

Registered Number: 2059R (S)



RULES
OF THE
SCOTTISH MIDLAND
CO-OPERATIVE SOCIETY LIMITED

Registered under the Industrial and Provident Societies
Acts 1965 to 2002

6 NOVEMBER 2013

All previous rules rescinded

Registered Office: Hillwood House, 2 Harvest Drive, Edinburgh, EH28 8QJ

Co-operative Values and Principles

A co-operative is defined as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice:

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the Co-operative Movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

This statement was last agreed in 1995, by the International Co-operative Alliance (ICA). The ICA is the global apex organisation bringing together worldwide co-operative movement.

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Chapter 1 - What your Society is established for

1. Definitions

In these rules, except where the context otherwise requires:

- (a) Words importing the singular or plural include the plural or singular respectively, and words importing the masculine gender only shall include the feminine gender and vice versa.
- (b) "the Act" means the Industrial and Provident Societies Acts, 1965 to 2002, as amended by any subsequent enactments;
- (c) "the Society" means the Scottish Midland Co-operative Society Limited;
- (d) "society" means any society registered under the Act;
- (e) "he", "him", "his", and "person" include a society;
- (f) "Authority" shall have the same meaning as in the Act;
- (g) "these rules" or "the rules" means the registered rules for the time being of the Society;
- (h) "the Board" means the Board of Directors of the Society established under Rule 19, and "Regional Committee" means a Regional Committee established under Rule 18;
- (i) "officer" shall include any president or director elected or appointed by the members, together with the chief executive, and the secretary of the Society.
- (j) "elected representative" means a regional committee member or an elected member of the Board.
- (k) An "employee" shall be defined as an employee of the Society or any majority owned subsidiary or majority owned subsidiary company of the Society.
- (l) A "retired employee" shall be defined as a retired employee who is in receipt of a pension from the Trustee of any pension scheme established for the benefit of employees either of the Society or of any society which has transferred its engagements to the Society, or of any society or company established, acquired or taken over by the Society.
- (m) A "recently retired employee" shall be defined as one who has retired within the preceding three year period.
- (n) "qualifying purchases" means the amounts paid (net of discounts) by a member of the Society for goods or services supplied to the member or member's spouse/partner by one of the Society's businesses.
- (o) these rules are to be construed and take effect in accordance with Scots Law.
- (p) A family member means, in respect of any person, that person's spouse, partner, parent, grandparent, child, sibling, and for the purposes of the foregoing (a) grandparents, parents, children and siblings shall include those of

whole or half blood, those by birth or by legal adoption, and those of a step relationship, (b) persons shall be treated as partners if they lived together in the same household in a long term relationship.

- (q) “buy out value” shall be determined by calculating the value of assets and liabilities under those pension schemes in accordance with Regulation 5 of the Occupational Pension Schemes (Employer Debt) Regulations 2005 (SI 2005/678) as though they were being wound up at the date of completion of the unsolicited transaction or such equivalent superceding regulation.

2. Name

The Society is called “Scottish Midland Co-operative Society Limited” (“Scotmid”) and is called “the Society” in these rules.

3. Purpose

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

4. Values and Principles

4.1. The Society is committed to:

- a) Following the Co-operative Values and Principles
- b) Respecting the rights and diversity of its members, employees and people dealing with the Society, treating them fairly and not discriminating on any grounds;
- c) Conducting its business in an open and honest way.

4.2. The net profits of the Society’s business shall be used in accordance with Co-operative principles

4.3. The Board shall determine if the Society shall be a member of Co-operatives UK Limited.

5. Objects

5.1. The objectives of the Society are, in accordance with its purpose:

- a) to carry on the business of dealing (on a retail or wholesale basis) in, producing, creating, supplying and providing, property, goods and services of all kinds, including engaging in, credit sale, rental and other services or credit transactions ; and
- b) to engage, as principals or agents, in any other business, trade, industry or activity which seems to the Society directly or indirectly conducive to carrying out the functions above.

Chapter 2 – Membership

6. Members

- 6.1. The Society consists of its members whose names are entered in the register of members.
- 6.2. Each member is required to hold at least one fully paid share. No member other than a society shall have an interest in the shares of the Society greater than the maximum number of shares as permitted by the Act.
- 6.3. Any member changing their address shall give notice to the Secretary, and the necessary alterations shall be made in the register of members.

7. Application for Membership

- 7.1. Membership is open to any individual who is 16 years old or older, and any corporate body who completes the membership application form specified by the Board (which shall include an application for the minimum number of shares), and whose application is accepted by the Board.
- 7.2. The Board shall determine the procedures for the submission, consideration and determination of all applications for membership of the Society. It has an absolute discretion to accept or refuse any membership application. It does not have to give reasons for its decision, and may take into consideration (amongst other things) the applicant's likely participation in the Society's business and affairs and their support of the Co-operative Values and Principles. The Board may delegate responsibility for deciding membership applications to the management of the Society. Any such decision shall be made in accordance with the Society's membership policy which shall be determined by the Board.
- 7.3. No person shall be admitted into membership until the date of receipt by the Society of a duly completed application for membership in the prescribed form together with payment in full for at least one share.

8. Joint Membership

With effect from the registration of these rules, no further shares for individual members shall be registered jointly, but shares held jointly at that time, may continue to be held as such. Joint applications may be accepted from a maximum of two persons acting on behalf of any corporate or unincorporated body which supports the Society's aims and objectives. Where a share is held jointly, the first-named person shall be regarded as the member for member participation matters and only he shall be entitled to vote and to take part in the administration of the Society.

An application for the withdrawal of any shares or part of a share held jointly shall be made by either or any of the joint holders, who shall be able to give a valid receipt for any share capital repaid.

9. Termination of Membership

- 9.1. A member shall cease to be a member if:
 - a) less than the minimum number of shares required under rule 6.2 is held.

- b) membership is withdrawn by giving at least one month's written notice to the Secretary, and his shares are withdrawn under these rules; or
- c) he is expelled or ceases to be entitled to be a member of the Society under these rules;
- d) he is removed from the register of members by the Secretary in accordance with the Maintenance of Register provisions in these rules;
- e) if being an individual person they die; or
- f) if being a corporate body they cease to exist.

How a Member may be expelled

- g) A member may be expelled by the Board for conduct which is or could become injurious or detrimental to the Society. The procedure will be as follows:
 - (i) the Board may exercise the power to expel an individual Member if a complaint is made by a Director, Regional Committee member or the Secretary.
 - (ii) any such complaint shall be communicated to the Member by such means as the Board considers appropriate in the circumstances.
 - (iii) the Member against whom a complaint is made may attend and speak at the meeting whilst the question is under discussion and consideration, but no longer, or may make written representations.
 - (iv) the Board may proceed in the absence of the Member provided the Member has received such notice of the meeting as the Board considers appropriate in the circumstances.
 - (v) a Member can only be expelled if:
 - a resolution for removal is passed by two thirds of the votes cast at the meeting of the Board; and
 - at a subsequent confirmatory meeting of the Board, to be held not less than 48 hours later and no more than 14 days later, and at which the Member has the same right to attend and speak, a confirmatory resolution for removal is passed by two thirds of the votes cast at the meeting.
 - (vi) If expelled by this procedure, on the date of expulsion the Member shall cease to be a Member, their name shall be deleted from the Register of Members, and their shares shall be cancelled.
 - (vii) No person shall be admitted or re-admitted to membership of the Society who has ever been expelled from membership of the Society.

Payment of Expelled Member

- h) The Society will pay to the expelled member the amount standing to their credit in the share ledgers of the Society, together with any interest credited in respect of their shares, and cancel their shares.

10. Shares

- 10.1. The shares of the Society shall be of the nominal value of £1.00 and shall be withdrawable only and are not transferrable except where permitted by these rules.
- 10.2. Every member shall hold at least one fully paid up share, and all shares shall be paid for in full on application.
- 10.3. The Board shall allot –
 - a) to members when they are admitted the shares or shares for which they have applied, and after that shall allot any further share or shares applied for;
 - b) to the trustee of any Employee Share Scheme such shares as the Board shall in its absolute discretion from time to time determine, and any shares issued in this way shall, subject to the rules of such Employees Share Scheme, be transferable only by the trustee to employees or former employees who are already individual members or are then admitted as individual members by a transfer document in a form approved by the Board, but such shares shall not subsequently be transferable;

provided that the total number of shares allotted to any member other than a society shall not together with any shares already held by him exceed in nominal value the sum prescribed in the law applicable to Industrial and Provident Societies for the time being in force.

- 11. All sums due from any member shall be recoverable from him, his executors or administrators, as a debt due to the Society.
- 12. Interest shall be calculated and applied to the share account on an annual basis. Interest shall not be calculated on whole amounts of more than £1.00 and shall not be calculated on or for any fraction of £1.00. A member withdrawing from the Society shall have interest calculated to the date of withdrawal and applied to the share account .

13. Withdrawal of Shares

Subject to the other provisions of this rule below and the minimum shareholding requirements under these rules, shares may be withdrawn by members upon giving one week's notice to the Society. Provided that:

- 13.1. all withdrawals shall be paid in the order in which the notices were received by the Society.
- 13.2. the Board may waive any notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as they consider fit.
- 13.3. except with the consent of the Board not more than one-tenth of the paid up share capital at 1st January in each year, including all sums under notice of withdrawal at such date, shall be withdrawable during that calendar year unless the member withdraws from membership of the Society.

- 13.4. the right to withdraw may by resolution of the Board be suspended either wholly or partially and either indefinitely or for a fixed period. The suspension shall extend and apply to all notices of withdrawal which have been received and remain unpaid at the time the resolution suspending the right to withdraw is passed by the Board. Where the suspension is for a fixed period, such period may be extended from time to time by a resolution of the Board.
 - 13.5. during any period when the right of withdrawal has been suspended, the shares of a deceased member may, if the Board so determines, be withdrawn by his legal personal representative upon giving such notice as the Board may require and subject as regards the amount payable on withdrawal to such deduction as the Board may from time to time determine.
 - 13.6. the amount to be paid to a member on withdrawal shall be the amount paid up on the share to be withdrawn.
 - 13.7. no interest shall be payable upon any share if a notice of withdrawal has been given after the date of the notice.
14. Any share withdrawn in accordance with the foregoing rule shall be cancelled.
15. A member may withdraw from the Society by withdrawing all his shares in the Society or, if the right to withdraw shares has been suspended, by surrendering all his shares to the Society.

Upon such surrender the Board may in its discretion pay to the withdrawing member any amount not exceeding the amount paid up in the shares surrendered.

16. Transfer of Shares

Subject to the provisions of the Industrial and Provident Societies Acts 1965 to 2002 dealing with the nomination of property (all of which shall apply), the following provisions shall apply:

- 16.1. On the death of a joint holder of any share, it shall be transferred into the name of the survivor or survivors on his or their application.
- 16.2. On receiving satisfactory proof of death of a member who has made a nomination the Board shall, if and to the extent that the nomination is valid, either transfer or pay the full value of the property comprised in the nomination to the person entitled to it.
- 16.3. Upon a claim being made by the personal representative of a deceased member or the trustee in bankruptcy of a bankrupt member to any property in the Society belonging to the deceased or bankrupt member, the Board shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.
- 16.4. With effect from the registration of these rules, and, except as mentioned above, no further nominations shall be accepted, but nominations held at that time may continue to be held as such.

Chapter 3 - Corporate Governance - How the Society is organised

17. The Society comprises the following:

- a) Members;
- b) Regional Committees;
- c) Board of Directors;
- d) The Secretary ;and
- e) Management Executive, including the Chief Executive Officer

The affairs of the Society are to be conducted by all of them in order to fulfil the Society's purpose. Their respective responsibilities or functions, which are at all times to be performed in accordance with these rules are as follows:

18. Regional Committees

The Regional Committees have the following functions:-

- 18.1. to provide nominees to the Board.
- 18.2. to represent the views of members in their Regions and to feedback local issues relevant to trade in that Region.
- 18.3. to promote the membership of the Society and to implement the Society's overall membership strategy in the Region as agreed by the Board of Directors.
- 18.4. to participate and support Community activities and events in the Region.
- 18.5. to manage the Regional Community Budget and to allocate Community Fund awards from that budget in accordance with guidelines determined by the Board.
- 18.6. to receive reports on appropriate matters from the Board representative(s) and to be consulted on any issues or undertake such duties as the Board may determine from time to time.
- 18.7. to receive reports from management on the sales performance of the Society's main businesses in the Region.
- 18.8. to develop an awareness of the Society's activities and the general business environment within the Region.
- 18.9. to represent the Society at activities organised by the wider Co operative Movement within the Region, as approved by the Board.
- 18.10. to report to the Board on the activities of the Regional Committee

19. Board of Directors

The Board has the following responsibilities:-

- 19.1. to ensure that the Society's affairs are conducted in accordance with these Rules, the best interests of the Society and its members and in accordance with the Co-operative Values and Principles;
- 19.2. to determine the strategy and policy of the Society in consultation with the Chief Executive and the Management Executive;
- 19.3. to oversee the Chief Executive and the Management Executive in the day-to-day management of the business of the Society.

20. The Board has the following rights and powers:

Subject to what the Industrial and Provident Societies Acts 1965 to 2002 and these Rules say, the Board:

- 20.1. may exercise all the powers of the Society;
- 20.2. appoints, removes and fixes the remuneration and terms of employment of the Chief Executive and the Secretary;
- 20.3. ratifies the appointment and removal by the Chief Executive of other members of the Management Executive;
- 20.4. may at any time call upon the Chief Executive, any member of the Management Executive or the Secretary to report or obtain a report in writing upon any matter in connection with or concerning the business of the Society;
- 20.5. may appoint an auditor;
- 20.6. fix the auditor's remuneration;
- 20.7. determines from time to time those matters which require the approval of the Board;

21. Secretary

The office of the Secretary shall not be held by the person who for the time being holds the office of Chief Executive of the Society.

The functions of the Secretary include:

- 21.1. acting as the Secretary to the Board;
- 21.2. monitoring the conduct of the Society's affairs to ensure that they are conducted in accordance with these Rules;
- 21.3. publishing to members in an appropriate form information which they should have about the affairs of the Society;

- 21.4. acting as returning officer for elections;
- 21.5. preparing and sending all returns required to be made to the Financial Services Authority; and
- 21.6. making all necessary entries in all registers required by these rules or the Industrial and Provident Societies Acts to be kept by the Society.

22. Chief Executive Officer and Management Executive

The Chief Executive Officer and the members of the Management Executive are responsible for conducting the day-to-day business of the Society and shall do so in accordance with these rules.

CHAPTER 4 – MEMBERS’ MEETINGS

23. Meetings

Members' meetings of the Society shall be either ordinary meetings or special meetings. These meetings may be separate Regional Member Meetings ("Regional Meetings") and may be held in more than one venue. Every member entitled to vote may attend such meetings on the production of such evidence as the Board may from time to time determine.

24. Ordinary Meetings

24.1. Ordinary meetings of the Society shall be held on the date, times and place or places as the Board may from time to time determine. In each year, the Society shall hold at least one meeting within four calendar months of the financial year end called the annual general meeting.

24.2. Ordinary meetings shall be held in such place or places as the Board determines from time to time.

24.3. Members of the Society are entitled to attend any meeting.

24.4. Each Regional meeting shall have the same agenda of business. With the exception of votes cast for elected representatives, all votes cast on matters coming before the Regional meetings shall be added together in order to determine a Society wide decision.

In the case of motions and amendments, all meetings shall vote as though the amendments were separate motions. The highest number of votes cast in support of any motion or amendment shall be carried. Notice of the results of all voting shall be exhibited on the Society's website.

24.5. A Regional meeting may also transact any business relating to that Regional Committee only, as may be determined by the Board.

25. Business of Ordinary Meetings

An ordinary meeting may transact the following business:

25.1. the consideration of the accounts, balance sheets, and the reports of the Board and auditor and the application of the profits;

25.2. the appoint an auditor;

25.3. nomination and/or election of elected representatives;

25.4. any other competent business in accordance with Standing Orders;

25.5. any other matter of which at least 21 clear days' written notice has been given to the Secretary by a Member. The Board has the discretion not to include such a motion if in its and the Secretary's reasonable opinion:

- a) it concerns matters relating to the day to day management of the Society falling properly within the discretion of the Board; or
- b) the publicity for it would be likely to diminish substantially the confidence in the Society of investing members of the public; or
- c) it seeks needless publicity for defamatory matters; or
- d) it is submitted for frivolous or vexatious purposes; or
- e) it does not relate directly to the affairs of the Society; or
- f) it is in substantially the same terms as any motion which has been defeated at any meeting of the Society held during the preceding two years.

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

26. Special Meetings

Special meetings shall be convened by the secretary, either on an order of the Board, or upon a written requisition signed by at least 100 members, save that a members' requisition for a special meeting at which a special resolution for any purpose specified in Rule 96 is to be proposed shall be signed by at least 500 members. Special meetings shall be held as soon as is reasonable after the receipt of the order or delivery of the requisition, at such places and times as ordinary meetings are held. A requisition must state the objects of the meeting and must contain the name, address and share number of each requisitionist and be delivered at the registered office.

27. Business of Special Meetings

A special meeting shall not transact any business not specified in the notice convening it. The Board has the discretion not to include a motion requisitioned by Members under Rule 26 for consideration at a Special Meeting if, in its and the Secretary's reasonable opinion, it relates to an item of business which would be excluded under Rule 25.5 (a) – 25.5 (f). An ordinary meeting may be made a special meeting for any purpose of which due notice has been given, provided that such business is not brought on until the business of the ordinary meeting is concluded.

28. Failure to Convene Special Meetings

Should the secretary fail to convene a special meeting after the expiry of 14 clear days from the delivery of the written request for a special meeting at the registered office any of the members requesting the meeting may convene a special meeting by giving notice of the meeting as provided in these rules and the Society shall require to reimburse the member for any costs properly incurred in giving such notice.

PROCEDURE AT MEMBERS' MEETINGS

29. Notice Convening Meetings

A meeting shall be convened by notice posted conspicuously in the registered office and in all other places of business of the Society trading as "Scotmid" to which the members have access eight clear days at least before the day of the meeting. The notice shall specify the place, the time, and the date of the meeting, whether the meeting is an ordinary, annual, or special meeting and the business to be transacted.

30. Quorum

A special meeting convened on the requisition of the members for any purpose specified in Rule 96, or at which a resolution for the rescission or alteration of this rule or Rules 26, 94 or 97 is to be proposed and any ordinary meeting at which a special resolution for any purpose specified in Rule 96, or at which a resolution for the rescission or alteration of this rule or Rules 26, 94 or 97 is to be proposed, may only proceed to business if a quorum of at least 1% of the membership of each Region of the Society entitled to vote is present at each Regional meeting within half an hour after the time fixed for the meeting, provided always that no resolution may be passed at any such meeting unless the aggregate number of members entitled to vote is present at all the Regional meetings equates to at least 1% of the total membership of the Society.

Except as aforesaid a meeting may proceed to business if a quorum is present within half an hour after the time fixed for the meeting; otherwise the meeting, if a special meeting convened on the requisition of the members, shall be dissolved, but if an ordinary meeting or a special meeting convened by order of the Board, shall stand adjourned to the same day in the week following, at the same time and place, and the meeting so adjourned may proceed to business whatever is the number of members present but only in respect of business other than for any purpose specified in Rule 96 or at which a resolution for the rescission or alteration of this rule or Rules 26, 94 or 97 is to be proposed. Notwithstanding the foregoing, in the event of the Board proposing business for any purpose specified in Rule 96 or putting forward a Resolution for the rescission or alteration of this rule or Rules 26, 94 or 97, then such business may be considered and transacted at such adjourned meeting whatever the number of members present.

No meeting shall become incompetent to transact business from the want of a quorum arising after the chair has been taken.

Except as aforesaid ten members (including deputies of societies or companies) having a vote and present in person shall be a quorum for each Regional meeting.

31. Chairman of Meetings

The president of the Society shall chair any Members' meeting, or, if there is no president, or if he is not present, the chair shall be taken by the vice-president, or if he is not present the chair shall be taken by the chairman or vice-chairman of a Regional Committee, failing all of whom, by any director as the meeting may determine.

32. Power of Adjournment

Any meeting, duly constituted, may adjourn to such place, time, and day within 30 days as the Board direct, and may continue any such adjournment from time to time. No business shall be transacted at any adjourned meeting which could not have been transacted at the meeting from which the adjournment took place; and the same notice shall be given of any meeting adjourned for more than 14 days, as is required in the case of an original meeting.

33. Standing Orders

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

ATTENDANCE AND VOTING

34. Votes of Members

- 34.1. A member is entitled to vote if a minimum of one fully paid share is held for a qualifying period of six calendar months from the date of admission into membership.
- 34.2. Members holding shares jointly shall have one vote between them which may be exercised only by the person whose name appears first in the register of members. A society or company may exercise its vote by its deputy appointed as hereinafter provided. No member may vote at more than one meeting.
- 34.3. Members of the Society are entitled to attend any meeting and shall be entitled to vote only once on any motion or resolution.

35. Votes for elected representatives

- 35.1. The eligibility to vote for elected representatives in a Region will normally be determined by the member's principle residential address.
- 35.2. In the event of a dispute or to provide clarification regarding membership of a Region, the Board shall have the power to determine the Region to which a Member is allocated.
- 35.3. Members of the Society shall have their eligibility to vote for elected representatives confirmed prior to the commencement of the meeting.
- 35.4. Voting shall be decided by ballot unless the election is uncontested in which case voting may be taken on a show of hands.

- 35.5. A Member of the Society, who is required, by virtue of their employment, to attend a Regional Meeting but who is a member of a another Region, may apply to the Secretary for permission to cast their vote and have it counted at the relevant Regional Meeting.
- 35.6. At the discretion of the Board, an individual may apply for permission to become a member of another Region by virtue of the location of their place of employment.
- 35.7. A Member of the Society may only change membership of the Region to which they belong upon application to the Secretary. No applications will be accepted within two months of receipt of nominations for elected office.

36. How Votes shall be taken

At any meeting a resolution put to the vote shall be decided on a show of hands unless a ballot is demanded by the Board or by ten members present at the meeting.

The ballot shall be taken at the meeting in such manner as the chairman of the meeting directs. Subject to any special provision contained in these rules or an Act of Parliament all resolutions shall be carried by a simple majority of votes.

37. Appointment and Powers of Deputies

A member, being a society or company, may by resolution of its directors or committee of management appoint any person as deputy to act on its behalf at any meeting or meetings of the Society. The Society must be provided with a copy of the resolution appointing the person to act as deputy on behalf of the member at least 24 hours before the meeting or meetings is/are to be held. The resolution must be signed by the secretary and two directors or members of the committee of management of the society making the appointment. Upon receipt of the resolution by the Society, the deputy shall be considered competent to act as if he were a member and his appointment shall be taken to continue until a copy of a resolution appointing another person as deputy in his place is received.

CHAPTER 5 - Board of Directors

38. Composition

The Board of Directors shall consist of a maximum of twelve elected directors as follows:-

- 38.1. A maximum of five directors shall be elected by the membership of the East Region, a maximum of five directors shall be elected by the membership of the West Region and a maximum of two directors shall be elected by the membership of the North Region.
- 38.2. No more than three directors may be employees.
- 38.3. No more than five directors may be employees, superannuated recently retired employees or spouses/partners of the foregoing.
- 38.4. The Board shall have the power to fill casual vacancies on the Board from the Regional Committee from which the vacating director was elected. Any person temporarily appointed to fill any casual vacancy shall retire from office at the following Ordinary or Annual General Meeting at which time the individual filling the casual vacancy may stand for re-election.
- 38.5. The Board may co-opt up to two professional external directors to the Board in addition to the number of elected directors specified in these Rules provided that at all times the number of professional external directors shall be in the minority. A co-opted Director shall not require to be a member. He shall serve for a fixed period determined by the Board at the time of co-option, subject to a review at least every twelve months, may be removed from office at any time by a resolution passed by a majority of the members of the Board, and shall be remunerated in an amount (to be disclosed in the published accounts) from time to time fixed by the Board.

39. Term of Office

- 39.1. Directors shall normally serve for a term of three years from the date of their election, and at each Ordinary Meeting one-third of their number shall retire but shall be eligible for re-election if otherwise duly qualified in all respects.
- 39.2. The Board shall appoint from their number a President and a Vice – President who shall normally hold office for a maximum term of three years. A Director may only serve as President of the Society for a maximum of three terms.

The President shall act as chairman at all Board meetings and at ordinary and special meetings of the Society, at which he shall have a deliberative as well as a casting vote, and shall, by virtue of his office, be a member of the General Purposes Committee and any special sub-committees. The President may not be a member of the Audit or Remuneration Committees.

40. Election to office

- 40.1. Elections and nominations for the Board shall be conducted under such arrangements as the Board shall determine and voting shall be by ballot at the annual or ordinary meetings each year.
- 40.2. Prospective elected directors must be members of a Regional Committee and be nominated and seconded by Regional Committee members. A Regional Committee member wishing to stand for election to the Board may self nominate.

41. Eligibility to be a Director

A person shall only be eligible to be nominated for election as a Director if they fulfil the following criteria and, if already elected as a Director, shall immediately cease to be a Director if they cease to be eligible:

- 41.1. A director shall be a member of the Society.
- 41.2. No member shall be eligible who –
 - a) is under 18 years of age; or
 - b) has attained his 72nd birthday. Any member of the Board on reaching his 72nd birthday shall retire at the immediately following ordinary meeting and shall not be eligible for re-nomination.
- 41.3. No member shall be eligible for the office of director who has ever been dismissed (save for redundancy) from the employment of the Society or a society which has transferred its engagements to the Society, or who has ever been removed from office or expelled from membership of the Society pursuant these rules.
- 41.4. No member shall be eligible for nomination for or service as a director who or whose family member is engaged in a senior managerial capacity in the carrying on of any business trade or undertaking which in the opinion of the Board conflicts with any business trade or undertaking carried on by the Society.
- 41.5. Any member who or whose family member holds an elected representative position in another Society, which in the opinion of the Board, is considered to be a conflicting Society shall not be eligible to act as a director.
- 41.6. Any member who or whose spouse or partner is concerned in or participates in the profits of any contract made with the Society except as a non-managerial member or employee of any society or company which contracts with or does work for the Society shall not be a director.

- 41.7. The president shall not be an employee of the Society nor an employee of any person, firm or corporate body which supplies goods or services to the Society and which in the opinion of the Board is to a material extent dependent upon the patronage of the Society, nor a family member of any of the foregoing.
- 41.8. Any person who is or becomes bankrupt or who served on the board of any society or other corporate body immediately before it went into insolvent liquidation, receivership or administration, or against whom any disqualification order has been made under the Company Directors Disqualification Act 1986 shall be disqualified from being a director and if a sitting member of the Board shall thereupon vacate his office.
- 41.9. A person who is incapable through disorder or disability of mind of managing his own affairs shall not be a director.
- 41.10. A director who is absent from four successive meetings of the Board without good reason established to the satisfaction of the Board shall vacate his seat.
- 41.11. Directors who without good reason established to the satisfaction of the Board fail to undertake such personal training and development throughout their terms of office as may be prescribed by the Board pursuant to the following provisions of this clause of this rule shall if the Board in their absolute discretion so determine thereupon vacate their seat and shall be disqualified from further service until they have undertaken the requisite training to the satisfaction of the Board.
- 41.12. All directors shall undertake such training for office as shall be prescribed by the Board in accordance with the following minimum requirements –
- a) a structured training programme of continuing development for all directors with a minimum requirement of attendance at one course per annum.
 - b) All training and development programmes prescribed for the purpose of this clause of this rule shall be facilitated by a recognised higher or tertiary educational institution; or by individuals(s) with an appropriate professional qualification or are, in the opinion of the Board, considered to be specialists in their field, in relation to the training provided.
- 41.13. At any one time, only up to two family members will be eligible to serve as members of the Board of Directors of the Society.

42. Eligibility for Office

- 42.1. No member shall be eligible for the office of director who, at the time of nomination, has not held at least £50 share capital, and during his term of office continues to hold at least £50 share capital, in the Society or a society which has transferred engagements to the Society.

- 42.2. No member shall be eligible for the office of director who, at the time of election, has not been a member of a Regional Committee or an equivalent Committee from a transferring society for at least two years.
- 42.3. No member shall be eligible for the office of director who, at the time of nomination, has not had, and during his term of office continued to have, a minimum of £250 per annum of qualifying purchases.
- 42.4. No member shall be eligible for office of director if he/she has not satisfied the minimum number of core training courses, as prescribed by the Board.
- 42.5. No member shall be eligible for the office of director if he/she is a member of the Society's Senior Management Team or an employee who reports directly to a member of the Society's Senior Management Team.

43. Removal from Office

- 43.1. A director may be removed from office at any time by two-thirds of the votes cast at a special meeting of the Society, and such meeting may by resolution fill the vacancy. Pending the decision of the special meeting, a director may be suspended from his duties by resolution of two-thirds of the Board if in their opinion he has been guilty of conduct detrimental to the interests of the Society or is otherwise thought to be unfit to carry out his duties.
- 43.2. A director may be removed from office at any time by not less than two-thirds of the remaining Directors if, in their opinion he is guilty of: a serious breach of the code of conduct ; conduct detrimental to the interests of the Society; or is otherwise thought to be unfit to carry out his duties.
- 43.3. The Board shall have the power to:
 - a) suspend the rights of the Director/Regional Committee member to attend Board/Regional Committee meetings and vote under these rules for an initial period of six months in order to allow the Board to investigate the allegations. A Director/Regional Committee member suspended will be entitled to receive full basic fees during the period of suspension.
 - b) extend the suspension period beyond the initial 6 month period in order to conclude the investigations relating to the suspension.
 - c) request repayment of any fees paid to a Director/Regional Committee member during the period of suspension.
- 43.4. A Director/Regional Committee member removed from office by the Board of Directors is entitled to a right of an appeal against his removal from elected office. The written request for an appeal must be submitted to the Society Secretary within 21 days. The appeal shall be

heard by an independent arbiter to be agreed by both parties. If the parties are unable to agree on a mutually acceptable independent arbiter, the appeal will be heard by an appropriate appeal body such as Cooperatives UK. The decision of the independent arbiter will be final and binding on both parties.

44. Board Meetings

The Board shall meet and regulate their meetings as they may determine.

45. Chairman

The President shall act as chairman at all Board meetings, or in his absence the vice-president, or in his absence another Director.

46. Quorum

The Board shall not proceed to business unless a quorum consisting of seven directors is present the majority of whom shall be non-employee directors.

47. Voting at Meetings of the Directors

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

48. Special Meetings of the Board

A special meeting of the Board may be called by a notice in writing given to the secretary by not less than one-third of the directors for the time being at least seven clear days before the meeting to be called. The notice shall state the objects of the meeting and the secretary shall communicate such notice to all directors as soon as possible. No other business shall be conducted at the meeting other than the business stated in the notice.

49. Disclosure of Interest

49.1. Any Director who has a material interest in a matter as defined below shall declare such interest to the Board and:

- a) may not be present in any discussion of the matter unless a majority of the Board agrees to their presence, but
- b) shall not vote on the issue (and if by inadvertence they do remain and vote, their vote shall not be counted).

49.2. A material interest in a matter is any interest in any transaction or act or proposed transaction or act of the society and any office or position (save for the exceptions referred to below) held by a Director or their family member in any firm or company or business which, is involved in a transaction or proposed transaction with the Society. The exceptions which shall not be treated as material interests are as follows:

- a) An employment contract with the Society
 - b) Shares not exceeding 2% of the total shares in issue in any company whose shares are listed on a Stock Exchange.
- 49.3. Details of any such interest shall be recorded by the Secretary in the register of the interests of Directors.
- 49.4. Any Director who knowingly fails to disclose any interest required to be disclosed under the preceding paragraph must permanently vacate their office if required to do so by a majority of the remaining Board.

50. Validity of Acts of Directors

All acts done in good faith by any meeting of the Board or of a committee or by any director shall be valid, notwithstanding that it be afterwards discovered that there was any defect in the appointment of any director, and shall be as valid as if such director had been duly appointed and was duly qualified.

51. Remuneration of Directors

The Society shall from time to time fix the remuneration of the directors. Directors shall be re-imbursed their reasonable travel, hotel and out of pocket expenses wholly and necessarily incurred on Society business in accordance with Society policy.

52. Independent Professional Advice

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

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

who shall give his written approval of the expenditure or if he thinks fit may refer the matter to the Board for approval. In either case such approval shall not be unreasonably withheld or delayed, and any question or dispute as to the grant or refusal of such approval shall immediately be referred by the Board to Co-operatives UK or such other appropriate appeal body as determined by the Board, whose decision shall be binding and conclusive;

- 52.5. a complete copy of any written advice or opinion obtained by the requisitionists shall be passed to the Society's secretary who shall make it available for inspection (if required) by the remainder of the Board.

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

53. Indemnity

Separate from any other indemnity to which a director may be entitled at common law or otherwise, every director or other officer of the Society shall be indemnified out of the funds and assets of the Society against all actions, claims, costs, demands and expenses and any personal liability whatsoever whether civil or criminal arising out of or in connection with the exercise or purported exercise of his duties as a director or officer of the Society. The Indemnity excludes liability for offences incurred under Section 62 of the Industrial and Provident Societies Act 1965 or for wilful default, fraud or dishonesty, provided that any officer who has given security under Section 41 of the said Act shall not be indemnified for and to the extent of any sum of money due under such security and further provided that no person shall be indemnified against costs or expenses recovered from him by order of the Authority. For the purposes of this paragraph of this rule, any reference to a Section of an Act includes reference to any legislation replacing or amending the same.

The Society is hereby authorised to purchase and maintain insurance for the purpose of –

- 53.1. indemnifying the directors and officers for the time being of the Society against any liability which by virtue of any rule of law would otherwise attach to them or any of them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Society; and
- 53.2. indemnifying the Society itself as reimbursement for indemnity actually and lawfully provided to its directors and officers pursuant to the first paragraph of this rule.

54. Transitional Arrangements

Until such time that the Board recommend to Members that in accordance with Transitional Rule 64 the Regions and Regional Committees be established and be considered fully operational the following transitional rules shall apply:

- 54.1. The Board shall have the power to temporarily increase its size and Regional Committee representation on it, subject to a maximum of 15 Members and to determine the timescale for returning the Board size to a maximum of 12 Members.
- 54.2. The Board shall have the power to determine a phased process by which any Director living in the geographic area affected by a boundary change may continue to serve. Any Director affected by a boundary change:
- a) may choose which Region he will become a Member of and be eligible to represent Members from, provided that the chosen Region is either one which he was a member of before the boundary change or one which he would become a member of after the boundary change.
 - b) will not be required to resign from their Board role as a result of that change, but can continue to represent their chosen region until the Board determine that all the regional transitional changes arising from that boundary change are complete and the normal requirements of re-election are met.

55. Board Committees

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

The Board shall appoint: -

- 55.1. an Audit Committee comprising not less than three and not more than seven Directors. Neither the Chair nor any Director who is an employee or a recently retired superannuated employee shall be a member of the Audit Committee;
- 55.2. a Remuneration Committee. The Chairman shall not be a member of the Remuneration Committee.
- 55.3. a Search Committee;
- 55.4. a General Purposes Committee for matters of a general nature not specifically covered in the remit of the above committees.

CHAPTER 6 REGIONAL COMMITTEES

56. Composition

There shall be three elected Regional Committees as follows:

- 56.1. The East, West and North Regional Committees shall each consist of a maximum of twelve Regional Committee members.
- 56.2. No more than three members of each Regional Committee may be current employees.
- 56.3. No more than five members of each Regional Committee may be employees or recently retired employees.

57. Term of Office

- 57.1. Regional Committee members shall normally serve for a term of three years from their date of election, and at each annual meeting one-third of the number of each Regional Committee shall retire but shall be eligible for re-election if otherwise duly qualified in all respects.
- 57.2. At their first meeting following the Annual General Meeting each year each Regional Committee shall appoint a chairman and vice-chairman.
- 57.3. The chairman, or in his absence, the vice-chairman, shall take the chair at each meeting of his Regional Committee and shall have a deliberative as well as a casting vote.

58. Election to office

- 58.1. Elections and nominations for the Regional Committees shall be conducted under such arrangements as the Board shall determine.
- 58.2. Regional Committee Members shall be elected to represent Members of the Society who have their principle residential address within the geographic boundaries of that Region.
- 58.3. Nominations for prospective Regional Committees Members shall normally be accepted at the Ordinary General Meetings. A member wishing to stand for election to a Regional Committee must be nominated and seconded.

59. Eligibility to be a Regional Committee Member

A person shall only be eligible to be nominated for election as a Regional Committee Member if they fulfil the following criteria and, if already elected as a Regional Committee Member, shall immediately cease to be a Regional Committee Member if they cease to be eligible:

- 59.1. A Regional Committee Member shall be a member of the Society.
- 59.2. No member shall be eligible who –
- a) is under 18 years of age; or
 - b) has attained his 72nd birthday. Any member of the Regional Committee on reaching his 72nd birthday shall retire at the immediately following annual meeting and shall not be eligible for re-nomination.
- 59.3. No member shall be eligible for the office of Regional Committee Member who has ever been dismissed (save for redundancy) from the employment of the Society or a society which has transferred its engagements to the Society, or who has ever been removed from office or expelled from membership of the Society pursuant to these Rules.
- 59.4. No member shall be eligible for nomination for or service as a Regional Committee member who or whose family member is engaged in a senior managerial capacity in the carrying on of any business trade or undertaking which in the opinion of the Board conflicts with any business trade or undertaking carried on by the Society.
- 59.5. Any member who or whose family member holds an elected representative position in another Society, which in the opinion of the Board, is considered to be a conflicting Society shall not be eligible to act as a Regional Committee Member.
- 59.6. Any member who or whose spouse or partner is concerned in or participates in the profits of any contract made with the Society except as a non-managerial member or employee of any society or company which contracts with or does work for the Society shall not be a Regional Committee Member.
- 59.7. A person who is incapable through disorder or disability of mind of managing his own affairs shall not be a Regional Committee Member.
- 59.8. A Regional Committee Member who is absent from four successive meetings of the Regional Committee without good reason established to the satisfaction of the Board shall vacate his seat.
- 59.9. Regional Committee Members who without good reason established to the satisfaction of the Board fail to undertake such personal training and development throughout their term of office as may be prescribed by the Board pursuant to the following provisions of this clause of this rule shall if the Board in their absolute discretion so determine thereupon vacate their seat and shall be disqualified from further service until they have undertaken the requisite training to the satisfaction of the Board.

59.10. All Regional Committee Members shall undertake such training for elected office as shall be prescribed by the Board in accordance with the following minimum requirements: –

- a) a structured training programme of continuing development for all Regional Committee Members with a minimum requirement of attendance at one Course per annum.
- b) All training and development programmes prescribed for the purpose of this clause of this rule shall be facilitated by a recognised higher or tertiary educational institution; or by individuals(s) with an appropriate professional qualification or are, in the opinion of the Board, considered to be specialists in their field, in relation to the training provided.

59.11. At any one time, only up to two family members will be eligible to serve as members of a Regional Committee.

60. Qualifications for Office

60.1. No member shall be eligible for the office of Regional Committee member who, at the time of nomination, has not been a member of the Society for one year and must hold at least £25 share capital by the time of nomination. The Regional Committee member must continue to hold at least £25 share capital in the Society throughout his term of office.

60.2. No member shall be eligible for the office of Regional Committee member who, at the time of re-nomination, has not had, and during his term of office continued to have, a minimum of £250 per annum of qualifying purchases.

60.3. No member shall be eligible for the nomination for service as a Regional Committee member who has his principle residential address outwith the Region he wishes to represent. An individual may apply to the Board for permission to represent a Regional Committee within the geographical location of their place of employment. Once elected to serve on a Regional Committee, an elected member is not required to resign from that elected position due to a change in their principle residential address or place of employment.

61. Removal from Office

61.1. A Regional Committee member may be removed from office at any time by two-thirds of the votes cast at a special meeting of the Society, and such meeting may by resolution fill the vacancy. Pending the decision of such special meeting a Regional Committee member may be suspended from his duties by resolution of two-thirds of the Board if in their opinion he has been guilty of conduct detrimental to the interests of the Society or is otherwise thought to be unfit to carry out his duties.

- 61.2. A Regional Committee member may be removed from office at any time by not less than two-thirds of the Board if, in their opinion he is guilty of: a serious breach of the code of conduct; conduct detrimental to the interests of the Society; or is otherwise thought to be unfit to carry out his duties.
- 61.3. The Board shall have the power to:
- a) suspend the rights of the Regional Committee member to attend Regional Committee meetings and vote under these rules for an initial period of six months in order to allow the Board to investigate the allegations. A Regional Committee member suspended will be entitled to receive full basic fees during the period of suspension.
 - b) extend the suspension period beyond the initial 6 month period in order to conclude the investigations relating to the suspension.
 - c) request repayment of any fees paid to a Regional Committee member during the period of suspension.
- 61.4. A Regional Committee member removed from office by the Board of Directors is entitled to a right of an appeal against his removal from elected office. The written request for an appeal must be submitted to the Society Secretary within 21 days. The appeal shall be heard by an independent arbiter to be agreed by both parties. If the parties are unable to agree on a mutually acceptable independent arbiter, the appeal will be heard by an appropriate appeal body such as Cooperatives UK. The decision of the independent arbiter will be final and binding on both parties.

62. Remuneration of Regional Committee members

The Society shall from time to time fix the remuneration of the Regional Committee members. Regional Committee members shall be re-imbursed their reasonable travel, hotel and out of pocket expenses wholly and necessarily incurred on Society business in accordance with Society policy.

63. Create or amend Regional Committees

In the event of any other society or societies transferring their engagements to this Society, the Board having due regard to the principle of proportional regional representation shall have power:-

- 63.1. to establish additional Regional Committees to be constituted as the Board shall determine in order to represent the members of the transferor society or societies;
- 63.2. to augment the existing Regional Committees by co-opting on to same such representatives of the transferor society or societies as the Board shall determine; and

- 63.3. to augment the Board of Directors by co-opting on to same such additional members of the existing Regional Committees and such members of any additional Regional Committee or Regional Committees established under Clause 61.1 above, as the Board shall determine.

Any such co-optees may take part in the deliberations of the Board of Directors and Regional Committees as the case may be and may vote at such meetings.

Any such additional Regional Committees shall subsist and such co-optees shall serve only until the annual meeting first following the completion of one year from the date on which such transfer of engagements becomes effective.

64. Transitional Arrangements

Until such time that the Board recommend to Members that:

- the integration of Penrith Co-operative Society Limited Region into the West Region is complete;
- West Lothian is transferred into the East Region;
- the democratic representation in the North Region is complete; and
- a new Region is created that includes the Penrith Region and a Regional Committee is created to serve members from this membership area

the following transitional arrangements shall apply:

- 64.1. Members of the former Penrith Co-operative Society living in or being served by stores in that geographic area shall become members of the West Region until such time that a new Region is created and a Regional Committee is created that serves Members in that area.
- 64.2. On registration of the Penrith Transfer of Engagements, the West Regional Committee shall be increased by a maximum of 2 places each to be reserved for members from the Penrith area. Thereafter, the Board shall have the power to increase the size of the West Regional Committee by increasing the number of reserved seats on that Committee for members from the Penrith area in line with the development of membership from the Penrith area.
- 64.3. Nominations for office for seats reserved for Members from the Penrith area shall be accepted at the Ordinary General Meeting of the West Regional Committee. Regional Committee members shall be elected by the membership of the Annual General Meeting of the West Regional Committee.
- 64.4. The Board shall determine when it is appropriate to hold separate Regional Committee elections for members to serve the Penrith area.
- 64.5. Past service as a Board member of Penrith Co-operative Society will count as service on a Regional Committee for the purposes of these rules.
- 64.6. For Board members of Penrith Co-operative Society who serve on the West Regional Committee the minimum qualifying purchase requirement shall not be applied before the first anniversary of joining the Regional Committee.

64.7. The Board shall have the power to temporarily increase the size of the Regional Committees affected by a boundary change to facilitate the transfer of West Lothian into the East Region up to a maximum of 15 members and to determine the timescale for returning the size of the affected Regional Committees to a maximum of 12 Members.

64.8 The Board shall have the power to determine a phased process by which those elected Regional Committee members living in a geographic area affected by a boundary change may continue to serve.

Any Regional Committee member affected by a boundary change:

- a) may choose which Region he will become a Member of and be eligible to represent Members from, provided that the chosen Region is either one which he was a member of before the boundary change or one which he would become a member of after the boundary change.
- b) will not be required to resign from their Regional Committee role as a result of that change, but can continue to represent their chosen region until the Board determine that all the regional transitional changes arising from that boundary change are complete and the normal requirements of re-election are met.

64.9 The Board shall have the power to increase the size of the North Regional Committee to a maximum of 12 members in line with the development of the membership in that Region and to determine the timescale by which the democratic representation on the Board from that Committee be increased to 2 Members.

CHAPTER 7 – REGISTER OF MEMBERS

65. Register of Members

The Society shall keep at its registered office a register of members in which the Secretary shall enter the following information:

- 65.1. the names and addresses of the members;*
- 65.2. a statement of the number of shares held by each member, of the amount paid, or agreed to be considered as paid, on the shares of each member;
- 65.3. a statement of other property in the Society, whether in loans, deposits, or otherwise held by each member;
- 65.4. the date at which each person was entered in the register as a member, and the date at which any person ceased to be a member;*
- 65.5. the names and addresses of the Directors, and the Secretary, with the offices held by them respectively, and the dates on which they assumed office.*

The register shall be kept in such a way that it is open for inspection as required by the Industrial and Provident Societies Act 1965 disclosing only the information in those sub-paragraphs above marked by an asterisk (*).

66. Right of Inspection

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

67. Change of Address

Any member changing his residence shall give notice of the change at the registered office of the Society within one calendar month after which the necessary alterations shall be made in the register of members.

68. Updating the Register of Members

The Secretary may remove members from the register of members, in the following circumstances.

Lost Contact

- 68.1. Where the Society has evidence that a member no longer lives at the address shown in its register of members ("registered address"), then subject to carrying out the following procedures, the Secretary may

remove the name of such member from the register of members, and the Society may then cancel their shares and forfeit to the Society the amount standing to the credit of such member in the share ledgers of the Society, together with any sum of money representing interest or dividend credited to the member in the books of the Society in respect of their shares (together referred to as "credit accounts").

- 68.2. The procedures are as follows.

- a) The Secretary shall take all reasonable steps to establish whether there is a forwarding address, and if there is one, to contact the member at the forwarding address with the information set out below.
- b) The Secretary shall cause advertisements to be posted conspicuously in all places of business of the Society to which members have access, giving the following information: 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;
 - (i) advising that any credit accounts of such members can be claimed within two years;
 - (ii) providing postal, telephone and web site contact details for any person wishing to update their registered address, or to withdraw from membership of the Society and claim the funds contained in any credit account.
- c) At the end of the notice period, the Secretary shall cause the register of members to be revised by removing those members no longer living at their registered address, cancelling their shares and transferring any credit accounts of any such members to a suspense account within the books of the Society.
- d) At the end of a period of two years commencing with the date upon which any credit accounts have been transferred to a suspense account, any such credit accounts that remain unclaimed shall be forfeited to the Society.
- e) No credit account containing more than £10 shall be capable of forfeiture under this clause of this rule.

69. Insufficient share account balance

- 69.1. If a member has not throughout the immediately preceding period of twelve calendar months maintained a balance in their share account of at least £1, then subject to carrying out the following procedures,

the Secretary may remove the name of such member from the register of members, and the Society may cancel their shares and forfeit to the Society the amount standing to the credit of such member in the share ledgers of the Society together with any sum of money representing interest or dividend credited to the member in the books of the Society in respect of their shares.

69.2. The procedures are as follows:

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

CHAPTER 8 – AUDIT

70. Auditor

70.1. There shall be appointed in each year of account a qualified auditor to audit the Society's accounts and balance sheet for that year. In this rule "qualified auditor" means a person who is a qualified auditor under Section 7 of the Friendly and Industrial and Provident Societies Act, 1968 as amended by the Companies Act 1989 (Eligibility for Appointment as Company Auditor) (Consequential Amendments) Regulations 1991.

70.2. None of the following persons shall be appointed as auditor of the Society –

- a) an officer or employee of the Society;
- b) a person who is a partner of or in the employment of or who employs an officer or employee of the Society.

70.3. At least every ten years, the Society shall offer the opportunity of appointment as auditor to other qualified persons.

70.4. An auditor may be appointed by either the Board or by the members at a members' meeting of the Society.

70.5. An auditor appointed to audit the accounts and balance sheet of the Society for the preceding year of account shall be reappointed as auditor of the Society for the current year of account unless –

- a) a resolution has been passed at a members' meeting of the Society appointing somebody instead of him or providing expressly that he shall not be reappointed, or
- b) he has given to the Society notice in writing of his unwillingness to be reappointed
- c) he is not a qualified auditor or is a person mentioned in Clause (b) of this rule, or
- d) he has ceased to act as auditor of the Society by reason of incapacity.

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

70.7. A resolution at a members meeting of the Society –

- a) appointing another person as auditor in place of a retiring auditor, or

- b) providing expressly that a retiring auditor shall not be reappointed shall not be effective unless notice of the intention to move it has been given to the Society not less than 28 days before the meeting at which it is to be moved. On receipt by the Society of notice of such an intended resolution the Society shall forthwith send a copy of the notice to the retiring auditor. If it is practicable to do so the Society shall give notice to its members of the intended resolution at the same time and in the same manner as it gives notice in accordance with these rules of the meeting at which the resolution is to be moved or, if that is not practicable, by advertisement not less than 14 clear days before the said meeting in a newspaper circulating in the area in which the Society conducts its business. Where the retiring auditor makes any representations in writing to the Society with respect to the intended resolution or notifies the Society that he intends to make such representations the Society shall notify the members accordingly as required by Section 6 of the Friendly and Industrial and Provident Societies Act, 1968.
- 70.8. The auditor shall in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act, 1968, make a report to the Society on the accounts examined by him and on the revenue account or accounts and the balance sheet of the Society for the year of account in respect of which he is appointed.
- 70.9. The Board shall cause the accounts of the Society to be submitted at least once in every year to the auditor for audit.
- 70.10. For the purposes of any audit the auditor shall be given access to and be entitled to call for and examine all books, deeds, documents, and accounts of the Society. He shall be entitled to require from the officers of the Society such information and explanations as he thinks necessary for the performance of his duties. The auditor shall be entitled to attend any ordinary meeting of the Society, to receive all notices of and other communications relating to any ordinary meeting which any member of the Society is entitled to receive, and to be heard at any meeting which he attends on any part of the business of the meeting which concerns him as auditor.

CHAPTER 9 – ACCOUNTS

71. Books of Account

The Board shall require proper books of account to be kept with respect to the transactions of the Society, its assets and liabilities, and establish and maintain a satisfactory system of control of its books of account, its cash holdings and all its receipts and remittances in accordance with Sections 1 and 2 of the Friendly and Industrial and Provident Societies Act, 1968.

72. Accounts to be laid before Meetings

The Board shall in respect of each year of account –

- 72.1. require a revenue account or revenue accounts to be prepared 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; and
- 72.2. require a balance sheet to be prepared giving a true and fair view as at the date thereof of the state of the affairs of the Society.

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

Every balance sheet presented to a meeting of members shall be accompanied by a report of the Board, on the state of the Society's affairs. Such report shall contain details of any compensation payments for loss of office made to the chief executive or to any other senior executive or any member of the Board, and be signed by the chairman of the meeting of the Board adopting the report.

In the preparation of accounts the Board shall ensure that the Society adopts and conforms strictly to the Generally Accepted Accounting Practices ("GAAP") applicable to the country in which the principle trading activities of the Society are conducted.

73. Publication of Accounts and Balance Sheets

The Board may only publish a revenue account or balance sheet if it has been audited by the auditor and it incorporates a report by the auditor stating whether in his opinion it gives a true and fair view of the income and expenditure, and of the state of the affairs of the Society. Every balance sheet published shall be signed by the secretary and by two directors acting on behalf of the Board.

74. Copy of Balance Sheet to be sent to the Financial Services Authority

A copy of each balance sheet made during the period included in any annual return shall be sent by the secretary to the Financial Services Authority together with the annual return and such copy shall incorporate the report made by the auditor.

75. Copy of Balance Sheet to be displayed

The Society shall keep a copy of the last balance sheet for the time being, together with the report of the auditor, always displayed in a conspicuous place at its registered office.

CHAPTER 10 – ADMINISTRATIVE PROVISIONS

76. Registration

The Society's registered office is at Hillwood House, 2 Harvest Drive, Newbridge, EH28 8QJ.

77. Name

The name of the Society shall be clearly displayed:

- 77.1. on the outside of every office or place of business of the Society;
- 77.2. in all business letters, notices, advertisements, official publications, bills of exchange, promissory notes, endorsements, cheques, orders for money or goods purporting to be signed by or on behalf of the Society, and on all bills, invoices, receipts, or letters of credit of the Society.

78. Minutes

The Secretary shall arrange for minutes of all Members' meetings, Board and Regional Committee meetings to be kept.

79. Website

The Society shall determine if it shall maintain a website which may be used as a method by which the Society may communicate with the Members. Any website shall clearly show the name of the Society and its registered office address.

80. Powers

The Society shall have full power to do all things necessary or expedient for accomplishing any of its functions.

In particular it may:

- 80.1. purchase, hold, sell, mortgage, rent, lease or sub-lease lands of any tenure and to erect, pull down, repair, alter or otherwise deal with any building on those lands;
- 80.2. enter into block discounting transactions;
- 80.3. enter into any guarantee, contract of indemnity or suretyship, whether by personal covenant or by mortgage or charge on all or any part of the undertaking, property or assets of the Society or partly in one way and partly in the other and in particular (but without prejudice to the generality of the foregoing) with or without consideration to guarantee or give security as aforesaid for the payment without limit of any principal monies, premiums, interest and other monies secured by or payable under any obligations or securities including particularly obligations or securities of any society which holds shares in the Society or which is a subsidiary of the Society, and of any company which is a subsidiary of the Society.

- 80.4. establish, maintain, manage, support and contribute to any schemes for the acquisition of shares in the Society by or for the benefit of any individuals who are employees or former employees of the Society or any subsidiary society or company upon such terms as the Board shall approve ('an Employee Share Scheme), and to establish, maintain, manage, support and contribute to any schemes for sharing profits of the Society or any such subsidiaries with any such employees or former employees.
- 80.5. upon such terms and conditions as the Board think fit obtain from time to time advances of money for the purpose of the Society and mortgage or charge any of its property and issue debentures and other securities; provided that the amount of money advanced for the time being remaining undischarged shall not at any time exceed 70% of the Society's net worth, calculated in accordance with the method of the Society's principal bankers. For the purposes hereof "net worth" means the aggregate of (i) the amount of paid up share capital of this Society for the time being and (ii) the aggregate amount of all reserves as shown in the audited Accounts of this Society at its year end following the advance; but
- a) the interest payable on advances, other than advances on bank overdraft and loans secured by mortgage or charge shall not exceed a rate equivalent to 3 per cent per annum above The Royal Bank of Scotland plc base rate or such other bank as may act as the principal bankers to the Society or 5 per cent per annum whichever is the higher. In this rule "The Royal Bank of Scotland plc base rate or such other bank as may act as the principle bankers to the Society" means The Royal Bank of Scotland plc base rate at the time of making the advance or at such time within the two years prior to the making of the advance or, in the case of an advance which is renewed after becoming repayable, within two years prior to its renewal (if renewed more than once) as the Board determines. In the event of The Royal Bank of Scotland plc or such other banks may act as the principal bankers to the Society, ceasing to publish a base rate then an equivalent rate of interest shall apply.
 - b) charges or debentures may contain a fixed charge upon any property of the Society specified therein and/or a floating charge upon its undertaking and all its property and assets both present and future, and a separate register shall be kept of all such charges and debentures.
- 80.6. establish a pension or superannuation scheme for the benefit of its employees and pay contributions to and enter into any contract or trust deed for this purpose. The Society shall also have power to make such other provision for pensions for the benefit of its employees as it considers appropriate;
- 80.7. may receive from any persons, whether members or not, sums on deposit, withdrawable on not less than two clear days' notice, not exceeding in total the amount prescribed in the law applicable to Industrial and Provident Societies for the time being in force.

- 80.8. issue a debenture or other security or mortgage or charge, as a continuing security to cover any sum due or to become due upon the account of the Society to any person with whom it may transact banking business but not exceeding the amount up to which the Society may obtain advances.

81. Power to Invest Capital

The capital of the Society may be invested –

- 81.1. in advances to members or others on the security of real or personal property and
- 81.2. in or upon any of the securities or shares specified in Section 31 of the Act or in any partnership, Scottish limited partnership or any corporate body.

82. Power to Vote in respect to Investments

The Board may appoint a representative to act on behalf of the Society in relation to any other body corporate in the shares or on the security of which the Society has invested any part of its capital, although the person appointed is not a shareholder in such other body corporate.

83. Annual Return to be sent to the Financial Services Authority

The Society shall within the time allowed by legislation in each year send to the Financial Services Authority:

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

84. Copies of Annual Return and Rules

The secretary shall supply:

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

DISPUTES

85. Determination of Disputes

Any dispute arising between a member or any person aggrieved who has for not more than 6 calendar months ceased to be a member, or any person claiming through such member or person aggrieved, or under these rules, and the Society, or an officer thereof shall be decided by the three arbitrators to be chosen for this purpose as is hereinafter mentioned and any decision made by such arbitrators shall be binding and conclusive on all parties without appeal and application for the enforcement of such a decision may be made to the Sheriff's Court.

86. Appointment of Arbitrators

The Society in meeting shall appoint five arbitrators, not being persons directly or indirectly interested in the funds of the Society, and in the event of any dispute arising as aforesaid the three arbitrators to be chosen to decide the dispute shall be those persons whose names are drawn by lot from amongst the names of the five arbitrators aforesaid by the complaining party to the dispute or, if there is more than one such party in any dispute, by that party whose name comes first in alphabetical order. If there are less than three arbitrators appointed as aforesaid the Co-operatives UK Limited, or such other appropriate appeal body as determined by the Society, shall if requested, appoint the three arbitrators for determination of a dispute.

87. Vacancies

Any vacancy in the number of arbitrators shall be filled by the first ordinary meeting after it has occurred, or if not so filled by the Board.

88. Cost of Arbitration

The cost of any arbitration shall be borne as the arbitrators may direct and any complaining party shall deposit the sum of £500 with the Society by way of security for costs.

89. Copies of Arbitrators' Award

A copy of the arbitrators' award shall be sent by the arbitrators to every party to a dispute.

90. Notice

A notice required to be given by the Society to any member under these rules (other than a notice convening a meeting) or under the Act or otherwise shall be given by sending it by post to the member at his address in the register of members or by leaving it thereat. A notice sent by post shall be deemed to be served by properly addressing, prepaying, and posting a letter containing the notice and be deemed to have been served in the ordinary course of post.

91. Complaints and Suggestions

If any member has a complaint to make relative to the qualities or prices charged for goods or services supplied by the Society, such complaint shall, in the first place, be made to the person in charge of the shop or department where the goods or services were supplied or, failing redress, to Customer Services and, if no satisfaction has been obtained, in writing to the Chief Executive Officer. Any such complaint not settled to the satisfaction of the parties complaining shall be referred to the next Board meeting, whose decision shall be final.

Any complaint against any employees of the Society shall be made, in the first place, to Customer Services and, if no satisfaction has been obtained, in writing to the Chief Executive Officer, whose decision shall be final.

Any member may likewise send to the Board, in writing, any suggestions for carrying into better effect the objects of the Society.

CHAPTER 11 – APPLICATION OF PROFITS

92. Application of Profits

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

- 92.1. in paying interest upon the paid up share capital at such rate, not exceeding a rate equivalent to 1 per cent above the base lending rate of The Royal Bank of Scotland plc or such other bank as may act as the principal bankers to the Society, or 5 per cent per annum whichever is the higher, as the Board may from time to time determine.

In the event of The Royal Bank of Scotland plc or such other bank as may act as principal bankers to the Society, ceasing to publish a base lending rate then an equivalent rate of interest shall apply;

- 92.2. in setting aside to the reserve fund such amounts, if any, as the Board may determine;
- 92.3. in setting aside to the Regional Committees such an amount of the net profits as the Board may from time to time determine in order to support community based initiatives which support the interests of the Society, its members and the community within the Society's principle trading area.
- 92.4. in paying, while the Society continues to be a member of the Co-operative Party, such subscriptions to the funds of the Party as the Board may from time to time determine;
- 92.5. in paying out of the balance of the profits remaining after application as aforesaid such dividend upon the value of the purchases made from the Society as an ordinary meeting may declare to persons who were members of the Society at the time of such declaration and, where an ordinary meeting so determines, to any other persons.
- 92.6. in paying the cost of such shares as the Board shall decide to issue under the terms of any Employee Share Scheme. Provided that:
- a) the Board may determine that no dividend or that reduced rates of dividend shall be paid in respect of such purchases as it specifies from time to time, such power of determination shall extend to the specification of goods or services and/or to the places or areas in which goods are sold or services provided by the Society;
 - b) no dividend shall exceed the amount recommended by the Board;

- c) the Board may from time to time pay such interim dividend as appears to them to be justified by the profits of the Society and purchases on which an interim dividend has been paid shall not rank for dividend in the final distribution of profits in any one year;
- d) any amount payable in respect of a dividend which is not withdrawn by a member within one calendar month after it has become payable may be applied towards the payment of any amount unpaid on the member's shares or the allocation of further shares;
- e) in making payments for any lawful purpose whatsoever whether within the objects for which the Society is formed or not provided that no distribution of profits aforesaid to the members shall be made except as is expressly provided for in this rule.
- f) in retaining as reserves any of the profits not applied in one of the ways set out above.

93. Application of General Reserve Fund

The General Reserve Fund shall be applied in meeting any contingency affecting the business of the Society as the directors may recommend and as a meeting of the Society may by resolution determine, provided that the moving of such resolution was specified as business of the meeting in the notice convening the meeting.

CHAPTER 12 – AMENDMENT OF RULES, TRANSFERS OF ENGAGEMENTS AND CONVERSION

94. Majority Requisite to make Alterations

Any of these rules may be rescinded or altered, or any new rule may be made, by a resolution passed at the annual meeting or at a special meeting of the Society by two-thirds of the members present and voting.

Provided always that this rule and Rules 26, 30 and 97 may only be rescinded or altered by a resolution passed at a special meeting of the Society at which 95% of the total votes cast have been cast in favour of such resolution.

95. Registration of Alterations

No amendment of rules is valid until registered. When submitting rule amendments for registration the secretary may at his sole discretion accept any alterations required or suggested by the Financial Services Authority without reference back to a further special meeting of the Society.

96. Amalgamation, Transfer of Engagements and Conversion

- 96.1. The Society may, by special resolution passed in manner prescribed by the Act, amalgamate with or transfer its engagements to any other society or company, or convert itself into a company under the Companies Acts. The Society may also accept a transfer of engagements and assets by resolution of the Board or of a meeting of members.
- 96.2. For the purposes of this Rule the term "transaction" shall refer to a transaction with a third party organisation comprising a takeover, amalgamation, transfer of engagements or transaction of like effect whereby the Society ceases to exist independently of or is under the control of the said third party organisation. Where a third party organisation instigates an approach which may include entering into detailed discussions with any member of the Board before a Board resolution in support of the transaction is approved this is referred to as an "unsolicited transaction".
- 96.3. No Elected representative or Director of the Society shall be entitled to receive in connection with, or as a consequence of, any unsolicited transaction a payment, in cash or in kind, by way of compensation for loss of office or otherwise, however described, from the Society, the third party organisation with whom the unsolicited transaction takes place, or from any other person or organisation.
- 96.4. Unless a transaction receives unanimous approval from the Board, no Elected representative or Director of the Society shall be entitled to receive in connection with, or as a consequence of, any transaction a payment, in cash or in kind, by way of compensation for loss of office or otherwise, however described, from the Society, the third party.

- 96.5. organisation with whom the transaction takes place, or from any other person or organisation.
- 96.6. Each member of the Board shall execute a Binding Undertaking in a format approved by the Board acknowledging that the member of the Board will not seek or receive any payment in breach of Rules 96.3 or 96.4 and any person who fails to execute such an undertaking when required to do so by the Secretary shall immediately cease to be a director on receipt of notification to that effect from the Secretary.
- 96.7. The right to enforce any Binding Undertaking granted in terms of Rule 96.5 shall vest in the Society, and if the Society fails or delays in so enforcing the undertaking, Co-operatives UK Limited, or such other appropriate appeal body as determined by the Society, or any member on the share register immediately prior to the transaction taking place may do so in the name of the Society and any sums recovered shall go, after the expenses of such action have been paid, to a charity operating in the primary trading area of the Society as may be chosen by the Society, Co-operatives UK Limited or relevant member of the Society as the case may be.
- 96.8. In the event of an unsolicited transaction taking place, as defined in these rules the third party organisation responsible for the unsolicited transaction shall be obliged at or prior to completion of the unsolicited transaction to:
- a) return those members of any of the Society's pension schemes, who were also members of the Society's pension schemes as at 8 October 2006 and who are in the Society's employment as at the date of completion of the unsolicited transaction, to the terms and conditions of membership of the Society's pension schemes which existed immediately before 8 October 2006 (the effective date of changes to the Scotmid Pension Plan); and
 - b) make good in cash the whole of any deficit as at the date of completion of the unsolicited transaction, as determined by the Scheme Actuaries, of all pension schemes operated for the benefit of the Society's employees. The amount of cash required to be paid to the pension scheme(s) in order to make good the deficit shall be equivalent to the buy-out value of all pension schemes operated for the benefit of the Society's employees as at the date of completion of the unsolicited transaction and shall be determined by the Scheme Actuaries;
 - c) pay to a charity/charities operating in the primary trading area of the Society such sum as represents 40 per cent of the net assets of the Society as shown in the most recent audited financial statements of the Society for the period ended prior to the date of completion of the unsolicited transaction. Any amount paid to charity as a result of the application of this rule shall be required to be used for the benefit of person/persons living within the primary trading area of the Society.

- d) The Directors shall review, from time to time, a list of charities operating in the primary trading area of the Society and shall select from that list the charity/charities to benefit from the application of this rule.

For the avoidance of doubt, this rule shall not come into force if the Society is reorganised due to an internal restructuring.

97. Dissolution

The Society may be dissolved:

- 97.1. by winding up in manner provided by the Industrial and Provident Societies Act, 1965;
- 97.2. by an instrument of dissolution signed by three-fourths of the members for the time being, in the form prescribed.

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

- a) transferred to one or more other societies in membership of Co-operatives UK having the same or similar rule provisions as regards surplus distribution as this rule, as may be determined by the members at an ordinary or special meeting; or
- b) transferred to such charity or charities established and maintained for the benefit of the community in the trading area of the Society at the time of any such dissolution or winding up as the Board shall determine; or
- c) if not so transferred shall be paid or transferred to the Co-operative's UK Limited.

Jodie Forrest

Clare Rajan

3 Members

Mike Gordon

John Dalley

Secretary