

CO-OPERATIVE GROUP LIMITED
MEMBER NOMINATED DIRECTOR ELECTION REGULATIONS
(the MND Election Regulations)

Approved by the Council on 7 April 2018 and the Board on 4 April 2018

1. INTRODUCTION

- 1.1 These MND Election Regulations, together with the Appendices, are the regulations approved by the Board and the Council of Co-operative Group Limited (the **Society**) in accordance with Rule 12.4(b) of the Society's Rules (the **Rules**).
- 1.2 The MND Election Regulations set out the procedure for nominating and electing Member Nominated Directors (**MNDs**) to the Board. In accordance with Rule 51.1, MND elections shall be held annually in time to fill vacancies arising on retirement unless the Council and the Board otherwise agree.
- 1.3 The MND Election Regulations should be read in conjunction with the following:
- (a) the Rules;
 - (b) the Board Composition Charter;
 - (c) the Membership Regulations;
 - (d) the Purchases Regulations;
 - (e) the Board Code of Conduct;
 - (f) any election guidance or other information provided to Members or published by the Society in advance of the MND election process, and
 - (g) MND Joint Candidate Selection & Approval Committee (MNDJC) terms of reference
- 1.4 The Rules require the following information to be included in the MND Election Regulations:
- (a) procedures for making nominations;
 - (b) the shortlisting of candidates by the Council; and
 - (c) the procedures for and conduct of elections, including the regulation of canvassing, the issuing and returning of voting papers and the counting of votes.
- 1.5 Voting in MND elections will ordinarily be conducted by ballot in advance of the Society's Annual General Meeting. Appendix 1 sets out a diagrammatic representation of the MND nominations and election process conducted by ballot for illustrative purposes only.

2. INTERPRETATION

- 2.1 In addition to terms outlined elsewhere in these MND Election Regulations, the words and expressions used throughout the document shall have the meaning given to them in the Rules.
- 2.2 Where there is any conflict or inconsistency between the MND Election Regulations and the Rules, the Rules shall take precedence.

3. ELIGIBILITY REQUIREMENTS

- 3.1 Eligibility requirements for MNDs are set out in the Rules, the Board Composition Charter, the Membership Regulations and these MND Election Regulations.
- 3.2 In order to stand for election or re-election MND candidates must:
 - (a) satisfy the Eligibility Criteria set out in the Board Composition Charter, including (without limitation) the requirement that all Directors are expected to demonstrate the high levels of skill, experience and commercial awareness commensurate with the needs of a business of the scale and complexity of the Group;
 - (b) demonstrate a strong commitment to Values and Principles¹; and
 - (c) satisfy the Membership Criteria set out in the Membership Regulations.
- 3.3 In accordance with the Board Composition Charter, no person shall be eligible to be elected to the Board if they have been previously removed from the Group Board, the Council, a Regional Board, an Area Committee or any other part of the Group for a breach of a code of conduct or otherwise, unless a resolution of the Board is passed with a two thirds majority permitting them to stand. In addition, no person shall be eligible to stand for an election or continue in office if a material conflict of interest is identified. An example of a material conflict of interest could be where an individual is employed by a significant competitor of the Group. The Board will deal with any conflicts of interest in accordance with Rule 73 and the Board Code of Conduct.

4. BOARD COMPOSITION

In accordance with Rule 47 there shall be up to four MNDs.

5. NOMINATIONS

- 5.1 Individual Members may nominate themselves by completing a self-nomination form and returning it to the Group Secretary in the timeframe specified by the MNDJC.
- 5.2 The Group Secretary will be responsible for approving the design of the self-nomination form and associated materials. Amongst other things, candidates will be asked to provide a written election address of a maximum number of words determined by the Group Secretary. Candidates will be encouraged to include reference in their address to the qualifications and/or experience they possess that are relevant to the Eligibility Criteria and the Membership Criteria (both as defined in the Rules).
- 5.3 In addition to the information supplied by candidates, the Board and the Council are entitled (but neither is obliged) to supplement the statements for incumbent MNDs seeking re-

¹ More information on the Society's Values and Principles can be accessed online at www.co-operative.coop/corporate/aboutus/The-Co-operative-Group-Values-and-Principles. Guidance on "commitment to Values and Principles" will be provided as part of any election guidance or other information provided to Members or published by the Society in advance of the MND election process.

election with further background information in relation to the incumbent MND and/or to indicate their support (or otherwise) for their re-election.

- 5.4 Candidates' self-nomination forms and associated materials shall be made available to the MNDJC.

6. SHORTLISTING PROCESSES

- 6.1 The Council has delegated its authority with regards the shortlisting of candidates, under Rule 51.1 to the MNDJC

- 6.2 Following the closing date for self-nominations, the MNDJC working with a professional search organisation shall review the self-nomination forms and associated materials and establish a short list.

- 6.3 The MNDJC is responsible for verifying that shortlisted candidates meet the Membership Criteria and Eligibility Criteria.

- 6.4 The MNDJC shall select the shortlist of MND candidates based on objective and meritocratic criteria. In particular, the MNDJC shall have regard to:

- (a) the provisions of the Board Composition Charter;
- (b) commitment to Values and Principles;
- (c) any role or person specifications provided by the Board; and
- (d) any Board diversity policy.

- 6.5 Within the timeframe agreed by the MNDJC the shortlisted candidates shall be required to comply with the requirements and procedures of the MNDJC as determined appropriate from time to time by the MNDJC (including but not limited to a Mutual Due Diligence Day for the shortlisted candidates to meet the MNDJC). No Director who is standing for election or re-election as an MND can participate in any discussions with the MNDJC relating to his or her eligibility or election/ re-election to the Board or the eligibility or election/ re-election of other MND candidates standing in the same MND election.

- 6.6 The decisions of the MNDJC referred to in this paragraph 6 (in the absence of manifest error) shall be final. In exercising its discretion, the MNDJC shall act in the best interests of the Society and its Members as a whole (rather than particular constituencies of Members). Where a candidate can demonstrate to the satisfaction of the Council Secretary that there has been a manifest error on the part of the MNDJC and/or the professional search organisation, the Council Secretary, in consultation with the Group Secretary, will take appropriate steps to ensure that the relevant decisions are reviewed by the MNDJC.

7. INTERNAL SCREENING PROCESS

In addition to the eligibility requirements in paragraph 3 above, all candidates shortlisted by the MNDJC in accordance with paragraph 6 above will be required to undertake a screening process similar to the Group's employee policy for senior colleagues. This process will be carried out by Group Human Resources and may include (but is not limited to), the following:

- (a) proof of name and address;

- (b) legal right to work in the United Kingdom;
- (c) credit record check;
- (d) references (going back five years) and a statement covering any gaps (references may include all periods of employment, education, unemployment (this includes making a claim for benefit), self-employment and any professional qualifications or memberships);
- (e) CIFAS Staff Fraud Database;
- (f) Risk Intelligence Database;
- (g) Disclosure and Barring Service - standard check (a standard level certificate contains details of all spent and unspent convictions, cautions, reprimands and final warnings from the Police National Computer which have not been filtered in line with legislation); and
- (h) media check.

The results of the pre-screening check carried out by Group Human Resources will be considered by the MNDJC, who will have the ability, in an appropriate case, to decide that a candidate may not proceed in the MND election process. In exercising their judgement, the MNDJC shall apply the same standards that are applied to pre-screening checks carried out on Independent Non-Executive Directors and shall act in the best interests of the Society and its Members as a whole (rather than particular constituencies of Members).

8. STANDING FOR ELECTION AS BOTH A MND AND AS A COUNCIL MEMBER

In accordance with Rule 86, a Board director cannot be both a Board member and a Council Member at the same time. However, provided that the MND and Council election processes are conducted in parallel, Individual Members may stand for election as a MND and as a Council Member concurrently. In these circumstances, following the deadline for returning ballot forms, votes cast in MND elections will be counted first, after which any person elected as a MND who also stood in the Council election will be deemed to have withdrawn from the Council election.

9. CANVASSING

The Canvassing Code of Practice set out in Appendix 2 shall apply to all candidates standing for election or re-election as a MND.

10. ENTITLEMENT TO VOTE IN MND ELECTIONS

- 10.1 Individual Members and Independent Society Members are entitled to vote in MND elections if he, she (or in the case of an Independent Society Member, it):
- (a) is a Member on the date of the notice of the relevant Society General Meeting (i.e. the date of the Board meeting to approve the notice, not the date that notice is sent or that of the Society General Meeting itself)²;

² The relevant Society General Meeting will be the Meeting to be held at or around the same time as the MND election and will usually be the Society's Annual General Meeting.

- (b) is shown in the records of the Society to have made the minimum level of Qualifying Purchases set out in Part 1 of the Purchases Regulations; and
 - (c) being an individual, he/she is at least 16 years of age on the date of the relevant meeting.¹
- 10.2 Unless the Board and the Council agree otherwise, the MND nomination and election process will be conducted in parallel with the Society's Annual General Meeting timeline. In these circumstances, the eligibility to vote in the MND election shall be the same as the eligibility to vote at the Annual General Meeting.
- 10.3 Ballot forms shall be supplied to Members who are eligible to vote and attend the Annual General Meeting. Ballot forms will be made available to eligible Members in the form and manner that has been agreed by Members in accordance with Rule 126. Where a Member has supplied an address enabling the Society to communicate with the Member by electronic means in accordance with the Rules, the Society may use such address for the purposes of the ballot and may make provision for the ballot form to be completed by website or any other electronic means provided that the form and manner of communication has been agreed by Members in accordance with Rule 126. Otherwise, ballot forms shall be sent to eligible Members in the post.
- 10.4 These MND Election Regulations and any election guidance or other relevant information will be published online in advance of the MND election process. Where a Member has received a ballot form or other information relating to the MND elections otherwise than in hard copy form, the Member is entitled to require the Society to send him, her (or in the case of an Independent Society Member, it) the document or information in hard copy form free of charge.
- 10.5 In accordance with Rule 51.2, Independent Society Members shall not be entitled to weighted votes based on Qualifying Purchases when casting votes in MND elections.
- 11. METHOD OF ELECTION**
- 11.1 The MNDJC shall determine which of the shortlisted candidates are entered onto the ballot form to stand for election or re-election as an MND at the following AGM
- 11.2 Voting in MND elections will ordinarily be conducted by ballot in advance of the Society's Annual General Meeting. The election itself will be managed on the Society's behalf by a recognised independent scrutineer appointed by the Group Secretary (a Scrutineer).
- 11.3 If a MND election is uncontested (i.e. the number of candidates standing is the same as the number of vacancies to be filled), each Member entitled to vote in the election shall have one vote in respect of every candidate, but is not required to cast all or any of his / her (or in the case of an Independent Society Member, its) votes. Each vote shall be capable of being cast either for or against the candidate concerned. A candidate shall be elected if more votes are cast for him or her than against him or her.
- 11.4 If a MND election is contested (i.e. the number of candidates standing is greater than the number of vacancies to be filled) the election will be conducted using the single transferable vote method. For the avoidance of doubt, only one ballot shall be conducted.
- 11.5 Rules 34.7 to 34.9 shall apply to the sending of a notice of ballot as they apply to the sending of a notice of a Society General Meeting. The notice of ballot and any other accompanying documents shall be sent (or otherwise made available) not less than 21

days (or such other period as determined by the Group Secretary) before the date which the Society specifies for the receipt of the completed ballot forms.

- 11.6 The accidental omission to give a notice of a ballot or to send a ballot form or any accompanying document to any Member entitled to receive it shall not invalidate the ballot.
- 11.7 The Group Secretary shall be responsible for approving the design and contents of the ballot form. Amongst other things, ballot forms will provide voting instructions and inform Members where election guidance or other information can be located online. The order in which candidates' names will appear on the ballot form will be randomised in the manner the Group Secretary determines.
- 11.8 As Returning Officer, the Group Secretary shall have authority to decide all questions that might arise relating to an election and shall specify a time and place at which the votes shall be counted.
- 11.9 The decision of an election shall come into effect as from the time at which the counting of votes is completed and declared by the Group Secretary (or any person nominated by them). The result of the election shall be announced in such manner and at such time as determined by the Group Secretary.
- 11.10 If on an election any votes are counted that ought not to have been counted or 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 Group Secretary of sufficient magnitude to do so.
- 11.11 Candidates may withdraw themselves from the election at any time up until the time when their name is entered on the ballot paper which for the avoidance of doubt shall be when the MNDJC makes its decision under paragraph 11.1. If a candidate is withdrawn from a ballot, any order of preference indicated on the ballot forms will be appropriately adjusted by the Group Secretary.
- 11.12 Save in the case of an uncontested MND election, the requisite number of candidates who receive the highest number of votes shall be elected to fill vacancies. If two or more candidates receive the same number of votes for a particular seat, the candidate or candidates to be elected shall be decided by the drawing of lots by the Group Secretary.

12. REGULATORY REQUIREMENTS AND APPOINTMENT TO THE BOARD

- 12.1 Subject to the paragraph 12.2 below, successful candidates will take office as Directors at the time specified by the Group Secretary when announcing the result of the election in accordance with paragraph 11 above. Ordinarily, the time specified by the Group Secretary will be the conclusion of the relevant Annual General Meeting.
- 12.2 Successful MND candidates must have obtained the necessary regulatory requirements or approvals prior to their appointment as Directors. Due to the length of time it can take to obtain regulatory approvals, successful candidates are entitled to attend Board meetings as observers prior to their appointment. In the event that a regulatory approval is not subsequently given, the candidate would not be able to take up office and their seat would be treated as a casual vacancy.
- 12.3 The Group Secretary will be responsible for monitoring regulatory requirements from time to time.

13. TERM OF OFFICE

- 13.1 Subject to paragraph 13.2, each MND will ordinarily serve terms of two years, unless they are filling a casual vacancy in accordance with paragraph 14 below. Each MND may serve a maximum of three terms. To ensure that MNDs retire by rotation, the three MNDs elected in 2015 were elected for different terms. Two of the MNDs were elected for two years and one MND was elected for one year. The MND who was elected for one year was able to stand for re-election in 2016 and (if re-elected) was eligible to serve a further three terms of two years.
- 13.2 The terms of office, maximum aggregate term of office and rotation provisions for MNDs set out in Rule 54, as amended from time to time, shall (without prejudice to the term of office of any MND elected prior to 1 January 2018) supersede paragraph 13.1. .

14. CASUAL VACANCIES

- 14.1 If a MND who has won a contested election ceases to be a Director within three months of the date specified by the Group Secretary when announcing the result of the election in accordance with paragraph 11 above, their seat (and, subject to paragraph 14.2 below, the remainder of their term) will be allocated to the first runner up in the most recent MND elections provided they are willing to fill the vacancy.
- 14.2 If a successful candidate in the most recent MND elections received a shorter term of office than the remaining term of the MND who ceases to be a Director, the successful candidate will be allocated the longer term of office and the first runner up will be allocated the shorter term.
- 14.3 Subject to paragraph 14.1 above, if a vacancy arises for any reason other than the expiry of a term of office an election to fill the vacancy for the remainder of that term shall be carried out as part of the annual MND election process unless the Board decides otherwise.

15. ROLE OF THE GROUP SECRETARY

- 15.1 In accordance with Rule 76(a)(v) the Group Secretary shall act as Returning Officer at, and is responsible for the conduct of, MND elections. The Returning Officer may delegate some or all of their duties, authorities or discretions to a Scrutineer.
- 15.2 The Group Secretary's decision on procedural matters not covered by the Rules or these MND Election Regulations, or on any disputes as to the interpretation of or arising out of these Regulations, shall be final.

16. ROLE OF THE SCRUTINY COMMITTEE

In accordance with Rule 81.2 and its terms of reference, the responsibilities of the Scrutiny Committee in respect of MND elections are as follows:

- (a) to oversee the background checks and due diligence carried out on MND candidates prior to the MND elections;
- (b) to scrutinise the decisions made by the MNDJC in respect of the eligibility of MND candidates to stand for election in accordance with the Eligibility Criteria and Membership Criteria; and

- (c) to undertake any specific responsibilities delegated to the Committee by the Council from time to time.

17. BOARD EDUCATION AND TRAINING

- 17.1 At the point of nomination each MND candidate must agree to undertake training during his or her first term of office and otherwise as deemed appropriate by the Group Secretary (in consultation with the MNDJC) if elected. This training will include information on the roles and responsibilities of being a Director of a co-operative society.
- 17.2 Newly elected MNDs 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 MND's existing knowledge, experience and needs, as determined by the Group Secretary, the Group Chair and the new MND 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.

18. BOARD CODE OF CONDUCT

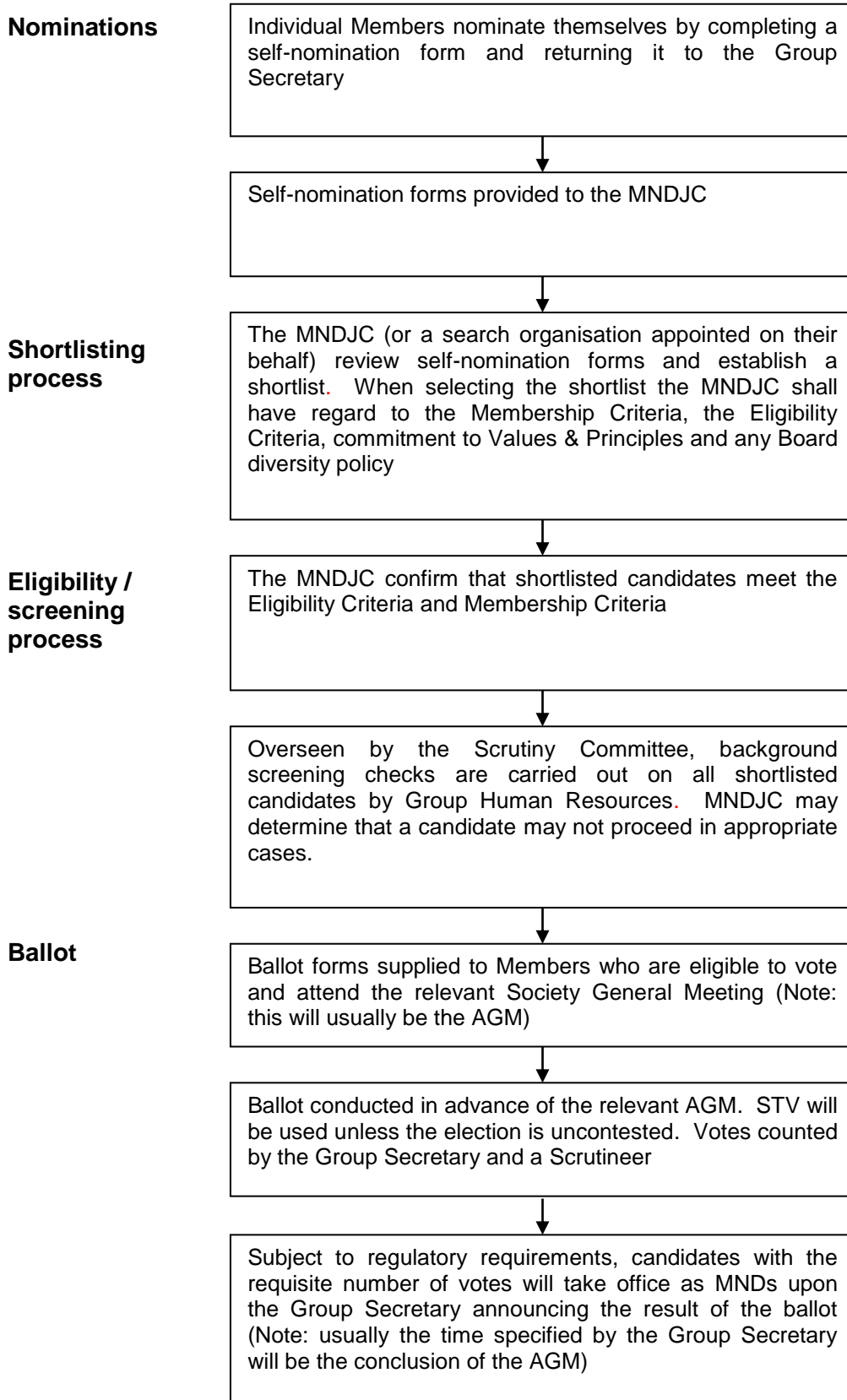
At the time of nomination, MND candidates must agree to abide by the Board Code of Conduct (the **Code**). As part of this they will be required to sign a declaration stating that they have received and read the Code, have understood the duties and responsibilities required and expected of Directors and agree to comply with the Code at all times.

19. CHANGES

- 19.1 In accordance with Rule 12.5, the Council Secretary shall evaluate the adequacy of the MND Election Regulations from time to time and shall be responsible for updating them.
- 19.2 No changes should be made to the MND Election Regulations that would make them inconsistent with the Rules, the Statutes or any guidance published by the Registration Authority.
- 19.3 Subject to paragraph 19.2 above, any changes to the MND Election Regulations must be agreed by the Board and the Council.

APPENDIX 1

DIAGRAMMATIC REPRESENTATION OF THE MND NOMINATION AND ELECTION PROCESS



APPENDIX 2

CANVASSING CODE OF PRACTICE

This Code applies to the election of Member Nominated Directors (**MNDs**).

1. In the conduct of MND elections and the interpretation of this Code of Practice, the Group Secretary shall be the Returning Officer for MND elections, whose decision shall be final.
2. In accordance with the Member Nominated Director Election Regulations, each candidate will be asked to submit a written election address with their nomination form. The format and word count will be determined by the relevant Returning Officer, in consultation with the MNDJC. An option to submit a video address with a maximum time limit determined by the Returning Officer, in consultation with the MNDJC may also be accommodated. The written and verbal statements should not include any personal contact details or any form of invitation for Members to make contact with the candidate. The facility to engage with Members (e.g. through an online hustling or Q&A forum) will be determined by the Returning Officer, in consultation with the MNDJC.
3. The Returning Officer will arrange for candidates' election addresses and, where applicable, videos, along with a current photograph, to be contained within a publication and/or online, which will contain details of all candidates who have met the Eligibility Criteria and the Membership Criteria.
4. Candidates' details will be made available to eligible Members within the voting constituency (this being eligible Members in the entire UK in respect of the election of Member Nominated Directors).
5. The election of MNDs will be conducted in accordance with the Member Nominated Director Election Regulations.
6. In accordance with Rule 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.
7. Candidates may canvass their personal contacts for support either in person, by post, telephone, email or using social media with the following important exceptions:
 - (a) No canvassing by or on behalf of any candidate is permitted on Group premises, or using Group tools or facilities or contact lists, or on-line groups moderated by the Group. This includes electronic bulletin boards, Group email lists or Group social media (e.g. Facebook or Twitter).
 - (b) No committee or group supported by the Group may publicly endorse a candidate or facilitate use of their tools or facilities or contact lists, or on-line groups moderated by them. This includes their electronic bulletin boards, email lists or social media (e.g. Facebook or Twitter).

- (c) No candidate may solicit external organisations to endorse them or facilitate use of their tools or facilities or contact lists, or on-line groups moderated by them. This includes their electronic bulletin boards, email lists or social media (e.g. Facebook or Twitter).
 - (d) No candidate may canvas votes by any other means if not explicitly covered in this Code, or the Member Nominated Director Election Regulations. This prohibition applies not just to the candidate, but to the Group's elected bodies, Members' groups and any other person/body on the candidate's behalf. A copy of this Code of Practice will be made available to all candidates.
 - (e) No candidate may disparage a fellow candidate in their election materials or canvassing activity.
8. Any breach of this Code of Practice by a candidate will render the candidate liable to disqualification from the election by the Returning Officer, or, if the breach is found after the election, shall be deemed to be a breach of the Board Code of Conduct and will be dealt with accordingly.