose;

- (e) making decisions on the composition of the Council and its proceedings;
- (f) within the policy agreed between the Board and the Council, supporting and overseeing training and education programmes for Members and elected Members;
- (g) determining any replacement name for the Council and/or the Senate and/or post-May 2015 structures; and
- (h) reviewing constituency boundaries as appropriate.

79.6 In exercising its powers and responsibilities, the Council must take account of and give effect to the powers and responsibilities of the Board, the Executive and the Senate as set out in the Rules.

80. Council Annual Statement

The Council shall be responsible for preparing an annual statement to Members (the **Council Annual Statement**) which shall include the matters referred to in Rules 79.1(a), 79.2(d) and 79.3(h). Where possible the Council Annual Statement will be included within the Annual Report.

81. Committees

81.1 The Council may delegate any of its powers, duties, discretions and authorities (including the power to delegate further) to any committee comprised of two or more members of the Council and such other persons as the Council considers appropriate or to the Senate including those matters referred to in Rule 99.

81.2 The Scrutiny Committee shall be a committee established by the Council for the purpose of, amongst other things, overseeing the adequacy of background checks and due diligence on Directors and prospective Directors and scrutinising the objectivity of the selection/appointment process of Independent Non-Executive Directors and Member Nominated Directors with such terms of reference as agreed between the Council and the Nominations Committee and chaired by a Council Member (other than the President). Any findings of the Scrutiny Committee shall be reported to the Nominations Committee and the Council in accordance with its terms of reference.

81.3 The Council shall establish a Non-Executive Directors' Fees Committee. The role of such committee is to set the compensation for Independent Non-Executive Directors and Member Nominated Directors, having regard to the Society's remuneration policy with such terms of reference as agreed between the Council and the Remuneration Committee.

82. Proceedings of the Council and the Senate

82.1 The Council shall establish and maintain a Senate in accordance with Rules 99 to 105 (inclusive).

82.2 Unless otherwise set out in these Rules, the Council Policies and Procedures Manual or as determined by the Council from time to time, the proceedings of the Council and of the Senate shall be governed by the Rules regulating the proceedings of Directors so far as they are capable of applying.

Eligibility, Election and Retirement of Council Members

83. Composition of the Council

- 83.1 There shall be no minimum number of Council Members nor more than 100 Council Members in number who are appointed, elected or re-elected to the Council.
- 83.2 Subject to Rule 83.1, the Council in being immediately following the registration of these Rules shall determine the size and composition of the Council which shall comprise representatives from the following constituencies (provided that the majority of Council Members shall be Individual Members):
- (a) Individual Members;
 - (b) Employee Members; and
 - (c) Independent Society Members.
- 83.3 Subject to Rule 83.2, the Council may also comprise Special Members as agreed by the Council (such as members of the Co-operative Young Members' Board).

84. Council Eligibility Criteria

No person shall be eligible to be appointed, elected or re-elected as a Council Member unless:

- (a) he/she is over 16 years of age;
- (b) he/she satisfies the Council Eligibility Criteria; and
- (c) he/she has not been disqualified to act as a Council Member pursuant to Rule 89.

85. Council Diversity

The Council will seek to ensure that its composition reflects diversity in the broadest sense including (but not limited to) diversity of gender, ethnicity, sexual orientation, age, disability, religion and geography.

86. Membership Criteria

No person shall be eligible to be appointed, elected or re-elected as a Council Member unless such person is a Member (or a duly appointed representative of an Independent Society Member) and is a member of the particular constituency represented on the Council which he or she is proposing to stand for election or re-election. A member of the Board cannot be a Council Member at the same time.

87. Methods of election of a Council Member

- 87.1 Subject to satisfaction of the Council Eligibility Criteria and the Membership Criteria, a person may be elected as a Council Member in accordance with the Council Election Regulations. Council elections shall take place on an annual basis unless the Council agrees otherwise.
- 87.2 Each Individual Member, each Employee Member, each duly appointed representative of an Independent Society Member and any Special Members who shall sit on the Council shall be elected in accordance with the Council Election Regulations.

87.3 The Council Election Regulations shall also provide for:

- (a) the Council Eligibility Criteria and Membership Criteria;
- (b) the term and any maximum tenure periods for which Council Members may be elected;
- (c) any requirements for retirement by rotation; and
- (d) the manner of filling vacancies pending the next Council Elections.

88. Council education and training

88.1 Before accepting a position as a Council Member an individual must agree to undertake training during his/her first year in that position and otherwise as deemed appropriate by the Council Secretary. This training will include information on the roles and responsibilities of being a Council Member.

88.2 The Council Secretary shall evaluate the adequacy of any training for Council Members from time to time and shall be responsible for ensuring it fulfils the requirements contemplated by the Rules.

89. Disqualification as a Council Member

A person ceases to be a Council Member as soon as:

- (a) a bankruptcy order is made against that person; or
- (b) an arrangement or composition is made with that person's creditors generally in satisfaction of that person's debts; or
- (c) a registered medical practitioner who is treating that person gives a written opinion to the Society stating that that person has become physically or mentally incapable of acting as a Council Member and may remain so for more than three months; or
- (d) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; or
- (e) notification is received by the Society from the Council Member that the Council Member is resigning or retiring from his/her position, and such resignation or retirement has taken effect in accordance with its terms; or
- (f) his/her position as a Council Member is vacated pursuant to his/her not being re-elected or ceasing in the opinion of the Council to fulfil the Council Eligibility Criteria or the Membership Criteria or ceasing to be a member of the constituency which he or she has been elected to represent on the Council; or
- (g) that person has been absent for more than three consecutive meetings of the Council, or, in any year, in excess of one half of meetings of the Council held during that period, without permission of the Council, and a majority of the Council resolves that his/her position be vacated; or
- (h) not less than two thirds of the other Council Members determine that that person should cease to be a Council Member on the basis that he/she is in material breach of the Council Code of Conduct or otherwise.

90. Suspension

Where a process to remove a Council Member from his/her position under the Rules has commenced, the Council may temporarily suspend that Council Member from his/her position on the Council pending the outcome of the process. No Council Member proposed to be suspended in accordance with this Rule has any special right to protest against his/her suspension.

Remuneration, expenses and other benefits

91. Council Members' fees

The Council Members shall be paid such fees for their roles as Council Members and members of the Senate as set out in their respective letters of appointment.

92. Expenses

A Council Member shall be paid out of the funds of the Society all travelling, hotel and other expenses properly incurred by him/her in and about the discharge of his/her duties, including his/her expenses of travelling to and from Council meetings, Senate meetings and Society General Meetings. Subject to any guidelines and procedures established from time to time and agreed by the Council and the Board, a Council Member may also be paid out of the funds of the Society all expenses incurred by him/her in obtaining professional advice in connection with the affairs of the Society or the discharge of his/her duties as a Council Member.

93. Offices of profit

93.1 A Council Member may hold any position or place of profit with the Society (other than the office of auditor or a member of the Board) simultaneously with his/her position of Council Member and may be appointed by the Board to a position or place of profit with any body corporate in which the Society is, or will be, interested.

93.2 A Council Member so appointed to a position or place of profit with a body corporate in accordance with Rule 93.1 shall disclose to the Council any benefit he/she derives from any such office or place in the Financial Year in which it is received.

Decision making by Council Members

94. Calling a meeting of the Council

94.1 Subject to the provisions of the Rules, the Council may regulate its proceedings as it thinks fit.

94.2 The Council must convene at least four times a year at quarterly intervals, and the Senate shall endeavour to ensure that such meetings take place.

95. Quorum

The quorum for the transaction of the business of the Council shall be fixed by the Council. If a quorum has not been fixed by the Council, the quorum for the transaction of the business of the Council shall be a majority of the Council Members.

96. Appointment and removal of President

96.1 The Council shall elect from its number a President who shall hold such position for a term of two years unless he/she shall cease in the meantime to be a Council Member or shall resign or retire from his/her position. A President who has been in office for a continuous period of six years or more at

the date of the first meeting after an Annual General Meeting shall resign from his/her position unless the Council agrees that he or she may serve one additional term of two years (or part thereof). The President shall preside at all meetings of the Council at which he/she is present.

96.2 The Council may at any time remove the President from office if that person receives notice signed by not less than two thirds of the other Council Members stating that that person should cease to be the President.

97. Council Members' conflicts of interest

Rule 73 shall apply *mutatis mutandis* to Council Members' conflicts of interest so far as it is capable of applying as if it were set out in full in this Rule except that reference to:

- (a) **Board** shall be construed as reference to the **Council**;
- (b) **Director** shall be construed as reference to the **Council Member**;
- (c) **Chair** shall be construed as reference to the **President**; and
- (d) **Group Secretary** shall be construed as reference to the **Council Secretary**.

98. The Council Secretary

98.1 The Council Secretary:

- (a) shall be appointed by the Council;
- (b) reports to the President with an indirect reporting line to the Group Secretary, but recognising and respecting that the Council Secretary is an office of the Council and must be free to act independently as required;
- (c) shall be suitably qualified for the role;
- (d) has the functions set out in the Rules to support the Council in fulfilling its roles and responsibilities and any other functions which the Council may reasonably assign from time to time;
- (e) is responsible for regularly reviewing the Council's (and its committees') working practices, the production of appropriate agendas for meetings of the Council (and its committees), circulation of papers to the Council (and its committees) in advance of meetings and the production of minutes for the Council (and its committees), in each case in a timely fashion;
- (f) also acts as secretary to the Senate;
- (g) is responsible (together with the Group Secretary) for ensuring co-ordination between the Board, the Executive, the Council and the Senate;
- (h) acts as Returning Officer at and is responsible for the conduct of all Council Elections described in the Rules (except where the Rules provide otherwise);
- (i) has the responsibilities described in Rules 27 to 30 (inclusive). In carrying out these responsibilities, the Council Secretary shall consult the Group Secretary who has ultimate responsibility for maintaining the Register of Members under Rule 76(a)(vii); and

- (j) has absolute discretion to decide any issue or question which the Rules or the Council Regulations require the Council Secretary to decide.

98.2 The Council may appoint an acting secretary on a temporary basis, if for any reason the Council Secretary is unable to discharge his/her duties.

The Senate

99. Roles and responsibilities of the Senate

99.1 The Senate's role is, amongst other things, to help co-ordinate the activities of the Council and to serve as the nexus for interactions between the Council, the Board, the Executive and the Members. It shall be responsible for (amongst other things):

- (a) representing the Council within the Group and within the Co-operative Movement;
- (b) in consultation with the Executive, preparing a three-year Council plan for approval by the Council and the Board;
- (c) determining the allocation of the Council's annual budget subject to the Board's determination of the aggregate budgetary limit;
- (d) the preparation of an agenda for each Council meeting;
- (e) liaising with the Board and/or the Executive on any relevant matters/issues;
- (f) commissioning research on topics within the remit of the Council and in accordance with the Council's allocated budget; and
- (g) preparing the Council Annual Statement,

and any other matters as determined by agreement between the Council and the Board from time to time.

99.2 In exercising its powers and responsibilities, the Senate must take account of and give effect to the powers and responsibilities of the Board, the Executive and the Council as set out in the Rules.

100. Composition of the Senate

100.1 The Senate shall comprise not less than 10 and not more than 15 Council Members as determined by the Council in such manner as reflects the balance of representation of the various constituencies represented on the Council provided that Independent Society Members shall at all times have twenty (20) per cent of the seats on the Senate (or, if applicable, the number of seats closest to 20 per cent where any fraction of 0.5 or above would be rounded up).

100.2 No Member shall be eligible to sit on the Senate unless he/she is eligible to be, and is, a Council Member. If a member of the Senate ceases to be a Council Member during his/her tenure as a member of the Senate then he/she shall automatically cease to be a member of the Senate.

101. Methods of appointment of a member of the Senate

101.1 The Council shall elect from its number the members of the Senate in accordance with provisions set out for this purpose in the Council Election Regulations. The President shall be a member of the Senate by virtue of his/her office.

101.2 In the case of any vacancy on the Senate, the Senate may at any time, and from time to time, appoint a Council Member representing the relevant constituency to hold office until the conclusion of the next Senate elections.

102. Senate member terms

The term and any maximum tenure periods for which members of the Senate may be elected shall be provided for in the Council Election Regulations.

103. Calling a meeting of the Senate

103.1 Subject to the provisions of the Rules and any requirements of the Council, the Senate may regulate its proceedings as it thinks fit.

103.2 The Senate must convene at least four times a year.

104. Quorum

The quorum for the transaction of the business of the Senate shall be determined by the Council. If a quorum has not been determined by the Council, the quorum for the transaction of the business of the Senate shall be a majority of the members of the Senate.

105. Chair of the Senate

105.1 The President shall be the Chair of the Senate. If the President is absent from a meeting of the Senate, the members of the Senate present at that meeting shall elect a member of the Senate to be Chair for the purposes of that meeting.

105.2 The President shall cease to be the Chair of the Senate upon ceasing to be President.

COUNCIL BUDGET, SECRETARIAT AND SUPPORT

106. Secretariat and administrative support

106.1 The Group Secretary shall ensure that both the Council and the Senate are provided with appropriate secretariat and administrative support.

106.2 Subject to Rule 106.5 the Board shall determine the annual budget for the operation of the Council and the Senate and support to be provided to them.

106.3 Council Members shall receive appropriate training and education and may request internal or external advice, including commissioning research, within the budgetary constraints determined by the Board.

106.4 The Council shall receive any information it reasonably requires to perform its functions from any officer, employee or adviser of the Group in a timely manner subject to any legal or regulatory constraints.

106.5 Funds will be allocated to the Council as follows:

- (a) **Infrastructure costs.** The supporting infrastructure budget will cover the Council's secretariat and the costs of meetings, the Council's annual reporting responsibilities, Council members' fees, communications, representing the Society in the Co-operative Movement, commissioning research and setting the composition, role and proceedings of

structures and other sub-groups. These costs will fall within the annual Operating Plan of the Society and will be determined by the Board.

- (b) **Profits Available for Distribution (if any).** The Board shall notify the Council of any Profits Available for Distribution in accordance with Rule 120.1.

AREA COMMITTEES AND POST-MAY 2015 STRUCTURES

The Society will have structures to, amongst other things, encourage Individual Member participation and promote the Society's Purpose, the Values and Principles and Society policy development amongst Individual Members, the wider community and the Group's businesses

107. Area Committees

- 107.1 The Society has Area Committees which will remain in place until the Society's Annual General Meeting in May 2015 at which point they will cease to operate in their current form. The Northern Ireland Members' Council shall be treated as an Area Committee for the purposes of the Rules.
- 107.2 Until the Society's Annual General Meeting in May 2015, Area Committees will have the following roles and responsibilities, more fully described in the Area Committee Regulations, but in summary:
- (a) to promote and support the participation of Individual Members within the Society;
 - (b) to promote and support the Values and Principles amongst Individual Members and the wider community;
 - (c) to communicate local knowledge to the Council and to receive national information from and provide feedback to the Council;
 - (d) to work with the Council, the Board and the Executive to define and develop a programme of training and education open for application to all Members to better fulfil their role as Members and/or develop a suitable level of skill and competency to enable Members to be elected to the Council or as a Member Nominated Director; and
 - (e) to work with the Council, the Board, the Executive and Individual Members to agree the format, role and responsibilities of structures that, amongst other things, encourage Individual Member participation, for implementation in May 2015.
- 107.3 Until the Society's Annual General Meeting in May 2015, Area Committees will be supported by a proportion of the existing Membership support function, as determined by the Board. This support will be subject to the Target Operating Model disciplines and budget restrictions that are being applied by the Society, with available resources reduced by the same (but not a greater) proportion as resources in central support functions and the re-assignment of roles to be aligned with the Society's Purpose.
- 107.4 Area Committee elections (including the elections of Area Committee Chairs and Vice Chairs) will remain suspended. Unless incumbent Area Committee members resign their office by notice to the Council Secretary they will retain their place on their Area Committee until the Society's Annual General Meeting in May 2015 at which point they will cease to hold office, regardless of the expiry of or time left in respect of their elected term. Co-options and the filling of casual vacancies are not permitted.

108. Post-May 2015 structures

- 108.1 Following the Annual General Meeting in May 2015, the Society will have structures to, amongst other things, encourage Individual Member participation and promote the Society's Purpose, the Values and Principles and Society policy development amongst Individual Members, the wider community and the Group's businesses.
- 108.2 Area Committees will work with the Board, Council, Executive and wider Membership to agree the name, format, role and responsibilities of and transitional arrangements for structures to deliver the Society's Purpose for implementation on or after the Annual General Meeting in May 2015 on the following terms:
- (a) the Board and Council will agree a budget for the new structures with the principle that the cost of operation compared to the scale of benefits delivered will reflect best practice for co-operative societies with a comparable purpose, values and principles and that costs will form part of the Society's Operating Plan which is determined by the Board;
 - (b) the new structures shall be decoupled from the democratic election hierarchy and should promote the democratic participation of Individual Members with regards to:
 - (i) voting and attendance at Society General Meetings or referenda;
 - (ii) voting and standing in elections of Member Nominated Directors or Council Members; or
 - (iii) communicating directly with the Council, the Board or the Executive;
 - (c) subject to the other provisions of this Rule 108 and any guiding principles determined by the Council the new structures need not be the same in any nation, region or area;
 - (d) the new structures will align to support and promote the Society's Purpose and the Group's businesses; and
 - (e) the roles and responsibilities of the new structures will include, amongst other things, the functions set out in Rules 107.2(a), (b), (c) and (d) above.

SIGNIFICANT TRANSACTIONS

109. Significant Transactions

- 109.1 Subject to the exceptions set out in Rule 109.4 below, any Significant Transaction shall require the prior approval of Members by Ordinary Resolution passed at a Society General Meeting or on a referendum.
- 109.2 Save as provided below, a significant transaction includes all agreements (including amendments to agreements) entered into by the Society or any of its subsidiaries over a certain size relative to the size of the Group as determined by Significant Transactions Regulations (**Significant Transactions**).
- 109.3 For the purposes of Rule 109.2 above, the following transactions shall be excluded from its scope:
- (a) transactions in the ordinary course of business as defined in the Significant Transactions Regulations;

- (b) securities issues or finance raising transactions (unless any such transaction is associated with an acquisition or disposal); and
- (c) intra-group transactions.

109.4 A transaction will not be treated as a Significant Transaction in either of the following situations:

- (a) if the transaction is a strategic disposal by the Group when in severe financial difficulty in the circumstances set out in the Significant Transactions Regulations; or
- (b) if the transaction is a strategic acquisition or other strategic transaction and it is not feasible to seek Member approval in the circumstances set out in the Significant Transactions Regulations.

REPORTING TO MEMBERS

110. Preparation of Accounts

110.1 In respect of each year of account, the Board shall cause Annual Accounts to be prepared which shall comprise:

- (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 at the year end of the state of the affairs of the Society; and
- (c) group accounts to give a true and fair view of the state of affairs and income and expenditure of the Society and its subsidiaries as a whole.

110.2 The Board has the power to prepare in addition a revenue account or revenue accounts for less than one year of account and a balance sheet at the end of the period covered by such revenue account or revenue accounts.

111. Auditors and Accounts

111.1 The Society shall in accordance with the Statutes appoint in each year a qualified auditor or auditors to be the Auditors, and the following provisions shall apply to them:

- (a) the Annual Accounts for that year shall be submitted to them for audit as required by the Statutes;
- (b) they shall have all the rights and duties in relation to notice of, and attendance and right of audience at, Society General Meetings, access to books, the supply of information, reporting on accounts and otherwise, as are provided by the Statutes;
- (c) except where provided in the Rules, they are appointed by the Society at a Society General Meeting, and the provisions of the Statutes, including the Special Notice Procedure, shall apply to their reappointment and removal and to any resolution removing them, or appointing another person in their place;
- (d) their remuneration shall be fixed by the Society at a Society General Meeting or in such manner as the Society at a Society General Meeting may determine; and

- (e) any sums paid by the Society in respect of their expenses shall be deemed to be included in the expression **remuneration**.

111.2 The Board may fill any casual vacancy in the office of auditor until the next following Society General Meeting.

112. Presentation of Accounts

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

112.2 The Board shall report to Society General Meetings what payments (if any) have been made by way of distribution.

113. Publication of Accounts and Balance Sheet

Save as permitted by the Statutes, the Board must not cause to be published any revenue account or balance sheet in respect of any financial year, unless it has previously been audited by the Auditors. Every revenue account and balance sheet published must be signed by the Group Secretary and by two Directors acting on behalf of the Board. If the Board so decides, and as permitted by the Statutes, the Society shall publish revenue account and balance sheet information in respect of any financial half year together with any other information designated by the Board provided that all such information is identified as unaudited and, in the case of revenue and balance sheet information, is published alongside such comparative information as the Statutes require or the Board determines to be appropriate.

114. Copy of Balance Sheet to be displayed

The Society shall at all times keep a copy of the latest consolidated balance sheet of the Society together with a copy of the corresponding Auditor's report displayed in a conspicuous place at the Registered Office and displayed on the Society's website.

115. Annual Return

115.1 Every year and within the period prescribed by the Statutes, the Group Secretary shall send to the Registration Authority:

- (a) an Annual Return in the form prescribed by the Statutes relating to the affairs of the Society for that year;
- (b) a copy of the Auditors' report on the Society's accounts for the period covered by the Annual Return;
- (c) a copy of each balance sheet made during that year and report of the Auditors on that balance sheet; and
- (d) a copy of the group accounts of the Society for the period covered by the Annual Return and report of the Auditors on the group accounts.

115.2 Unless the Society can show that it has satisfied the relevant conditions in the Statutes, the Society shall on demand supply free of charge to any Member or any person with an interest in the funds of

the Society a copy of the latest Annual Return together with a copy of the Auditors' report on the accounts and balance sheet contained in the Annual Return and the Auditors' report and a copy of the group accounts of the Society for the period covered by the Annual Return and report of the Auditors on the group accounts.

116. Financial Year End and Half Year End

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

117. Books of Account

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

ALTERATIONS

118. Alteration of Rules

- 118.1 No new Rule shall be made, nor shall any of the Rules be amended, except by a resolution passed by a majority of two thirds of the votes cast on a poll by Members at a Society General Meeting and/or on a referendum who are eligible to vote under the Rules.
- 118.2 Notice of such a Society General Meeting shall either specify the Rules to be made or amended or identify where such Rules or Rule amendments can be accessed.
- 118.3 In respect of any Rule change proposed by Members or the Council, the Council shall consult the Group Secretary and take account of his or her view.
- 118.4 No amendment to any of the Rules and no new Rule shall be valid until registered with the Registration Authority. When submitting Rule amendments to the Registration Authority for registration the Group Secretary may, at the Group Secretary's sole discretion, accept any non-material alterations required or suggested by the Registration Authority without reference back to a further Society General Meeting. The Group Secretary shall inform the Members prior to or at the next Society General Meeting of any and all amendments to the Rules made in accordance with this Rule or where such amendments can be accessed.
- 118.5 To the extent that the terms of any amendment to any of the Rules involve, once passed as resolutions and whether or not altered by the Group Secretary in response to any requirement or suggestion of the Registration Authority:
 - (a) the re-numbering of any Rule or the re-lettering and/or renumbering of any paragraph of any Rule; and/or
 - (b) the re-wording of any Rule to provide clarification or avoid inconsistency with an amended or new provision in another Rule,

the Group Secretary shall accordingly have the authority without further reference to the Board (i) to amend any relevant reference to that Rule or that paragraph elsewhere in the Rules and to re-number or re-letter any paragraph of any Rule, (ii) at the Group Secretary's discretion, to re-word any Rule to provide clarification or avoid inconsistency with an amended or new provision in another Rule

and (iii) to make any consequential amendments to any of the Regulations, Board Composition Charter or Codes of Conduct referred to in the Rules.

118.6 Notwithstanding any other provision in these Rules, subject to the Statutes, no changes to the Rules affecting this Rule 118 or the following Rules shall be made without the prior agreement of the Board and the Council:

- (a) Rule 5 (the Purpose, Values and Principles);
- (b) Rules 12.2 and 12.3 (Board Regulations);
- (c) Rules 12.4 and 12.5 (Council Regulations);
- (d) Rules 19 to 30 (inclusive) (the admission and expulsion of Members to and from the Society);
- (e) Rules 32 and 33 (Society General Meetings);
- (f) Rules 43 to 46 (inclusive) (the Board's powers and responsibility), Rules 47 to 60 (eligibility, election and retirement) and Rules 65 to 73 (inclusive) (proceedings (and other Rules relating to the Board's role));
- (g) Rules 78 and 79 (the Council's responsibilities), Rules 83 and 87 (the Council's composition and elections), Rules 91 and 92 (the Council's remuneration and expenses) and Rule 98 (the Council Secretary);
- (h) Rule 99 (the Senate's responsibilities) and Rule 100 (the Senate's composition);
- (i) Rule 106 (the Council's budget, secretariat and support);
- (j) Rules 107 and 108 (Area Committees and post-May 2015 structures);
- (k) Rule 109 (Significant Transactions);
- (l) Rule 118 (alterations to the Rules);
- (m) Rule 120 (distributions);
- (n) Rules 121 and 122 (safeguarding the Group's status as a co-operative);
- (o) Rules 123 and 124 (dissolution and any resulting distribution of surplus assets);
- (p) Rule 126 (communications by the Society); and
- (q) Rule 131 (settlement of disputes between Members and the Society on the Rules).

LIABILITY OF MEMBERS

119. General

The liability of a Member is limited to the amount of his/her shareholding.

PROFITS

120. Application of Profits Available For Distribution

- 120.1 The Board shall notify the Council of any Profits Available for Distribution. Upon receiving such notification, the Council shall recommend to the Society General Meeting for its approval how the Profits Available For Distribution shall be applied. No payment or distribution shall be made other than in accordance with a notification of the Board and recommendation of the Council. The Board is at liberty to determine that no payment or distribution be made. The Council is further at liberty to recommend that a payment or some payments and/or a distribution or some distributions be made and others not.
- 120.2 The Board, in consultation with the Council, may recommend a financial limit below which no dividend shall be paid.
- 120.3 Any dividend may be paid to Individual Members partly or wholly in vouchers which, at the Society's discretion, may be redeemable for cash at any or all of the Society's trading outlets.
- 120.4 The Profits Available For Distribution may be used in the following ways:
- (a) to be carried forward through the increase of the reserve funds of the Society;
 - (b) in the payment of a dividend:
 - (i) to Members at the date of the declaration of the dividend (or at any earlier date or dates as the Board may specify) who have made Qualifying Purchases; and/or
 - (ii) to persons who are members of an Independent Society Member, in accordance with reciprocal arrangements agreed with such societies, who have made qualifying purchases; and/or
 - (iii) to employees of the Group who are Members, subject to criteria to be determined by the Board, in consultation with the Council; and
 - (c) for any purpose to the extent and in the manner recommended by the Council whether such purpose be charitable or philanthropic or otherwise whatsoever and whether within the Objects or not.
- 120.5 Purchases Regulations (agreed by the Board and the Council and subject to annual review) shall set out what is included in Qualifying Purchases and this may be different for Individual Members and Independent Society Members.
- 120.6 In relation to payment of a dividend to those who have made Qualifying Purchases, the Society may pay dividends (whether final or interim) in proportion to their respective Qualifying Purchases or otherwise as the Council may determine, and, in particular, may pay dividends (whether final or interim) of different rates (including a rate of zero) or computed on differing bases as between all or any of the following and/or as between all or any of the individuals, companies, societies or corporations comprising all or any of the following:
- (a) Independent Society Members;
 - (b) Individual Members who are employees of the Group;
 - (c) other Individual Members; and/or

(d) those who fall within none of the above,

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

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

AMALGAMATION, TRANSFER OF ENGAGEMENTS, CONVERSION AND DISSOLUTION

“The inclusion of necessary provisions to protect the Society against demutualisation”

121. Amalgamation and Transfer Involving Another Society

The Society may, by Special Resolution passed in the way required by the Statutes, 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 Society General Meeting or referendum subject to Rule 109 if the transaction is a Significant Transaction.

122. Amalgamation, Transfer and Conversion Involving a Successor Company

122.1 Subject to the provisions of this Rule 122.1 and Rule 122.2 any motion for a resolution to be put to a Society General Meeting which has as the only or main object or consequence of seeking the Board to consider, investigate or take any other steps relating to the amalgamation of the Society with or the transfer of its engagements to a company or its conversion into a company under the provisions of the Statutes is required to be passed as an Extraordinary Resolution.

122.2 In relation to calling a Society General Meeting at which a proposed resolution of the nature of Rule 122.1 is to be considered, Members may only requisition such a meeting if they satisfy the relevant requirements set out in Rule 33 for requisitioning meetings, save that not less than 10,000 Qualified Members (as defined in Rule 33.9) (of whom at least 16 must be Independent Society Members), who have been Qualified Members for more than three years, must sign such a requisition.

122.3 Subject to the provisions of this Rule 122.3 and Rules 122.4 to 122.11 (inclusive), the Society may, by Special Resolution passed in the way required by the Statutes, amalgamate with or transfer its engagements to a company or convert itself into a company under the provisions of the Statutes.

122.4 In relation to proposing a resolution as set out in Rule 122.3 at a Society General Meeting, the following provisions shall apply:

- (a) the Board may propose such resolution;
- (b) the Members may propose such resolution if they satisfy the relevant requirements set out in Rule 32 for proposing resolutions; and
- (c) the notice of the Society General Meeting at which such resolution shall be considered is accompanied by a separate statement as set out in Rule 122.5(e).

122.5 In relation to calling a Society General Meeting the purpose of which includes a resolution as set out in Rule 122.3, the following provisions shall apply:

- (a) the Board may convene such a meeting;
- (b) Members may only requisition such a meeting if they satisfy the relevant requirements set out in Rule 33 for requisitioning meetings, save that more than 10,000 Qualified Members (as defined in Rule 33.9) (of whom at least 16 must be Independent Society Members), who have been Qualified Members for more than three years, must sign such a requisition;
- (c) either the Board or the Members convening or requisitioning (as applicable) such meeting give to Members or other Members (as applicable) not less than two months' notice of the Society General Meeting needed to pass such Special Resolution;
- (d) notice of the meeting shall be posted in a prominent place at the Registered Office and displayed on the Society's website; and
- (e) the notice shall be accompanied by a separate statement setting out:
 - (i) the reasons for the proposal;
 - (ii) whether the proposal has the support of the Board;
 - (iii) whether the proposal has the support of the Council;
 - (iv) what alternative proposals have been considered, and whether they are viable;
 - (v) details of the number of shares in the Society held by members of the Board and, persons connected with them; and
 - (vi) a recommendation by reputable independent financial advisers that the Members should support the proposal rather than any alternative proposal,

being the **Conversion Proposal**.

122.6 Where the Conversion Proposal is contained in any other document whether sent or supplied in electronic form, information shall be provided in the notice specifying where Members can obtain a copy of the Conversion Proposal.

122.7 The Special Resolution must be passed in the way required by the Statutes as follows:

- (a) the resolution is passed at the first Society General Meeting by at least 75 per cent of the eligible members who vote;
- (b) at least 50 per cent of the eligible members must vote on the resolution at the first Society General Meeting; and
- (c) the resolution is confirmed at the subsequent Society General Meeting by over 50 per cent of the eligible members who vote.

122.8 For the purposes of:

- (a) subparagraphs (a) and (b) of Rule 122.7 above, the "eligible members" shall be all Members who are eligible to vote under Rule 38.1; and
- (b) subparagraph (c) of Rule 122.7 above, the "eligible members" shall be Members who are Council Members.

- 122.9 The eligible members entitled to vote on a Special Resolution referred to in Rule 122.3 shall not be entitled to vote by way of appointing a Voting Representative.
- 122.10 A Special Resolution under Rule 122.3 shall contain a requirement that, unless the Council agrees otherwise to the extent legally possible, the articles of association of the successor company shall contain provisions which entrench the Values and Principles so that they cannot be changed without the consent of a body such as Co-operatives UK, or such other body as the Council may specify. The Society shall to the extent possible, give effect to this provision in relation to any such amalgamation with or transfer of engagements to a company or conversion into a company.
- 122.11 (a) This Rule 122.11 shall only apply if the Society establishes a scheme for charitable assignment and nominates a charity in accordance with paragraph (b) below.
- (b) Each Member agrees to assign any rights to Conversion Benefits to which he, she or it may become entitled by virtue of holding shares in the Society (or within two years of ceasing to be a Member) to a charity nominated by the Council on behalf of the Society pursuant to any scheme for charitable assignment established by the Society for the time being at the discretion of the Board.
- (c) Each Member appoints each of the Directors and the President (acting individually) as his, her or its agent with authority to do all things and execute on his, her or its behalf in his, her or its name all documents as may be required to give effect to such agreement to assign. Any such agent shall not be liable to any person in performing this function.
- (d) The Society shall enter into an agreement with the nominated charity which will give the nominated charity legally enforceable rights against the Society (in the event that the Society amalgamates with or transfers its business to a company or converts into a company) if it fails to negotiate in any such transaction a provision to give effect to Members' agreement to assign (as set out in this Rule).
- (e) For this purpose, **Conversion Benefits** means any benefits under the terms of any amalgamation of the Society with or transfer of the Society's engagements to any company or conversion of the Society into a company or transfer pursuant to a liquidation or solvent winding-up of the Society under section 110 or 111 of the Insolvency Act 1986 other than any ownership rights in the successor company to a value not materially greater than the value of the Member's shares in the Society at the date of amalgamation, transfer or conversion.
- 122.12 (a) There shall be no changes to this Rule 122 except by an Extraordinary Resolution at a Society General Meeting and/or on a referendum under the Rules, together with prior written approval from the Council.
- (b) Subject to Rule 122.12(a), the provisions of Rule 118 shall apply to any changes to this Rule 122.
- 122.13 The provisions of this Rule 122 shall apply subject to the power of the Registration Authority to call a Society General Meeting under the Statutes.

123. Dissolution

The Society may be dissolved:

- (a) on its being wound up in accordance with the Statutes in pursuance of an order or resolution made as is directed in the legislation applicable to companies;

- (b) by an instrument of dissolution in the form prescribed by the Statutes; or
- (c) under paragraph 84 of Schedule B1 to the Insolvency Act 1986.

124. Distribution of surplus assets on winding-up or dissolution

124.1 The Society may be dissolved by winding up in the way required by the Statutes. If on the solvent dissolution or winding up of the Society there remain, after the satisfaction of all its debts and liabilities, amounts due and payable in respect of principal, accrued interest and arrears of interest on Member Certificates (in accordance with their terms and conditions), and the repayment of the paid-up share capital, any assets whatsoever, such assets shall be transferred to one or more societies which are:

- (a) registered as societies under the law;
- (b) in membership of Co-operatives UK;
- (c) have the same or similar rule provisions as regards surplus distribution on a dissolution or winding up as are contained in this Rule; and
- (d) chosen by the Members at a Society General Meeting and/or the Council.

124.2 Any assets not dealt with in this way shall be paid or transferred to Co-operatives UK to be used and applied in accordance with the Values and Principles.

ADMINISTRATIVE ARRANGEMENTS

125. Communications to the Group Secretary

125.1 Any document or information to be sent or supplied to the Society under the Rules, unless specifically stated, may be sent or supplied to the Society either:

- (a) in hard copy form, personally or by post, to the Group Secretary at the Registered Office;
or
- (b) in electronic form.

125.2 Where a document or information is to be sent or supplied to the Society by electronic means it will be sent to the electronic address from time to time specified by the Society for that purpose and must be sent in accordance with any requirements specified by the Society and with any procedures prescribed by the Society for verifying the authenticity or integrity of any such document or information.

125.3 A document or information that is sent to the Society otherwise than in hard copy form or electronic form is validly sent or supplied if it is sent or supplied in a form or manner that has been agreed by the Society.

126. Communications by the Society

126.1 Any document or information to be sent or supplied by the Society to a Member under the Rules may be sent or supplied to them either:

- (a) in hard copy form, personally or by post addressed to them at the postal address recorded in the Register of Members; or

- (b) in electronic form; or
- (c) by making it available on a website.

Deemed Delivery of Documents and Information

126.2 Where a document or information is sent or supplied:

- (a) by post, the document or information shall be deemed to have been received 48 hours after having been posted (regardless of the class of post by which such notice or document is sent);
- (b) personally, the document or information shall be deemed to have been received on the day it was so sent or supplied;
- (c) by electronic means, the document or information shall be deemed to have been received by the Member on the day on which the information was sent or supplied by or on behalf of the Society; or
- (d) by means of a website, the document or information shall be deemed to have been received when the material was first made available on the website or, if later, when the Member was deemed to have received notice of the fact that the material was available on the website.

126.3 Where a document is sent or supplied by electronic means, if the Society receives a delivery failure notification, the document or information shall be sent or supplied in hard copy to the Member either personally or by post or by otherwise delivering it, addressed to them at their registered address. This shall not affect when the document or information was deemed to be received by the Member.

Address for Communications in Electronic Form

126.4 Where a document or information is sent or supplied by electronic means to a Member it may only be sent or supplied to an address specified for the purpose by the Member.

Agreement To Communications In Electronic Form

126.5 The Society may only communicate in electronic form with a Member who has agreed (generally or specifically) that the document or information may be sent or supplied in that form (and has not revoked that agreement).

Agreement to use of Website

126.6 The Society may communicate with a Member by making a document or information available on a website where the Member has agreed (generally or specifically) that the document or information may be sent or supplied to him/her in that manner, or where the Member is taken to so have agreed where:

- (a) the Member has been asked individually by the Society to agree that the Society may send or supply documents or information generally, or the documents or information in question, to him/her by means of a website; and
- (b) the Society has not received a response within the period of 28 days beginning with the date on which the Society's request was sent.

Availability of Document or Information on Website

- 126.7 A document or information to be sent or supplied by means of a website must be made available in a form, and by a means, that the Society reasonably considers will enable the Member:
- (a) to read it; and
 - (b) to retain a copy of it.

Notification of Availability and Period of Availability on Website

- 126.8 Where a document or information is sent or supplied to a Member by means of a website:
- (a) the Member must be notified of (i) the presence of the notice, document or information on the website, (ii) the address of the website, (iii) the place on the website where it may be accessed; and (iv) how to access the document or information; and
 - (b) the document or information must be made available on the website for the period of 28 days beginning with the date on which the notification pursuant to subparagraph (a) of this Rule is sent to the Member, or for such other period as specified under the Statutes.

General

- 126.9 The Society shall not be obliged by the Rules to send a document or information to a Member where the Society has reason to believe that communications sent to him/her at his/her registered address are unlikely to be received by him/her but in the case of a notice of a Society General Meeting and in the case of a referendum pursuant to Rule 42 the Society shall, if it decides not to send the notice to him/her in accordance with those provisions, instead display in a prominent position at the Registered Office and on the Society's website a notice of the holding of the meeting or a notice of the holding of the referendum which must state:
- (a) where Members may obtain hard copies of the document or information; and
 - (b) where Members may obtain forms relating to voting by Voting Representative.

126.10 Where a Member has received a document or information from the Society otherwise than in hard copy form, the Member is entitled to require the Society to send him/her a version of the document or information in hard copy form free of charge. The Society must send the document or information in hard copy form within 21 days of receipt of the request from the Member.

126.11 This Rule 126 applies whether the Rules use the words "sent" or "supplied" or use other words which can be understood to refer to the sending or supplying of a document or information to a Member.

126.12 A document or information that is sent or supplied to a Member otherwise than in hard copy form or electronic form or by means of a website is validly sent or supplied in a form or manner that has been agreed by the Member.

Supporting Information / Recommendations

126.13 The Board and the Council shall each be entitled (but neither are obliged) to provide (acting jointly or independently) background information and/or to indicate their support (or otherwise) for any document or information sent or supplied by the Society to Members under the Rules provided that the provision of any such background information/support by the Board and/or the Council does not

delay the supply of the document or information, any such delay being determined by the Group Secretary in his/her absolute discretion.

127. Common Seal

- 127.1 The Society shall have its name engraved in legible characters on a Common Seal.
- 127.2 The Common Seal shall be kept in such place as the Board may from time to time determine, and shall be in the custody of such person as the Board may from time to time direct.
- 127.3 The Common Seal shall not be used without the authority of the Board or a committee of the Board authorised on their behalf and, when used or affixed to any document, such document shall be countersigned by such person as the Board may authorise for that purpose from time to time. All documents so sealed and countersigned shall be deemed to be validly executed by the Society.
- 127.4 In this Rule the word **countersigned** includes the use of a facsimile signature by whatever process reproduced. The use of such facsimile signature is only authorised in so far as it is permitted from time to time by law.
- 127.5 In this Rule reference to the Common Seal being affixed to any document includes the reproduction of the image of that seal on a document by any mechanical or electronic means which has been approved by the Board.

128. Register of Members

The Society shall keep at the Registered Office a register of members (the **Register of Members**) as required by the Statutes. Any Member wishing to inspect the register (or any part of it) shall provide the Society with at least 14 days' prior written notice to the Group Secretary.

129. Copies of the Rules

The Group Secretary will provide a copy of the Rules to any person who demands it, and may (where permitted by the Statutes) charge a reasonable sum (not exceeding the maximum allowed by the Statutes) for providing such a copy.

130. Indemnity to Directors and officers

- 130.1 Subject to the law, every member of the Board or other officer and every officer of every other member of the Group shall be indemnified out of the assets of the Society against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted, or in connection with any application in which the court grants them relief from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Society or the affairs of any other member of the Group.
- 130.2 In addition, the Society may, by resolution of the Board, provide indemnification to any member of the Board and any other of its officers and to any officers of any other member of the Group to the extent that it would be lawful for the Society so to provide were it a company limited by shares incorporated under the Companies Act 2006.
- 130.3 The Society may purchase and maintain insurance for the benefit of:
- (a) members of the Board, its other officers, and those of its employees as it may designate against a liability or some or all of the liabilities (as it shall determine) arising from any act

and/or omission on the part of any such member, officer or employee in relation to the affairs of the Society or the affairs of any other member of the Group;

- (b) members of the governing body of any other member of the Group, the other officers of that member of the Group and those of that member of the Group's employees as the Society may designate against a liability or some or all of the liabilities (as the Society shall determine) arising from any act and/or omission of any such member, officer or employee in relation to the affairs of that member of the Group or the affairs of any other member of the Group (including the Society);
- (c) members of the Board, members of the governing body of any other member of the Group, the other officers and/or officers of any other member of the Group and those employees of the Society and/or of any other member of the Group as the Society may designate against a liability or some or all of the liabilities (as the Society shall determine) arising from any act and/or omission on the part of any such member, officer or employee in relation to the affairs of any third party where the relationship of that member, officer or employee with that third party has previously been specifically approved by the Board or the CEO or the governing body of the other member of the Group in question; and
- (d) the Society by way of reimbursement of any sums paid by it under or relating to any indemnity provided by it under this Rule.

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

- (a) in defending any criminal, civil or regulatory proceedings; or
- (b) in connection with any application made or to be made by that member of the Board or officer to a court for relief from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Society,

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

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

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

- (a) insurance which the Society proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including any Director; or
- (b) the Society providing that member of the Board with (i) an indemnity permitted by law and the Rules, or (ii) funds in circumstances permitted by law and the Rules so as to meet expenditure incurred or to be incurred in connection with legal proceedings or (iii) the benefit of any other action permitted by law and the Rules to enable that member to avoid incurring any such expenditure,

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

131. Settlements of dispute on the Rules

Any dispute, between:

- (a) the Society or an officer on the one hand and a Member on the other hand; or
- (b) a society, undertaking or person which has for not more than six months ceased to be a Member on the one hand and the Society or an officer on the other hand,

as to the interpretation of or arising out of the Rules (other than an issue (i) to be determined by the Group Secretary and/or Council Secretary as provided by the Rules, or (ii) as to whether a Member ceases to be entitled to Membership under the Rules (which shall be determined in accordance with Rules 26 to 30), or (iii) relating to the Society's calculation or declaration of any dividend paid or to be paid other than to an Independent Society Member (which shall be determined in accordance with Rule 120)), shall (except as otherwise provided in the Rules) be referred, in default of agreement between the parties to the dispute, to a person appointed by Co-operatives UK, on application by any of the parties. The person so appointed shall act as sole arbitrator in accordance with the Arbitration Act 1996 and such person's decision shall (including any decision as to the costs of the arbitration) be final.

APPENDIX 1

INTERPRETATION

Annual Accounts has the meaning given to it in Rule 110.1;

Annual Board Evaluation has the meaning given to it in Rule 59.1;

Annual General Meeting held in accordance with Rule 32.1;

Annual Report means the annual report of the Society containing information required by the Statutes and the Rules;

Annual Return means a return relating to the Society's affairs for that year prepared in accordance with the Statutes;

Appendices means the appendices to the Rules which in accordance with Rule 10.1 form part of the Rules and are binding on the Society and the Members;

Area means an area of the United Kingdom, the geographical boundaries of which are decided by the Council;

Area Committee means the democratically elected committees as constituted under the previous Rules of the Society amended in November 2013;

Area Committee Regulations means the regulations that shall govern the roles, responsibilities and proceedings of Area Committees until Area Committees cease to operate at the Society's Annual General Meeting in May 2015;

Auditors means the auditors of the Society from time to time;

Board means the board of directors of the Society from time to time;

Board Code of Conduct has the meaning given to it in Rule 12.2(a);

Board Composition Charter means those Regulations pertaining to the size and composition of the Board in accordance with Rule 12.2;

Board Election Regulations means those Regulations pertaining to the election of a Director or otherwise in accordance with Rule 12.2;

Board Policies and Procedures Manual means those Regulations pertaining to the policies and procedures of the Board or otherwise in accordance with Rule 12.2;

business day means a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business;

CEO means the chief executive officer of the Society, also referred to as the Group Chief Executive, appointed to the Board pursuant to Rule 50.1 from time to time;

CFO means the chief financial officer of the Society from time to time;

Chair means the person chairing the relevant meeting in accordance with the relevant provision of the Rules;

Code of Conduct means the Board Code of Conduct or the Council Code of Conduct (as the case may be);

Common Seal means the common seal of the Society from time to time;

Conflict has the meaning given to it in Rule 73.1;

Conversion Benefits has the meaning given to in Rule 122.11;

Conversion Proposal has the meaning given to it in Rule 122.5;

Co-operative Movement means the national and international community of societies defined by their shared commitment to Values and Principles;

Co-operatives UK means the trade association for co-operatives in the United Kingdom, or its successor body as recognised by the International Co-operative Alliance from time to time;

Corporate Investor Shares means the corporate investor shares of £1 each in the capital of the Society;

Corporate Mutual means a body with limited liability (other than a society) established or run on a mutual basis and designated by the Board as such for the purposes of the Rules;

Corporate Representative means an individual entitled to represent an Independent Society Member in accordance with Rule 38.6;

Corporate Shares means the corporate shares of £5 each in the capital of the Society;

Council means the Council of the Society as more fully described in these Rules;

Council Annual Statement means the report of the Council referred to in Rule 80;

Council Policies and Procedures Manual means those Regulations pertaining to the policies and procedures of the Council or otherwise in accordance with Rule 12.4;

Council Code of Conduct has the meaning given to it in Rule 12.4(a);

Council Elections means the elections for Council Members held in accordance with the Council Election Regulations;

Council Election Regulations means the Council Regulations for the election of Council Members;

Council Eligibility Criteria means those criteria necessary for a person to become, and remain, a Council Member, including (but not limited to) competency criteria, as set out in the Council Election Regulations;

Council Member means an Individual Member, an Employee Member, an Independent Society Member representative or a Special Member elected to the Council in accordance with Rule 87;

Council Regulations means those regulations pertaining to the Council or otherwise in accordance with Rule 12.4;

Council Secretary means the secretary of the Council appointed by the Council and having the roles and responsibilities set out in the Rules;

Director means an Executive Director, an Independent Non-Executive Director or a Member Nominated Director appointed or elected to the Board in accordance with Rules 50 and 51;

Directors' Remuneration Report means the remuneration report in respect of the Executive Directors, the Independent Non-Executive Directors, the Member Nominated Directors and the Executive;

electronic address means any number or address used for the purposes of sending or receiving documents or information by electronic means;

electronic signature has the meaning given in the Electronic Communications Act 2000;

Eligibility Criteria means those criteria necessary for a person to become, and remain a Director as set out in the Board Composition Charter;

electronic form has the meaning given to it in the Statutes;

electronic means has the meaning given to it in the Statutes;

Employee means any person who is at the relevant time employed by the Society or any of its subsidiaries;

Employee Member means a Member who is an Employee;

Executive means the executive management team led by the CEO;

Executive Director means a director of the Society, who holds office as the CEO or other member of the Executive appointed to the Board in accordance with Rule 50;

Extraordinary Resolution means a resolution which may be passed by a majority of not less than 75 per cent of votes cast;

Financial Year means the financial year of the Society ending on the date decided in accordance with Rule 116;

Group means the Society and its subsidiaries;

Group Chair means the person appointed or elected as Group Chair and having the roles and responsibilities set out in the Rules;

Group Secretary means the secretary of the Board appointed by the Board and having the roles and responsibilities set out in the Rules;

Half Yearly Meeting means the meeting of the Society to be held in accordance with Rule 32.7;

hard copy form means a document or information in a paper copy or similar form capable of being read;

Independent Non-Executive Directors means a director of the Society who satisfies the relevant criteria set out in the Board Composition Charter;

Independent Society Member means any society, company or corporation which fulfils the criteria for Membership set out in the Rules;

Individual Member means any individual who fulfils the criteria for Membership set out in the Rules;

Individual Shares means the individual shares of £1 or 10p each in the capital of the Society;

Initial Transitional Directors has the meaning given to it in the Transitional Provisions;

Member means an Individual Member or an Independent Society Member;

Membership means the status of being admitted as a Member;

Member Certificates means a perpetual subordinated debt instrument (or any instrument substituting or replacing it) issued by the Society to an Individual Member on such terms and conditions as are determined by the Board in accordance with the Rules;

Member Investor Shares means the member investor shares with a nominal value or nominal amount as determined by the Board which the Board may issue in accordance with Rules 31.23 to 31.27 from time to time;

Member Nominated Directors means a director of the Society who is elected to the Board in accordance with Rule 51.1;

Member Nominated Director Election Regulations means those Regulations pertaining to the election of the Member Nominated Directors or otherwise in accordance with Rule 12.4;

Membership Criteria means those criteria necessary for a person to become, and remain a Director, pursuant to Rule 49.1 or a Council Member pursuant to Rule 86;

Membership Regulations means those Council Regulations pertaining to Membership, Membership Criteria or otherwise in accordance with Rule 12.4;

Nominations Committee means the committee of the Board established in accordance with Rule 45.1(c);

Non-Executive Directors' Fees Committee means the committee of the Council established in accordance with Rule 81.3;

Objects has the meaning given to it in Rule 6;

Operating Plan means the annual plan developed by the Executive (and approved by the Board) which sets out the targets, business objectives and related operating budget for the financial year in question in order to ensure that longer term strategic aims are met;

Ordinary Resolution means a resolution which may be passed by a simple majority of votes cast;

person means an individual or body corporate according to the context where used in the Rules;

postal address means any address used for the purposes of sending or receiving documents or information in hard copy form or (where not sent by electronic means) in electronic form;

Powers has the meaning given to it in Rule 7;

President means the president of the Council elected by the Council in accordance with Rule 96 from time to time;

Profits Available For Distribution means the profits and other distributable items determined by the Board for use in accordance with Rule 120;

Purchases Regulations means those Regulations agreed by the Board and the Council for the purposes of the Rules;

Purpose means the Society's purpose and the current expression of the Society's purpose referred to in Rule 5;

Qualified Member has the meaning given to it in Rule 33.9;

Qualifying Purchases means purchases which satisfy the conditions set out in the Purchases Regulations;

Redeemable Shares means the redeemable shares with a nominal value or nominal amount as determined by the Board which the Board may issue in accordance with Rules 31.28 to 31.30 from time to time;

registered address means the postal address or the electronic address for the Member recorded on the Register of Members;

Registered Office has the meaning given to it in Rule 2;

Register of Members has the meaning given in Rule 128;

Registration Authority means the Financial Conduct Authority, or its successor body from time to time;

Regulations means the regulations made by the Board and/or the Council in accordance with the Rules;

Relevant Situation has the meaning given to it in Rule 73.4;

Remuneration Committee means the committee of the Board established in accordance with Rule 45.1;

Representative Joint Shareholder means the joint Member named first in the Register of Members unless the joint holders have nominated by written notice to the Society another of their number to exercise rights as a Member;

resolution means a resolution of Members cast at a Society General Meeting or on a referendum;

Returning Officer means the role of returning officer performed by the Group Secretary or the Council Secretary (as relevant) referred to in Rule 76 and Rule 98.1 (respectively);

Risk and Audit Committee means the committee of the Board established in accordance with Rule 45.1;

Scrutiny Committee means the committee of the Council established in accordance with Rule 81.2;

Senate has the meaning given to it in Rules 99 to 105;

Senior Independent Director has the meaning given to it in Rule 67.1;

Significant Transactions has the meaning given to it in Rule 109.2;

Significant Transactions Regulations means those regulations pertaining to the determination of Significant Transactions in accordance with Rule 12.2;

Society means Co-operative Group Limited;

Society General Meeting means a meeting of the Members convened in accordance with the Rules;

Special General Meeting has the meaning given to it in Rule 33.1;

Special Member means one of the constituencies of Members who may sit on the Council in accordance with Rule 83.3;

Special Notice Procedure means the procedure referred to in Rule 111.1(c) as required by the Statutes;

Special Resolution means a resolution passed as a special resolution in the way required by the Statutes;

Statutes means the Co-operative and Community Benefit Societies Act 2014, or other Acts or statutory instruments or other statutory provisions from time to time in force (including any amendments or re-enactments of such Acts, statutory instruments or provisions) relating to, or which affect, registered societies (registered as co-operatives) or co-operative societies;

subsidiary has the meaning given to such expression in the Statutes;

Target Operating Model means the Group's future operating model which aims to deliver organisational change (including (without limitation) target capability, organisational design/structure, budget disciplines, ways of working and decision making accountabilities underpinned by cultural and behavioural change) as adopted from time to time;

Transitional Board means the board of directors of the Society in place until the new Directors have been appointed or elected and the Initial Transitional Directors cease to hold office in accordance with the Transitional Provisions;

Transitional Period has the meaning given to it in Rule 14;

Transitional Provisions means those transitional provisions set out in Appendix 3;

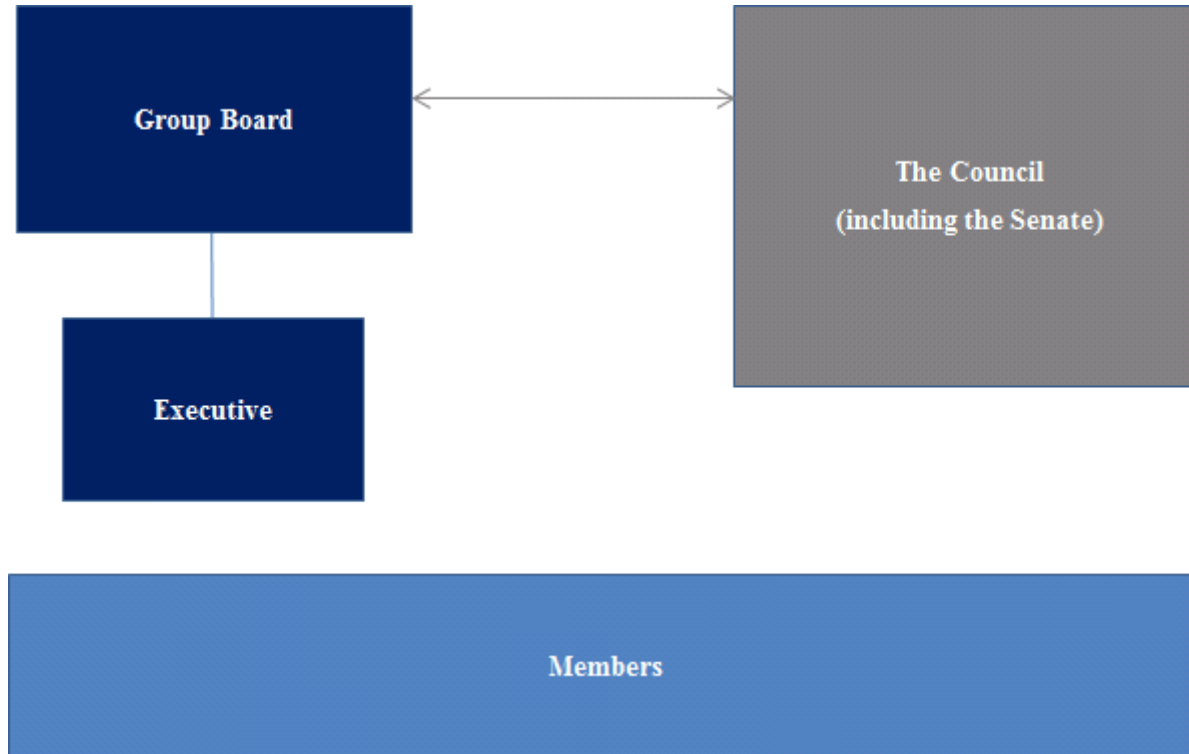
Values and Principles means the values and principles from time to time forming part of the International Co-operative Alliance's Statement on Co-operative Identity;

Voting Representative means a representative appointed to vote for a Member at a Society General Meeting as more fully described in the Rules (and for the purposes of the Statutes a Voting Representative shall be considered a proxy); and

Working Days means any day from Monday to Friday (inclusive) which is not Christmas Day, Good Friday or a statutory Bank Holiday.

APPENDIX 2

DIAGRAMMATIC REPRESENTATION OF THE GOVERNANCE STRUCTURE OF THE SOCIETY



APPENDIX 3

TRANSITIONAL PROVISIONS

1. SUSPENSION OF CERTAIN RULES

1.1 The Rules specified in Transitional Provision 1.2 are suspended for the Transitional Period.

1.2 The suspended Rules to which Transitional Provision 1.1 applies are as follows:

- (a) Rule 13 (Overview of governance structure);
- (b) Rule 34.5(a) (Notices for Society General Meetings);
- (c) Rule 45 (Committees);
- (d) Rules 47 (Composition of the Board) to 50 (Methods of appointment of Independent Non-Executive Directors and Executive Directors) (inclusive);
- (e) Rule 59 (Board evaluation);
- (f) Rule 67 (Appointment of Group Chair and Senior Independent Director);
- (g) Rule 80 (Council Annual Statement);
- (h) Rules 83 (Composition of the Council) to 87 (Methods of election of a Council Member) (inclusive);
- (i) Rule 96 (Appointment and removal of President);
- (j) Rules 100 (Composition of the Senate) to 102 (Senate member terms) (inclusive);
- (k) Rule 106 (Secretariat and administrative support); and
- (l) Rule 109 (Significant transactions),

such Rules being, the **Suspended Rules**.

Definitions

1.3 During the Transitional Period:

- (a) references in the Rules (other than in the Suspended Rules) to the:
 - (i) **Board** shall include a reference to the **Transitional Board**;
 - (ii) **Council** shall include a reference to the **Transitional Council**;
 - (iii) **Directors** shall include a reference to the **Transitional Directors**;
 - (iv) **Nominations Committee** shall include a reference to the **Transitional Search Committee**;
 - (v) **Senate** shall include a reference to the **Transitional Senate**;

- (b) **2014 HYM** means the Half Yearly Meeting of the Society which takes place in 2014;
- (c) **2015 Council Elections** has the meaning given to it in Transitional Provision 3.8(a);
- (d) **Initial Transitional Directors** has the meaning given to it in Transitional Provision 2.1(a);
- (e) **Old Rules** means the previous rules of the Society amended in November 2013; and
- (f) **Transitional Directors** means the (i) Initial Transitional Directors and (ii) the CEO of the Society and one independent professional non-executive director appointed as Transitional Directors pursuant to Transitional Provision 2.1(b).

2. TRANSITIONAL BOARD

2.1 The following provisions shall apply until such time as a new Board replaces the Transitional Board and in any event by no later than the expiry of the Transitional Period at which point Rules 47 to 50 (inclusive), 59 and 67 shall cease to be Suspended Rules, and shall have full force and effect:

- (a) The Transitional Board shall comprise at the commencement of the Transitional Period:
 - (i) the Directors who formed the Chair's Committee (as constituted under the Old Rules) immediately prior to the commencement of the Transitional Period with the exception of the Chair of the Values and Principles Board (as constituted under the Old Rules); and
 - (ii) the two additional Directors selected by and from the Group Board (as constituted under the Old Rules) and notified to the Group Secretary before the commencement of the Transitional Period,

(together, the **Initial Transitional Directors**).
- (b) In addition:
 - (i) the CEO of the Society at the commencement of the Transitional Period shall be appointed as a Transitional Director by the Transitional Board at the commencement of the Transitional Period; and
 - (ii) one independent professional non-executive director who is a member of a subsidiary board and shall be appointed as an additional Transitional Director following the commencement of the Transitional Period.
- (c) The Transitional Board shall remain in place in accordance with the Rules until such time as all of the Initial Transitional Directors are replaced by a new Board in accordance with Transitional Provision 2.3(c) below.
- (d) Following the appointment or election of new Directors, the Initial Transitional Directors on the Transitional Board will cease to hold office as Transitional Directors, each in accordance with Transitional Provision 2.3(c) below.

2.2 Terms and conditions of the Transitional Board

The Transitional Directors shall continue on the same terms and conditions as in their individual letters of appointment in place immediately prior to the commencement of the Transitional Period, without any entitlement to increased fees, special remuneration and/or payments by way of compensation for loss of office as a consequence of the Transitional Provisions or otherwise.

2.3 Transitional Board Committees

This Transitional Provision shall apply until (i) the Initial Transitional Directors have ceased to hold office and have been replaced by a new Board in accordance with Transitional Provision 2.3(c) below and (ii) in the case of the Nominations Committee, a President has been elected, at which point Rule 45 shall cease to be a Suspended Rule, and shall have full force and effect. Prior to Rule 45 having effect, the Transitional Board shall establish and maintain the following transitional committees:

- (a) a Transitional Risk and Audit Committee.
 - (i) Its membership shall comprise at least three members, including the Chair of the Group Audit and Risk Committee immediately prior to the commencement of the Transitional Period (who shall be the chair of this committee) and any other members chosen by and from the Transitional Board.
 - (ii) The Transitional Risk and Audit Committee's role is (i) to continue the role set for the Group Audit and Risk Committee under the Old Rules and (ii) the same as that of the Risk and Audit Committee under Rule 45.1(a)(ii), save that whilst this Transitional Provision applies, the Transitional Risk and Audit Committee should seek to limit its role to the extent possible.
- (b) a Transitional Remuneration Committee.
 - (i) Its membership shall comprise at least three members, including the Chair of the Group Remuneration and Appointments Committee immediately prior to commencement of the Transitional Period (who shall be the chair of this committee) and any other members chosen by and from the Transitional Board.
 - (ii) The Transitional Remuneration Committee's role is (i) to continue the role set for the remuneration function of the Group Remuneration and Appointments Committee under the Old Rules and (ii) the same as that of the Remuneration Committee under Rule 45.1(b)(ii), save that whilst this Transitional Board applies, the Transitional Remuneration Committee should seek to limit its role to the extent possible.
- (c) a Transitional Search Committee.
 - (i) Its membership shall comprise all of the members of the Transitional Board except for the CEO. The new Group Chair, the Senior Independent Director and the President shall be appointed to the Transitional Search Committee upon each of their respective appointments or election (as applicable) in accordance with these Transitional Provisions.
 - (ii) The Transitional Search Committee's role is, to the extent applicable, to continue the role set for the appointments function of the Group Remuneration and Appointments Committee under the Old Rules.
 - (iii) Without limiting Transitional Provision 2.3(c)(ii), the Transitional Search Committee shall (assisted by a professional search firm) identify a suitably qualified new Group Chair and five suitably qualified Independent Non-Executive Directors (one of whom may be the independent professional non-executive director appointed to the Transitional Board in accordance with Transitional Provision 2.1(b)(ii) above). Following consideration of the candidates shortlisted by the professional search firm, the Transitional Search Committee shall make recommendations to the

Transitional Board who shall appoint the Directors including the Group Chair and a Senior Independent Director. In exercising its powers to make recommendations to the Transitional Board in respect of the appointment of any Director, such recommendations must be unanimous. The Transitional Search Committee shall meet and start the search and appointment process as quickly as possible following the commencement of the Transitional Period. Subject to Transitional Provisions 2.4 (a) to (c) below, the Transitional Board (including any new Directors) shall determine when the Initial Transitional Directors on the Transitional Board will cease to hold office as Transitional Directors.

- (iv) Notwithstanding Transitional Provision 2.3(c)(iii) above, any remaining Initial Transitional Directors shall cease to hold office immediately following the appointment of a new Group Chair and five Independent Non-Executive Directors and the election of three Member Nominated Directors.

2.4 Continuing positions

- (a) The Group Chair immediately prior to the commencement of the Transitional Period shall be, and shall remain as, the Transitional Chair of the Transitional Board until she is replaced by a new Group Chair.
- (b) The Chair of the Group Remuneration and Appointments Committee immediately prior to the commencement of the Transitional Period shall be, and shall remain as, chair of the Transitional Remuneration Committee until he is replaced by a suitably qualified new Director as determined by the Transitional Board.
- (c) The Chair of the Group Audit and Risk Committee immediately prior to the commencement of the Transitional Period shall be, and shall remain as, chair of the Transitional Risk and Audit Committee until he is replaced by a suitably qualified new Director as determined by the Transitional Board.
- (d) The interim Chief Executive Officer of the Society immediately prior to the commencement of the Transitional Period shall be, and shall remain as, the interim Chief Executive Officer of the Society following the commencement of the Transitional Period.
- (e) The Group Secretary immediately prior to the commencement of the Transitional Period shall be, and shall remain as, the Group Secretary following the commencement of the Transitional Period.

3. TRANSITIONAL COUNCIL

3.1 The Transitional Council shall be established with effect from the commencement of the Transitional Period in accordance with Transitional Provisions 3.2 to 3.9 (inclusive) below and shall apply until the earlier of the completion of the 2015 Council Elections and the expiry of the Transitional Period, at which point Rules, 80, 83 to 87 (inclusive) and 106 shall cease to be Suspended Rules, and shall have full force and effect.

3.2 The Council shall comprise:

- (a) all members of the Regional Boards under the Old Rules (including the Regional Directors of the Group Board under the Old Rules) who are not Initial Transitional Directors on the Transitional Board;

- (b) the Corporate Directors under the Old Rules (or an alternative representative nominated by the relevant Independent Society Member) who are not Initial Transitional Directors on the Transitional Board;
- (c) the Chairs of the Regional Values and Principles Committees under the Old Rules who are not members of Regional Boards under the Old Rules; and
- (d) upon the Initial Transitional Directors ceasing to hold office on the Transitional Board in accordance with Transitional Provision 2.3(c), the former Initial Transitional Directors on the Transitional Board.

3.3 A member of the Transitional Board cannot be a Transitional Council Member or Council Member at the same time.

3.4 Following the commencement of the Transitional Period, Initial Transitional Directors becoming Transitional Council Members in accordance with Transitional Provision 3.2 above may at any time resign from such position by giving notice in writing to either the Group Secretary or the Council Secretary (once appointed).

3.5 Roles, powers and responsibilities

The Transitional Council shall have all of the roles, powers and responsibilities as apply to the Council set out in the Rules and during the Transitional Period shall assume all outstanding actions of the Values and Principles Board (as constituted under the Old Rules), but the Transitional Council shall be obliged to involve the Transitional Board in respect of matters that require Board approval.

3.6 Election of a President

The Transitional Council shall elect from its number a President by 31 December 2014 who shall hold such position unless either he/she (i) shall cease in the meantime to be a Council Member or (ii) shall resign or retire from his/her position. The President shall preside at all meetings of the Council at which he/she is present. At such time as the President is elected, Rule 96 shall cease to be a Suspended Rule and shall have full force and effect.

3.7 Appointment of a Council Secretary

Following the commencement of the Transitional Period the Transitional Council may appoint a Council Secretary for a term of office to be determined by the Transitional Council.

3.8 Council Elections

- (a) The Transitional Council shall organise elections for Council Members in accordance with Council Election Regulations before the expiry of the Transitional Period (the **2015 Council Elections**).
- (b) When determining the Council's size and composition post the 2015 Council Elections the Transitional Council shall carefully consider the need for reserved seats for representatives from Employee Members, Independent Society Members and Special Members (such as members of the Co-operative Young Members Board), and shall further have regard to the Suspended Rules which will come into force from the completion of the 2015 Council Elections, including (without limitation) Rules 83.2, 85 and 100.1.

3.9 Transitional Council budget

The Transitional Council shall be provided with a proportion of the existing Membership infrastructure to cover infrastructure costs, as determined by the Transitional Board. This infrastructure will initially consist of the resources allocated for this purpose on the first day of the Transitional Council's operation and will thereafter be subject to the Target Operating Model disciplines currently being determined for all Society support functions.

4. TRANSITIONAL SENATE

4.1 The Transitional Senate shall be established with effect from the commencement of the Transitional Period in accordance with Transitional Provisions 4.2 to 4.4 (inclusive) below and shall apply until the earlier of the completion of the 2015 Council Elections and the expiry of the Transitional Period, at which point Rules 100 to 102 (inclusive) shall cease to be Suspended Rules, and shall have full force and effect.

4.2 The Transitional Senate shall comprise:

- (a) members of the Group Board (as constituted under the Old Rules) immediately prior to the commencement of the Transitional Period that are not Initial Transitional Directors;
- (b) chairs of the Regional Boards (as constituted under the Old Rules) immediately prior to the commencement of the Transitional Period; and
- (c) upon the Initial Transitional Directors ceasing to hold office on the Transitional Board in accordance with Transitional Provision 2.3(c), the former Transitional Directors on the Transitional Board.

4.3 Following the commencement of the Transitional Period, any person becoming a Transitional member of the Senate in accordance with Transitional Provision 4.2(c) above may at any time resign from such position by giving notice in writing to either the Group Secretary or the Council Secretary (once appointed).

4.4 Senate elections

- (a) New Senate elections will be held at the first meeting of the Council following the completion of the 2015 Council Elections.
- (b) Rule 100.1 will come into force upon the completion of the 2015 Council Elections. For the avoidance of doubt, this Rule shall not apply to the Transitional Senate.

5. REGIONAL BOARDS AND COMMITTEES

5.1 The Regional Boards and Regional Values and Principles Committees (as constituted under the Old Rules) immediately prior to the commencement of the Transitional Period may continue to meet prior to (but not including) 31 December 2014 at which point they will cease to exist in their current form.

5.2 Prior to (but not including) 31 December 2014, the Regional Boards and Regional Values and Principles Committees (as constituted under the Old Rules) may continue to manage outstanding actions and ensure that these are passed to the Transitional Council.

5.3 Upon the commencement of the Transitional Period, the Regional Boards and Regional Values and Principles Committees will cease to have any of the powers given to them under the Old Rules or regulations. Any outstanding matter that requires urgent action from or by a Regional Board or Regional Values and Principles Committee must be referred by such board to the Transitional

Council who may delegate powers, duties, discretions or authorities to relevant members of the Transitional Council (including, but not limited to, former members of the relevant Regional Board).

6. REGULATIONS

The Transitional Board and the Transitional Council shall use all reasonable endeavours to finalise the Board Regulations and the Council Regulations under Rules 12.2 and 12.4 by 31 March 2015 (or earlier, if mentioned in this Appendix). At such time as the Significant Transaction Regulations are adopted in accordance with this Transitional Provision and Rule 12.4, Rule 109 shall cease to be a Suspended Rule, and shall have full force and effect.

7. 2014 HYM

7.1 The following provisions shall apply up to and including the 2014 HYM, following which Rule 34.5(a) shall cease to be a Suspended Rule, and shall have full force and effect.

7.2 For the purposes of the 2014 HYM and subject to Transitional Provision 7.3 below, only Members who are shown in the Register of Members with sufficient details to allow the Society to provide notice to such persons, as at 1 October 2014 (the **2014 HYM Notice Cut-Off Date**) and of whom the Society is aware on the 2014 HYM Notice Cut-Off Date are eligible to attend and vote at the 2014 HYM shall be sent notice.

7.3 Prior to the HYM Cut-Off Date, the Society shall provide the opportunity for Members, either by use of its website or otherwise, to provide sufficient details to the Society both of their eligibility to attend and vote at the 2014 HYM and of their electronic addresses (together with any necessary consents for the Society to be able to send such Members notice, electronic or otherwise) in order for the Society to send such Members notice of the 2014 HYM.

8. RULE AMENDMENTS FOLLOWING THE COMMENCEMENT OF THE TRANSITIONAL PERIOD

Following the commencement of the Transitional Period, the Transitional Board and the Transitional Council shall review the Rules and shall agree a motion for a resolution at the 2014 HYM and/or the Annual General Meeting of the Society which takes place in May 2015 to amend or replace any Rule to address any ambiguity, lack of clarity, unforeseen effects or other unintended consequences contained in the Rules (including (without limitation) these Transitional Provisions).