

CO-OPERATIVE GROUP LIMITED

SCRUTINY COMMITTEE

Terms of Reference

(as approved by the Transitional Council of Co-operative Group Limited
on 1 November 2014)

1. SCOPE

This document sets out the Terms of Reference of the Scrutiny Committee (“Committee”) of Co-operative Group Limited (“Group”). The Committee is a committee of the Transitional Council of the Group (the “Council”).

2. INTERPRETATION

Capitalised terms used but not defined in these Terms of Reference shall have the meaning given to them in the Group’s Rules dated September 2014 (the “Rules”).

3. RESPONSIBILITIES

The responsibilities of the Committee are as follows:

3.1 Verification of the screening process for the Group Chair and Independent Non-Executive Directors

In respect of the nomination and appointment process for the Group Chair and Independent Non-Executive Directors, to review the adequacy of background checks and due diligence carried out on potential candidates prior to their appointment.

3.2 Oversee the screening process for Member Nominated Directors

To oversee the background checks and due diligence carried out on Member Nominated Director candidates prior to the competitive election process conducted in accordance with the Member Nominated Director Election Regulations, in addition to any specific responsibilities delegated to the Committee by the Council under paragraph 3.4 below.

3.3 Ensure decisions made by the Transitional Search Committee are fair and objective

- (a) To scrutinise the decisions made by the Transitional Search Committee in respect of Group Chair and Independent Non-Executive Director candidates by reference to the Eligibility Criteria set out in the Board Composition

Charter and/or any role specifications and to report to the Council on the fairness, transparency and objectivity of the process.

- (b) To scrutinise the decisions made by the Transitional Search Committee in respect of the eligibility of Member Nominated Director candidates to stand for election in accordance with the Member Nominated Director Election Regulations and the Eligibility Criteria set out in the Board Composition Charter.

3.4 Other

The Council may ask the Committee to undertake specific work, including (without limitation):

- (a) Following the nomination of Member Nominated Director candidates by Members, to assist the Council in identifying a shortlist of suitable candidates who would stand for election by Members in the competitive election process; and
- (b) To provide background information and assist the Council in determining whether to indicate their support (or otherwise) for the election of Independent Non-Executive Directors and/or Member Nominated Directors by Members in accordance with Rule 126.13.

4. MEMBERSHIP

- (a) Members of the Committee shall be appointed by the Council in accordance with the Group's Rules.
- (b) The Committee shall initially comprise no more than five members chosen by and from the Council, of whom no more than four shall be Individual Member representatives and no more than one shall be an Independent Society Member representative.
- (c) The members of the Committee shall elect the Chair of the Committee from amongst the Committee members. In the absence of the Chair, the members present at any meeting of the Committee shall elect one of their number to chair the meeting.
- (d) Following the election of a Vice President of the Council, the Council may appoint the Vice President to the Committee.
- (e) The Council Secretary or his or her nominee shall be the secretary of the Committee.
- (f) Each member of the Committee shall disclose to the Committee:
 - any personal relationship, connection, association or financial interest (other than as a Member) with or in any matter to be scrutinised or decided by the Committee; or

- any potential conflict of interest otherwise arising from a cross-directorship or other matter.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Council) shall resign from the Committee. If appropriate, any member so conflicted shall withdraw from the Committee for the time being. In such case, the Committee may appoint a suitably qualified alternate Council Member in their place on a short term basis.

5. MEETINGS

- (a) The Committee shall meet at such times as the Chair of the Committee shall require or at the express request of the Transitional Search Committee.
- (b) The quorum for meetings of the Committee shall be three members present throughout the meeting in person or by telephone. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- (c) Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chair of the Committee.
- (d) Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be provided to each member of the Committee no later than seven clear days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Committee to all members of it and to arrange such meetings so that members are able to attend them.
- (e) A member of the Committee may participate in a committee meeting by telephone.
- (f) The Committee may also invite such other attendees as it deems necessary or appropriate to enable it to discharge its responsibilities as set out in the Terms of Reference. In practice, it is expected that the following shall attend meetings of the Committee as required and at the invitation of the Committee, namely:
 - The Group Chair;
 - The Group Secretary; and
 - Members of the Transitional Search Committee.
- (g) The secretary of the Committee shall prepare minutes of any meeting of the Committee, including the names of those present and in attendance, and,

after approval and signature by the chair of the Committee, shall circulate the minutes to all members of the Committee.

6. **VOTING**

In the event of an equality of votes, the chair of any meeting of the Committee shall have a casting vote. Where the chair of the Committee uses his/her casting vote, this should be disclosed in the minutes of that meeting and the chair's report to the Council.

7. **GOVERNANCE AND RESOURCING**

- (a) The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Group Secretariat department for assistance as required.
- (b) The Committee is authorised by the Council to employ the services of such advisors as it deems necessary to fulfil its responsibilities, but within the supporting infrastructure budget allocated to the Council in accordance with Rule 106.5(a).
- (c) These Terms of Reference (as amended, if appropriate), shall be made public and a copy of the current version of these Terms of Reference shall be published on the Group's external website.

8. **ACCESS TO INFORMATION**

- (a) The Committee is authorised to seek any information it requires from any officer, employee, contractor or advisor of the Group in order to fulfil its duties.
- (b) In particular:
 - The Committee shall have access to due diligence and background information provided to the Transitional Search Committee by its advisors and/or independent advice and information; and
 - The Committee is authorised to commission any additional background checks or due diligence which the Committee deems necessary to enable it to fulfil its responsibilities providing that this falls within the supporting infrastructure budget allocated to the Council in accordance with Rule 106.5(a).

9. **CONFIDENTIALITY**

- (a) Confidential information will be provided to the Committee as a matter of course. Such information will often be in advance of information being made available to either the Board, the Council, Members as a whole or the wider public and can include information not made public at any stage for employment or other reasons. It is in the interests of the Group that appropriate confidentiality is maintained and that the communications are carefully controlled to manage external public relations and to take

cognisance of employee and trade union consultation, some of which will include statutory requirements.

- (b) Committee members must treat as confidential any information communicated to them by the Transitional Search Committee or any other officer, employee, contractor or advisor of the Group.
- (c) Third parties to whom confidential matters must not be disclosed include, but are certainly not limited to, customers, members of the Council (save in accordance with the formal reporting provisions in paragraph 11 below), members of other sub-national structures (including Regional Boards and Area Committees), employees of the Society and its subsidiaries, competitors, the media and the general public.
- (d) The Group Secretary can provide guidance to Committee members on issues of disclosure.

10. REPORTING

Subject to paragraph 10:

- (a) The Committee will report to and be accountable for its activities to the Council. The Chair of the Committee will normally report on the Committee's activities at the meetings of the Council and the Transitional Search Committee immediately following its meeting.
- (b) Minutes of all Committee meetings shall be circulated to the Council and the Transitional Search Committee, unless it would be inappropriate to do so as determined by the Committee having regard to confidential information and guidance provided by the Group Secretary.
- (c) The Chair of the Committee shall report on Committee business and highlight issues together with any related recommendations to the Council and the Transitional Search Committee.
- (d) The Committee will provide details of its activities to be included in the Group's Annual Report and Accounts and the Council Annual Statement.

11. REVIEW

These terms of reference will be subject to ongoing review and will be subject to formal review at the expiry of the Transitional Period and on an annual basis subsequently.