

Registered Number: 2059R (S)



RULES OF
SCOTTISH MIDLAND
CO-OPERATIVE SOCIETY LIMITED

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

[xxx] 2024

All previous rules rescinded

*Registered Office: Hillwood House, 2 Harvest Drive, Newbridge, Midlothian,
EH28 8QJ*

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1. Name and Registered Office

The name of the Society is Scottish Midland Co-operative Society Limited and it is called the “Society” in these Rules. The Society’s registered office is Hillwood House, 2 Harvest Drive, Newbridge, Midlothian EH28 8QJ.

2. Definitions

In these Rules, unless the context requires otherwise:

“address” means a postal address or, for the purposes of electronic communication, a fax number, email address or telephone number for receiving text messages;

“the Act” means the Co-operative and Community Benefit Societies Act 2014 (including any modification or re-enactment thereof for the time being in force);

“auditor” means a person eligible for appointment as the auditor of a society under the Act;

“ballot” means a vote not taken by a show of hands but by paper or secure electronic means which enable a participant to indicate their choice on a proposed resolution;

the “Board” means all those people appointed to perform the duties of the directors of the Society;

“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 superseding regulation;

“casual vacancy” means a vacancy on the Board or a Regional Committee created when a director or Regional Committee member ceases to hold office prior to the expiration of their term of office;

“clear days” in relation to a period of notice does not include the day on which the meeting is to be held and the day on which the notice is delivered or assumed to be delivered;

“connected person” means a person with whom a person shares a common interest such that they may reasonably be regarded as benefitting directly or indirectly from any material benefit received by that person (but does not include interest in a publicly listed company where that interest consists of less than 1% of the voting rights);

“Co-operative Values and Principles” means the values and principles defined in the International Co-operative Alliance Statement of Co-operative Identity (or such other statement as may replace it). This states that co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity, and the principles of voluntary and open membership, democratic member control, member economic participation, autonomy and

independence, education, training and information, co-operation among co-operatives and concern for the community;

“corporate body” and/or “unincorporated body” references to corporate and/or unincorporated bodies includes but is not limited to limited or unlimited companies, societies, corporations sole, firms and partnerships of all kinds;

“director” means a director of the Society and includes any person occupying the position of director, by whatever name called;

“document” includes, unless otherwise specified, any document sent or supplied by electronic means;

“electronic means” shall include, in relation to meetings, communication by video link or any other means of electronic communication which enables participants to understand proceedings and communicate with one another and, in relation to transactions, documents or notices, shall include communication by email and secure authenticated website transactons;

“employee” means anyone holding a contract of employment with the Society or a subsidiary of the Society;

“Employee Share Scheme” has the meaning given in Rule 6;

“family member” means a member of a person’s direct family, that is the person’s spouse, civil partner, any person with whom the person lives as a partner in an enduring family relationship, a child or stepchild of the person, a child or stepchild of a person’s partner, or the person’s siblings, parents or grandparents;

“Member” means a person who meets the criteria for membership as set out in these Rules and whose name is entered in the Register of Members;

“officer” includes any director, the Chief Executive Officer, the Secretary and the members of the Senior Management Team;

“person” means a natural person, unincorporated or corporate body, or the nominee of an unincorporated or corporate body;

“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;

“Region” means the constitutional regions into which the Society shall be divided for the purposes of establishing Regional Committees to represent Members, nominating and electing representatives to the Regional Committees and Board, and holding regional Members’ meetings, all as provided for in these Rules. (Under Rule 54, the Board shall determine the Regions into which the Society is to be divided for these purposes, with the Society for the time being divided into East, West and North Regions);

“Regional Committee” means a committee established by the Society to represent any Region of the Society;

“Registrar” means the Financial Conduct Authority or any body that succeeds its function;

“Rules” means these rules;

“Secretary” means any person appointed to perform the duties of the Secretary of the Society;

“Society” means the above named society;

“Withdrawable” in relation to shares means shares with the associated right for the Member to withdraw their shares and receive in return the value of their shares from the Society in accordance with the provisions of these Rules; and

“writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied by electronic means or otherwise.

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; and
- (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 Values and Principles.

5. Objects

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 objectives and functions above.

6. Powers

The Society shall have full power to do all such lawful things necessary or expedient for furthering any of the Society’s objects or functions. In particular, it may:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) borrow money, mortgage or charge any of its property and issue debentures and other securities upon such terms and conditions as the Board thinks fit; provided that:
 - (i) 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 the Society for the time being and (ii) the aggregate amount of all reserves as shown in the audited accounts of the Society at its year end following the advance;
 - (ii) 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 base rate of such 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 base rate of such bank as may act as the principal bankers to the Society" means the 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 bank that acts as the principal bankers to the Society ceasing to publish a base rate then an equivalent rate of interest shall apply; and

- (iii) 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;
- (e) 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; or make such other provisions for pensions for the benefit of employees as the Society considers appropriate;
- (f) receive from any persons, whether Members or not, sums on deposit not exceeding in total the amount permitted under the Act, withdrawable on not less than two clear days' notice; or
- (g) 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.
- (h) pay interest to Members on paid up share capital at such rate as may be determined by the Board from time to time, provided that the rate of interest paid does not exceed the minimum rate necessary in the opinion of the Board to obtain the required share capital and thereafter to retain it.

7. Power to invest

- 7.1. The Board may invest any part of the capital and funds of the Society in any manner which the Board may from time to time determine. This includes:
- (a) advances to Members or others on the security of heritable or moveable estate; and
 - (b) in or upon any of the securities or shares specified in the Act, or in any corporate or unincorporated body.
- 7.2. The Board may appoint a representative to act on behalf of the Society in relation to shares or securities in any other corporate or unincorporated body in which the Society has invested any part of its capital or funds.

8. Members

- 8.1. The Society consists of those Members whose names are entered in the Register of Members.
- 8.2. The Society may admit to membership any natural person who is 16 years of age or older, any corporate body or nominee of an unincorporated body that buys goods and/or services from the Society and meets any additional criteria for membership set out in these Rules.
- 8.3. A corporate or unincorporated body that is a Member of the Society shall appoint a representative who may, during the continuation of their appointment, be entitled to exercise all such rights and powers as the

corporate or unincorporated body would exercise if it were a natural person. Each such corporate or unincorporated body shall supply notification in writing to the Society of its choice of representative.

- 8.4. Any Member changing their address shall give notice to the Secretary and the necessary alterations shall be made in the Register of Members.

9. Application for membership

- 9.1. All those wishing to become a member of the Society must complete an application for membership in the prescribed form, which shall include an application for the minimum number of shares in the Society.
- 9.2. The Board shall determine the procedures for the submission, consideration and determination of all applications for membership of the Society and has an absolute discretion to accept or refuse any membership application. The Board 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.
- 9.3. No person shall be admitted into membership until the date of receipt by the Society of both a duly completed application for membership in the prescribed form together with payment in full for at least one share.

10. Joint membership

- 10.1. Where two or more individuals are joint Members, they may continue to be joint Members, but no new joint memberships may be created.
- 10.2. Where a share is held jointly, the first-named person shall be regarded as the Member for Member participation matters and only they shall be entitled to vote and to take part in the administration of the Society.
- 10.3. 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.

11. Termination of membership

A Member shall cease to be a Member of the Society if they:

- (a) are no longer eligible for membership;
- (b) fail to hold the minimum number of shares required;
- (c) withdraw their membership by providing at least one month's notice in writing to the Secretary and withdraw all of their shares under these Rules;
- (d) transfer their shares under these Rules;

- (e) have their entry in the Register of Members updated by the Secretary to show they are no longer a Member in accordance with any of the provisions in these Rules;
- (f) being a natural person, they die;
- (g) being a corporate or unincorporated body, are wound up or go into liquidation; or
- (h) are expelled from membership under Rule 12.

12. Expulsion from membership

- 12.1. The Board may expel a Member for conduct which is detrimental to the Society's interests by following the procedure set out in this Rule.
- 12.2. Where concerns are raised about the conduct of a Member, then the Board shall ensure that there is an investigation of that conduct. The result of that investigation shall be reviewed by a committee appointed by the Board for the purpose, which shall be formed of no more than three elected directors and such other persons as the Board may decide.
- 12.3. The committee shall consider whether the conduct of the Member concerned fell below the standard expected of Members under these Rules, any agreed codes of conduct, and the general law.
- 12.4. Before taking any decision, the committee shall ensure that the Member concerned has the opportunity to put forward their case. If the Member concerned declines to do so then the committee may proceed to make a decision.
- 12.5. Subject to the Board ratifying any decision of the committee before it takes effect, if the committee considers that the conduct of the Member concerned has fallen below the expected standard then the committee may:
 - (a) issue such warning as to the future conduct of the Member, or require the Member to undertake additional training, as the committee sees fit;
 - (b) suspend the Member from membership for a period of no more than twelve months; or
 - (c) remove the Member from membership.
- 12.6. The Board will be asked to ratify the decision of the committee at the next scheduled meeting of the Board.
- 12.7. Any person sanctioned under Rule 12.5 may by written notice to the Society appeal the decision at the next scheduled meeting of the Board. The Board shall ensure that:
 - (a) no member of the committee appointed under Rule 12.2 shall take part in the Board deliberation of the matter or in making a decision concerning the appeal; and
 - (b) the person concerned has the opportunity to put forward their case to the Board if they wish to do so.

- 12.8. If the Board resolves to uphold the appeal, the decision of the committee shall be discarded. If the Board reject the appeal, or if no appeal was lodged within the required timeframe, the Board may ratify the decision of the committee and it will take effect from the conclusion of the relevant Board meeting.
- 12.9. The Society will pay to an expelled Member the amount standing to their credit in their share account of the Society together with any interest or dividend credited in respect of their shares and then cancel their shares.
- 12.10. Any person who has been expelled from membership under the Rules shall not be readmitted to membership for such period as the Board acting reasonably may determine.

13. Shares

- 13.1. The shares of the Society shall be of the nominal value of £1.00. Shares can be withdrawn but cannot be transferred, except as permitted by these Rules.
- 13.2. Every Member shall hold at least one fully paid-up share at all times (not including Fixed-Term Withdrawable Shares).
- 13.3. Subject to Rule 13.4, the Board shall allot:
- (a) to Members when they are admitted the share or shares for which they have applied, and after that shall allot any further share or shares applied for; and
 - (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 Employee 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.
- 13.4. The total number of shares allotted to any Member other than a society shall not exceed the maximum number of shares permitted by the Act.
- 13.5. All sums due from any Member shall be recoverable from them, their executors or administrators, as a debt due to the Society.

14. Fixed-Term Withdrawable Shares

- 14.1 The Society may designate certain shares as Fixed-Term Withdrawable Shares.
- 14.2 Fixed-Term Withdrawable Shares shall also be of the nominal value of £1.00 and, subject to the other terms and conditions that shall apply as determined by the Board and published when Fixed-Term Withdrawable Shares are made available to Members, can be withdrawn as provided in these Rules, but cannot be transferred except where permitted by these Rules.
- 14.3 The interest rate payable on Fixed-Term Withdrawable Shares shall be determined by the Board and may be different from the interest rate payable on shares which are not Fixed-Term Withdrawable Shares on the basis that

the right to withdraw is deferred for a period of time. The Board may also set different rates of interest for Fixed-Term Withdrawable Shares with different terms and conditions and/or periods of deferral.

- 14.4 The interest rates, periods of deferral and other terms and conditions that shall apply to Fixed-Term Withdrawable Shares shall be determined by the Board and made available to Members by any means agreed by the Board, including electronic means.
- 14.5 Fixed-Term Withdrawable Shares shall be included in the Society's withdrawable share capital and a Member's share account shall include both shares and any Fixed-Term Withdrawable Shares.
- 14.6 Shares and Fixed-Term Withdrawable Shares shall rank *pari passu* for all purposes including any repayment of shares on the solvent dissolution of the Society.
- 14.7 At the end of the fixed-term period set by the Board for the relevant shares any Fixed-Term Withdrawable Shares which are retained in the Society shall be reclassified as ordinary withdrawable shares unless the Member and the Society agree otherwise in writing.
- 14.8 References in these Rules to a share or shares in the Society shall include Fixed-Term Withdrawable Shares unless stated to the contrary.

15. Interest

Interest shall be calculated on balances of £5.00 and over and applied to the share account on an annual basis. A Member withdrawing from the Society shall have interest calculated to the date of withdrawal and applied to the share account.

16. Withdrawal of shares

- 16.1 Subject to the other provisions of this Rule 16 and the minimum shareholding requirements under these Rules, and to any terms and conditions applying to Fixed-Term Withdrawable Shares, shares may be withdrawn by Members by giving one week's notice to the Society. Provided that:
 - (a) all withdrawals shall be paid in the order in which the notices were received by the Society;
 - (b) no repayment of withdrawable share capital shall be made while amounts are outstanding on any payment due from the relevant Member to the Society;
 - (c) 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 it considers fit;
 - (d) except with the consent of the Board not more than one-tenth of the paid-up share capital as at 1st January in each year (including all sums under notice of withdrawal at such date) shall be withdrawable during that calendar year;

- (e) interest shall be payable on any share in respect of which notice of withdrawal has been received by the Society, until the date of repayment;
- (f) the Board, at its sole discretion, may suspend the right to withdraw 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 Board suspends the right to withdraw. Where the suspension is for a fixed period, such period may be extended from time to time by the Board; and
- (g) during any period when the right of withdrawal has been suspended:
 - (i) the shares of a deceased Member may, if the Board so determines, be withdrawn by their 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; and
 - (ii) any Member who is withdrawing their membership under Rule 11 may surrender all their shares to the Society. Upon such surrender the Board may, in its discretion, pay to the withdrawing member any amount paid up on their shares along with any interest payable under Rule 16.1(e).

16.2 Any share withdrawn in accordance with this Rule 16 shall be cancelled.

17. Proceedings on death or bankruptcy of a Member

- 17.1 In accordance with the Act, a Member may nominate one or more persons to whom property which that Member holds in the Society may be transferred on death. On receiving satisfactory proof of death of a Member who has made a nomination the Society shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the individual(s) entitled to it.
- 17.2 Any property held by a Member who dies which is not dealt with by nomination under Rule 17.1 shall be dealt with as follows: on a claim being made by the executor or administrator of the estate of the deceased Member the Society shall, subject to receiving satisfactory evidence of entitlement, transfer or pay property to which the executor or administrator has become entitled as that person may direct them.
- 17.3 On the death of a joint holder of any share(s), the share(s) shall be transferred into the name of the surviving joint holder(s) on their application.
- 17.4 Rule 17.2 does not prevent the Board from the distribution of a Member's property not exceeding £5000 on the death of a Member provided that the provisions of Section 40 of the Act are complied with.
- 17.5 If a Member becomes bankrupt or, being a corporate or unincorporated body, goes into liquidation, administration or administrative receivership, the Member's property in the Society shall be dealt with as follows: on a claim being made to any property that the Member has in the Society by the

Member's trustee in bankruptcy, receiver, administrative receiver, liquidator, provisional liquidator or administrator, the Society shall, subject to receiving satisfactory evidence of entitlement, transfer or pay property to which the trustee in bankruptcy, receiver, administrative receiver, liquidator, provisional liquidator or administrator has become entitled as that person may direct.

- 17.6 Where the Society is notified of the death or bankruptcy of a Member who is a nominee of an unincorporated body, the Society shall hold all the Member's property in the Society on trust for the unincorporated body and shall invite the unincorporated body to make a new nomination. On receiving a valid nomination and subject to receiving written confirmation from that person that they are willing to become a nominee Member, the Society shall transfer the property in the Society held by the deceased or bankrupt nominee to the person so nominated.

18. Organisation of the Society

- 18.1 The Society comprises of the following:

- (a) the Members;
- (b) the Regional Committees;
- (c) the Board;
- (d) the Chief Executive Officer and the Senior Management Team; and
- (e) the Secretary.

- 18.2 The affairs of the Society shall be conducted collectively by those persons and committees outlined in Rule 18.1, in order to fulfil the Society's objects and purpose. Their respective responsibilities and functions shall be performed in accordance with these Rules.

19. Function of the Members

Members should engage economically with the Society and are encouraged to actively participate in the governance of the Society including attending Members' meetings, voting in elections, holding the Board to account for the performance of the Society and taking part in the affairs of the Society in the ways provided in these Rules.

20. Function of the Regional Committees

The Regional Committees have the following functions:

- (a) to provide nominees to the Board;
- (b) to represent the views of Members in their Region and to provide feedback to the Board on local issues relevant to trade in that Region;
- (c) to promote the membership of the Society and to implement the Society's overall membership strategy in the Region as agreed by the Board;

- (d) to participate in and support community activities and events in the Region;
- (e) to manage the community budget for their Region as determined by the Board from time to time and to allocate community awards from that budget in accordance with the guidance issued by the Board;
- (f) to receive trading statements, financial information and other reports from the Board or their representatives and to discuss and challenge the information they receive as appropriate;
- (g) to develop an awareness of the Society's activities and the general business environment within the Region;
- (h) to represent the Society at activities organised by the wider co-operative movement within the Region, as approved by the Board;
- (i) to respond when consulted by the Board; and
- (j) to encourage Member participation in the affairs of the Society.

21. Function of the Board

21.1 The Board has the following responsibilities:

- (a) to ensure that the Society's affairs are conducted in accordance with these Rules, the best interests of the Society and its Members, the views of its Members and with Co-operative Values and Principles;
- (b) to determine the purpose, strategy, culture, values and policy of the Society in consultation with the Chief Executive Officer and the Senior Management Team; and
- (c) to oversee the work of the Chief Executive Officer and the Senior Management Team in the day-to-day management of the business of the Society.

21.2 Subject to the Act and these Rules, the Board has the following rights and powers:

- (a) to exercise all the powers of the Society;
- (b) to appoint, remove and fix the remuneration and terms of employment of the Chief Executive Officer and the Secretary;
- (c) to ratify the appointment and removal by the Chief Executive Officer of other members of the Senior Management Team;
- (d) to call upon the Chief Executive Officer, any member of the Senior Management Team, or the Secretary to report or obtain a report in writing upon any matter in connection with or concerning the business of the Society;
- (e) to set the rate of interest to be paid to Members on paid up share capital;

- (f) to appoint an auditor and fix the auditor's remuneration; and
- (g) to determine from time to time those matters which require the approval of the Board.

22. Function of the Chief Executive Officer and Senior Management Team

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

23. Function of the Secretary

23.1 The functions of the Secretary include:

- (a) acting as the Secretary to the Board and the Society's subsidiaries;
- (b) advising the Board, the Board committees and the Regional Committees, and offering assurance on all governance matters;
- (c) monitoring the conduct of the Society's affairs to ensure that they are conducted in accordance with these Rules;
- (d) publishing to Members, in an appropriate form, information about the affairs of the Society;
- (e) acting as returning officer for elections;
- (f) preparing and sending all returns required to be made to the Registrar; and
- (g) making all necessary entries into all registers required to be kept by the Society by these Rules or by the Act.

23.2 The position of Secretary shall not be held by the same person who holds the role of Chief Executive Officer.

24. Members' meetings

24.1 Meetings of the Members of the Society shall be either ordinary meetings or special meetings. In each year, the Society shall hold an ordinary meeting called the annual general meeting, and such other additional Members' meetings as the Board decides or as requisitioned under these Rules.

24.2 These meetings may be separate Regional Members' meetings and may be held in more than one venue at such place or places as the Board decides. Each Regional Members' meeting shall have the same agenda of business, save for any business that only applies to a particular Region.

25. Ordinary meetings

25.1 The Secretary, at the request of the Board, shall convene an ordinary meeting, the purpose of which shall be stated in the notice of the meeting. An ordinary meeting may transact the following business:

- (a) consideration of the accounts, balance sheet, and the reports of the Board and the auditor;

- (b) the application of the Society's profits;
- (c) the appointment of an auditor;
- (d) the nomination and/or election of elected representatives;
- (e) any other competent business in accordance with the standing orders for the conduct of Members' meetings as made by the Board under Rule 35;

25.2 An ordinary meeting may also consider and transact any motion of which at least twenty-one clear days' notice in writing has been given to the Secretary by a Member. The Board has the discretion not to include such a motion if, in the Board's and the Secretary's reasonable opinion:

- (a) it seeks to intervene in the exercise of the powers given under these Rules to the Board, the Chief Executive Officer or the Senior Management Team, the Secretary, or any authorised committee or sub-committee of the Society;
- (b) the publicity for it would be likely to diminish substantially the confidence in the Society of investing members of the public;
- (c) it seeks needless publicity for defamatory matters;
- (d) it is submitted for frivolous or vexatious purposes;
- (e) it does not relate directly to the affairs of the Society; or
- (f) it is substantially in the same terms as any motion which has been defeated at any meeting of the Society held during the preceding two years.

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

26. Special meetings

26.1 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 71 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 requisitioner and be delivered at the registered office.

26.2 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 26.1 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 25.2. 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.

- 26.3 Should the Secretary fail to convene a special meeting after the expiry of fourteen 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 be required to reimburse the Member for any costs properly incurred in giving such notice.

27. Notices

- 27.1 Members' meetings shall be convened by giving at least twenty-one clear days' notice to members.
- 27.2 Notices of meetings may be sent to Members by electronic means (where this has been provided by a Member). Notices may also be posted on the Society's website and conspicuously at the registered office and in all other places of business where the Society trades as Scotmid or Lakes & Dales and to which the Members have access.
- 27.3 Notices shall indicate the type of meeting to be convened, specify the date, time, and place at which the meeting is to be held and the business which is to be transacted at the meeting. A Members' meeting shall not transact any business other than that specified in the notices calling the meeting.

28. Attending and speaking at Members' meetings

- 28.1 Every Member shall be entitled to attend a Members' meeting on the production of such evidence as the Board may from time to time determine.
- 28.2 A Member is deemed to be in attendance and able to exercise the right to speak at a Members' meeting when that person is in a position to communicate to all those attending the meeting. The Board may make whatever arrangements it considers appropriate to enable those attending to exercise their right to speak and vote at a meeting, including holding Members' meetings in person at a physical location, virtually by electronic means, or at a hybrid of both.
- 28.3 In determining attendance at a Members' meeting, it is immaterial whether any two or more Members attending are in the same place as each other, provided that they are able to communicate with each other.
- 28.4 The chair of the meeting may permit persons who are not Members to attend and speak at Members' meetings without granting any voting rights.

29. Voting – general

- 29.1 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 as a Member of the Society.

- 29.2 Each Member shall be entitled to one vote on any motion or resolution to be decided by the Members. No Member may vote at more than one meeting.
- 29.3 Members holding shares jointly shall have one vote between them which may only be exercised by the person whose name appears first in the Register of Members.
- 29.4 A corporate or unincorporated body that is a Member of the Society may exercise their vote through their nominated person or appointed representative.
- 29.5 Except where these Rules or the Act require voting to take place at a Members' meeting, the Board may make whatever arrangements it considers appropriate to enable Members to exercise their right to vote on any proposed resolution in advance of a Members' meeting, which may include postal voting or voting by electronic means.

30. Voting for elected representatives

- 30.1 Eligibility to vote for elected representatives in a Region will normally be determined by the Member's principal residential address. In the event of a dispute over which Region a Member has the right to vote in, or in order to provide clarification on the matter, the Board shall have the power to determine the Region to which a Member is allocated.
- 30.2 Members shall have their eligibility to vote for elected representatives confirmed prior to the commencement of the meeting.
- 30.3 Voting for elected representatives shall be decided by ballot unless the election is uncontested in which case no vote shall be required.
- 30.4 A Member who is required by virtue of their employment by the Society to attend a Regional meeting that is not the one they are entitled to vote at may apply to the Secretary for permission to cast their vote and have it counted at the Regional meeting that they attend.

31. Voting procedure

- 31.1 Subject to Rule 30.3 and Rule 31.2, a resolution or decision put to the vote may be decided by ballot or on a show of hands, unless a ballot is demanded by the Board, the chair of the meeting, or by a minimum of ten Members present at the meeting.
- 31.2 Where the Board has made arrangements for Members to exercise their right to vote on any proposed resolution or decision in advance of a Members' meeting as provided by Rule 29.5, a ballot will be held and all the votes cast will be added to those received in advance of the meeting.
- 31.3 If a ballot is duly demanded it shall be taken at such time and in such manner as the chair of the meeting directs and shall not prevent the remaining business of the meeting from being transacted.
- 31.4 Subject to Rule 31.5, all votes cast on matters coming before the Regional meetings shall be added together in order to determine a Society-wide decision.

- 31.5 Where there is a vote on business that only applies to a particular Region, such as the election of an elected representative for a Region, only the votes of Members who are eligible to vote under Rule 30 shall be counted.
- 31.6 In the case of motions and amendments, all meetings shall vote as though the amendments were separate motions. The motion or amendment with the highest number of votes cast in support shall be carried.
- 31.7 Subject to any provisions of these Rules or the Act, all resolutions shall be carried by a simple majority of votes.
- 31.8 In the case of an equality of votes, whether on a show of hands or a ballot, the chair of the meeting shall have a second or casting vote.
- 31.9 A declaration by the chair of the meeting that a resolution has been carried or lost, either on a show of hands or by ballot, with an entry to that effect recorded in the minutes of the Members' meeting, shall be conclusive evidence of the result.

32. Chair of meeting

The President of the Society shall chair any Members' meeting. If there is no President, or if they are not present or have decided not to chair the meeting for any reason, then the Vice-President shall take the chair. If there is no Vice-President, or if they are not present or have decided not to chair the meeting for any reason, then the Chair or Vice-Chair of the Regional Committee of the Region in which the Members' meeting is taking place shall take the chair, failing all of whom, the directors present shall choose one of their number to chair the meeting.

33. Quorum

- 33.1 A special meeting convened on the requisition of the Members for any purpose specified in Rule 71, or at which a resolution for the rescission or alteration of this Rule or Rules 26.1, 69 or 72 is to be proposed and any ordinary meeting at which a special resolution for any purpose specified in Rule 71, or at which a resolution for the rescission or alteration of this Rule or Rules 26.1, 69 or 72 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.
- 33.2 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 71 or at which a resolution for the rescission or alteration of this Rule or Rules 26.1,

69 or 72 is to be proposed. Notwithstanding the foregoing, in the event of the Board proposing business for any purpose specified in Rule 71 or putting forward a resolution for the rescission or alteration of this Rule or Rules 26.1, 69 or 72, then such business may be considered and transacted at such adjourned meeting whatever the number of Members present.

- 33.3 No meeting shall become incompetent to transact business from the want of a quorum arising after the chair has been taken.
- 33.4 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.

34. Adjournment

Any meeting, duly constituted, may adjourn to such place, time and date within thirty days as the Board may 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 fourteen days, as is required in the case of an original meeting.

35. Standing Orders

The Board may make standing orders for the conduct of Members' meetings and such regulations, subject to any resolution passed at a Members' meeting, shall be binding on all Members.

36. Composition of the Board

- 36.1 Subject to Rule 36.2, the Board shall consist of a maximum of twelve elected directors as follows:
- (a) 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;
 - (b) no more than three directors may be current employees of the Society; and
 - (c) no more than five directors may be current employees of the Society, superannuated employees of the Society who ceased to be employees within three years before the date of nomination, or family members of the foregoing.
- 36.2 Where the Board creates new, or restructures existing, Regions and Regional Committees under Rule 54, the Board shall have the power to temporarily increase its size and the Regional Committee representation on it subject to a maximum number of fifteen elected directors, and to determine the timescale for returning the Board to twelve elected directors.
- 36.3 The Board shall have the power to fill a casual vacancy on the Board from the same Regional Committee from which the vacating director was elected. Any person temporarily appointed to fill a casual vacancy shall retire from office at

the following Members' meeting at which time they may stand for election provided they are eligible to do so.

- 36.4 In addition to the elected directors specified in Rule 36.1, the Board may appoint up to two independent non-executive directors who need not be Members and are selected for their particular skills and/or experience, provided that at all times the number of independent non-executive directors shall be in the minority. Independent non-executive directors shall be remunerated in an amount fixed by the Board. Members shall be asked to ratify the appointment of an independent non-executive director at the next Members' meeting.

37. Term of office for directors

- 37.1 Elected directors shall normally serve for a term of three years at which point they must stand down but are eligible for re-election. A minimum of one-quarter of the Board shall normally retire at each annual general meeting but shall be eligible for re-election if they continue to meet the eligibility criteria set out in these Rules.
- 37.2 When a director is elected to the Board, the Board may determine, if appropriate, a different Board or Regional Committee term of office, to ensure that there is an even distribution of Board elections and to ensure that a person's term of office as a director and as a Regional Committee member are aligned. Notwithstanding the aforesaid, no person shall serve a term of office as a director exceeding four years.
- 37.3 The Board shall be refreshed using a 'Balanced Board' approach to ensure a balance of both experienced and newly elected board members serving. The process to achieve that balance shall be determined by the Board.
- 37.4 Subject to Rules 38 and 51, directors may serve for a maximum six terms of office in total. Past service as a director of a society which has transferred its engagement to the Society shall count as service on the Board for the purposes of these Rules. On completing their sixth term of office (whether these terms run consecutively or otherwise) a director shall retire as a director and Regional Committee member and shall not be eligible for re-election.
- 37.5 Upon election to the Board a director will serve concurrently on a Regional Committee. A Regional Committee member may have their term of office extended to enable them to fully serve their maximum six terms of office as a director.
- 37.6 Should a director who has already served their maximum term of office on a Regional Committee (but not served their maximum term of office on the Board) be re-nominated, stand for Board election and fail to be re-appointed to the Board then they may continue to serve on the Regional Committee for a further two year period during which time they will be eligible for nomination and to stand for re-election to the Board for a maximum of a further two times.
- 37.7 Independent non-executive directors shall serve for a fixed period determined by the Board at the time of appointment subject to review at least every twelve months. Members must re-affirm each independent non-executive director appointment every three years. Independent non-executive directors

shall serve for a maximum term of office of nine years and shall not be eligible for re-appointment as an independent non-executive director. Independent non-executive directors may be removed from office at any time by a resolution of the Board.

38. President and Vice-President of the Society

- 38.1 The Board shall elect from their number a President and a Vice-President of the Society who shall normally hold office for a term of three years.
- 38.2 No director shall serve as President of the Society for more than two terms in total.
- 38.3 If a director who is serving as President of the Society would otherwise be required to retire from the Board having served the maximum term of office under Rule 37 then, subject to the usual election rules, that person may continue to serve as a Regional Committee member, director, and President of the Society until they have served the maximum term as President of the Society as set out in Rule 38.2.
- 38.4 To be eligible to be elected as the President or Vice-President of the Society a director must have served at least one year on the Board. No director who is a current employee of the Society, or who is an employee of any corporate or unincorporated body that supplies goods or services to the Society and which in the opinion of the Board is to a material extent dependent upon the continued business of the Society, may be elected as the President or Vice-President of the Society.

39. Composition of the Regional Committees

- 39.1 Subject to Rule 54, there shall be three elected Regional Committees covering the East, West and North Regions. Each Regional Committee shall consist of a maximum of twelve Regional Committee members, provided that:
 - (a) No more than three members of a Regional Committee may be current employees of the Society; and
 - (b) No more than five members of a Regional Committee may be current employees of the Society, superannuated employees of the Society who ceased to be employees within three years before the date of nomination, or spouses or partners of the foregoing.
- 39.2 The Board shall have the power to fill a casual vacancy on a Regional Committee and may appoint a Member from the respective Region to fill a vacancy until the next Members' Meeting, provided that the number of elected Regional Committee members shall always be in the majority. The person appointed to the Regional Committee may put themselves forward for nomination as a Regional Committee member at the next Members' meeting. A person appointed to fill a casual vacancy can be removed at any time by a resolution of the Board passed by a majority of the directors.

40. Term of office for Regional Committee members

- 40.1 Regional Committee members shall normally serve for a term of three years at which point they must stand down but are eligible for re-election. A

minimum of one-quarter of each Regional Committee shall normally retire at each annual general meeting but shall be eligible for re-election if they continue to meet the eligibility criteria set out in these Rules.

- 40.2 When a Member is elected to a Regional Committee, the Board may determine, if appropriate, a different Regional Committee term of office to ensure that there is an even distribution of elections.
- 40.3 Subject to Rules 37.5, 38.3 and 51, a Regional Committee member may serve for a maximum six terms of office in total. Past service as a director or member of an equivalent regional committee of a society which has transferred its engagement to the Society shall count as service on the Regional Committee for the purposes of these Rules. On completing their sixth term of office (whether these terms run consecutively or otherwise) a Regional Committee member shall retire and shall not be eligible for re-election.

41. Chair and Vice-Chair of Regional Committees

- 41.1 Each Regional Committee shall elect a Chair and a Vice-Chair, with the Chair of each Regional Committee normally also being a director on the Board. The Chair and Vice-Chair of the Regional Committee shall hold office for a term of one year.
- 41.2 The Chair of the Regional Committee, or in their absence, the Vice-Chair of the Regional Committee, or in their absence another Regional Committee member, shall take the chair at each meeting of the respective Regional Committees and in the case of an equality of votes, the chair of the meeting shall have a second or casting vote.
- 41.3 No Regional Committee member shall serve as Chair of a Regional Committee for more than six consecutive terms.

42. Election to the office of director or Regional Committee member

- 42.1 Nominations and elections for the Board and Regional Committees shall be conducted under such arrangements as the Board shall determine and, subject to Rule 30.3, voting will be by ballot at a Members' meeting.
- 42.2 Prospective elected directors must be members of a Regional Committee and be nominated and seconded by other Regional Committee members.
- 42.3 Regional Committee members shall be elected to represent Members of the Society who have their principal residential address within the geographic boundaries of that Region. A Member wishing to stand for election to a Regional Committee must be nominated and seconded by Members from the Region in which they are seeking to be nominated.

43. Codes of Conduct

- 43.1 The Board shall prepare and enforce a code of conduct for directors that sets out expected behaviours and conduct. The code of conduct for directors shall include commitments to training and ongoing professional development where needed to ensure the Board remains competent to fulfil its role. All directors

shall be required to sign an acceptance of the code of conduct for directors on taking office.

- 43.2 The Board shall also prepare and enforce a code of conduct for Regional Committee members that sets out expected behaviours and conduct. The code of conduct for Regional Committee members shall include commitments to training and ongoing professional development where needed. All Regional Committee members shall be required to sign an acceptance of the code of conduct for Regional Committee members on taking office.

44. Eligibility to be a director or Regional Committee member

- 44.1 A person cannot become a director or Regional Committee member or, if a serving director or Regional Committee member, ceases to be eligible to serve, if that person:
- (a) is not, or ceases to be, a Member of the Society (except for independent non-executive directors appointed under Rule 36.4 who need not be Members);
 - (b) is under eighteen years of age;
 - (c) has already served the maximum term of office as set out in these Rules;
 - (d) has been dismissed (save for redundancy) from the employment of the Society or a society which has transferred its engagements to the Society;
 - (e) has previously been removed from the office of director or Regional Committee member, or expelled from membership of the Society, under these Rules;
 - (f) is engaged in, or their 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 or competes in any way with any business, trade or undertaking carried out by the Society;
 - (g) is employed, appointed or elected to represent and promote another organisation which, in the opinion of the Board, conflicts or competes in any way with any business, trade or undertaking carried out by the Society;
 - (h) holds, or their family member holds, an elected representative position in another society which in the opinion of the Board is considered to be a conflicting Society;
 - (i) is concerned with or participates, or their family member is concerned with or participates, in the profits of any contract made with the Society, except where they are a non-managerial member or employee of any corporate or unincorporated body which contracts or does work for the Society;

- (j) is an undischarged bankrupt;
- (k) is disqualified by law from acting as a director of a company or as a trustee of a charity;
- (l) has, in the written opinion of a registered medical practitioner treating that person and provided to the Society, become physically or mentally incapable of acting as a director or Regional Committee member and may remain so for more than three months;
- (m) previously resigned from the Board or Regional Committee during the Society's investigation into their conduct;
- (n) is a serving director or Regional Committee member and is absent for four consecutive Board or Regional Committee meetings without a good reason established to the satisfaction of the Board; or
- (o) is a serving director or Regional Committee member and has failed to comply with the expected behaviours and conduct (including the commitments to training and ongoing professional development) in the Codes of Conduct prepared by the Board under Rule 43.

44.2 A maximum of two family members will be eligible to serve as directors or Regional Committee members at any one time.

44.3 In addition to the eligibility criteria set out in Rule 44.1, no Member shall be eligible for the office of director:

- (a) who, at the time of nomination or re-nomination, has not:
 - (i) held at least £75 share capital, and during their term of office has continued to hold at least £75 share capital, in the Society or a society which has transferred engagements to the Society; and;
 - (ii) had, and continued to have during their term of office, a minimum of £300 per annum of qualifying purchases;
- (b) who, at the time of election or re-election, has not been a member of a Regional Committee, or the equivalent committee of a transferring society, for at least two years; or
- (c) if they are a member of the Senior Management Team or an employee who reports directly to a member of the Senior Management Team.

44.4 In addition to the eligibility criteria set out in Rule 44.1, no Member shall be eligible for the office of Regional Committee member:

- (a) who, at the time of nomination or re-nomination, has not:
 - (i) been a member of the Society for at least one year;

- (ii) held at least £40 share capital, and during their term of office has continued to hold at least £40 share capital, in the Society or a society which has transferred engagements to the Society; and
- (iii) had, and continued to have during their term of office, a minimum of £300 per annum of qualifying purchases; or
- (b) who has their principal residential address outwith the Region they wish to represent. Notwithstanding the foregoing, a Member 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 principal residential address or place of employment.

45. Removal from office of director or Regional Committee member

45.1 A director or Regional Committee member may be removed from office on the grounds that:

- (a) they have refused to sign an acceptance, or have committed a serious breach, of the relevant code of conduct;
- (b) their conduct is detrimental to the interests of the Society;
- (c) they have not adequately demonstrated the required knowledge, skills and/or experience; or
- (d) the Board considers them to be unfit to carry out their duties or for it to no longer be in the best interests of the Society for them to continue as a director or Regional Committee member.

45.2 In determining whether the above grounds have been met, or where any other concerns are raised about the conduct of a director or Regional Committee member, the Board shall ensure that there is an investigation of that conduct. The result of that investigation shall be reviewed by a committee appointed by the Board for the purpose, which shall be formed of no more than three elected directors and such other persons as the Board may decide.

45.3 The committee shall consider whether the conduct of the director or Regional Committee member concerned fell below the standard expected of them under these Rules, any agreed codes of conduct, and the general law.

45.4 Before taking any decision, the committee shall ensure that the director or Regional Committee member concerned has the opportunity to put forward their case. If the director or Regional Committee member concerned declines to do so then the committee may proceed to make a decision.

45.5 Subject to the Board ratifying any decision of the committee before it takes effect, if the committee considers that the conduct of the director or Regional Committee member concerned has fallen below the expected standard then the committee may:

- (a) issue such warning as to the future conduct of the director or Regional Committee member, or require the director or Regional Committee member to undertake additional training, as the committee sees fit;

- (b) suspend the director or Regional Committee member from office for a period of no more than twelve months; or
 - (c) remove the director or Regional Committee member from office.
- 45.6 The Board will be asked to ratify the decision of the committee at the next scheduled meeting of the Board.
- 45.7 Any person sanctioned under Rule 45.5 may by written notice to the Society appeal the decision at the next scheduled meeting of the Board. The Board shall ensure that:
 - (a) no member of the committee appointed under Rule 45.2 shall take part in the Board deliberation of the matter or in making a decision concerning the appeal; and
 - (b) the person concerned has the opportunity to put forward their case to the Board if they wish to do so.
- 45.8 If the Board resolves to uphold the appeal, the decision of the committee shall be discarded. If the Board reject the appeal, or if no appeal was lodged within the required timeframe, the Board may ratify the decision of the Committee and it will take effect from the conclusion of the relevant Board meeting.
- 45.9 The Members may remove a director or Regional Committee member from office by a resolution passed by two-thirds of the Members at a Members' meeting.
- 46. Suspension of a director or Regional Committee member**
- 46.1 The Board may suspend the rights of a director or Regional Committee member for an initial period of six months in order to allow the Board to conduct an investigation as set out in Rule 45.2. This period can thereafter be extended to allow such investigations to be concluded.
- 46.2 A director or Regional Committee member who has been suspended under this Rule will be entitled to receive full basic fees during the period of suspension, but the Board has the right to request repayment of any fees in the event the director or Regional Committee member is later removed based on the outcome of their investigations.
- 46.3 During the period of any suspension the director or Regional Committee member must not participate in any Board or Regional Committee meetings; authorise or incur expenditure on behalf of the Society; actively hold themselves out as a director or Regional Committee member of the Society; or seek to commit the Society to any obligation.
- 47. Board meetings**
- 47.1 The Board shall meet and regulate their meetings as they may determine and may make standing orders for the conduct of Board meetings, which shall be binding on all directors. Notice of any Board meeting must indicate the date,

time and place of the meeting and, if the directors participating in the meeting will not be in the same place, how they will communicate with each other.

- 47.2 The quorum for Board meetings shall be seven directors, which shall include those directors present by electronic means, provided that a majority of the directors present are elected, non-employee directors.
- 47.3 A director is deemed to be in attendance and able to exercise the right to speak and vote at a Board meeting when that person is in a position to communicate to all those attending the meeting.
- 47.4 The Board may make whatever arrangements it considers appropriate to enable those attending a Board meeting to exercise their rights to speak or vote at it, including holding Board meetings in person at a physical location, virtually by electronic means, or at a hybrid of both. In determining attendance at a Board meeting, it is immaterial whether two or more directors attending are in the same place as each other, provided they are able to communicate with each other.
- 47.5 Meetings of the Board shall be chaired by the President, or in their absence the Vice-President, or in their absence another director.
- 47.6 Unless otherwise required by these Rules, questions arising at any Board meeting shall be decided by a majority of votes cast and in the case of an equality of votes the chair shall have a second or casting vote.
- 47.7 The Secretary shall, on receiving notice in writing at least fourteen clear days prior to the date set for the meeting from not less than one-third of the directors of the Board, call a special Board meeting. The notice shall state the business of the meeting and the Secretary shall communicate such notice to all directors as soon as possible prior to the meeting. No other business shall be transacted at the meeting than the business stated in the notice.

48. Board committees

The Board may delegate any of its powers to committees consisting of such persons as it thinks fit who shall, in the functions entrusted to them, follow the instructions given to them by the Board. At no time shall any committee be comprised of less than three members or more than five members.

49. Conflicts of interest

- 49.1 A director must avoid a situation in which they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interest of the Society.
- 49.2 A director shall declare an interest in any contract or matter in which they have, or a family member or connected person has, a personal, material or financial interest, whether directly or indirectly. The director shall not be present for any discussion of the matter (unless authorised by a majority of the Board under Rule 49.3) and must not vote on the matter, provided that nothing shall prevent a director:
- (a) who is an employee from voting on a resolution concerning the terms and conditions of employment of employees generally or any associated

matter (but not a resolution concerning that director as an individual employee); and

- (b) from voting on a resolution concerning the payment of interest on shares of the Society, if applicable, where that director is a Member and will benefit only in the same way as other Members holding shares.

49.3 Where a director has declared an interest, a majority of the unconflicted directors may authorise such conflict of interest provided:

- (a) the conflicted director is absent from the part of the meeting at which there is discussion of any arrangement or transaction affecting them;
- (b) the conflicted director does not vote on any such matter and is not counted towards the quorum of the meeting; and
- (c) the unconflicted directors consider it to be in the best interests of the Society to authorise the conflict of interest in the circumstances.

49.4 Any director who knowingly fails to disclose any interest required under this Rule may be permanently removed from office by a decision of the Board passed by the majority of the remaining directors.

49.5 In additions to this Rule all directors must comply with any conflicts of interest provisions included in the code of conduct for directors prepared and enforced by the Board under Rule 43.

50. Remuneration and protection of directors

50.1 All decisions made in good faith by the Board or by any person acting as a director shall remain valid, even if it is later discovered that there was some defect in the calling of the meeting or the manner in which the decision was made; any quorum requirement; the director's appointment; or that the person had previously been disqualified from acting as a director.

50.2 No decisions made by the Society at a Members' meeting shall invalidate any prior act of the Board or a person acting as a director which would have been valid had such decision not been made by the Society.

50.3 The Society shall from time to time fix the remuneration of the directors. In addition, directors shall be reimbursed their reasonable out of pocket expenses wholly and necessarily incurred on Society business in accordance with the Society's remuneration policy.

50.4 Upon the written request of not less than one-third of the Board being submitted to the Secretary, those directors 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, provided that:

- (a) the request states the broad area of concern;
- (b) before any professional fees are incurred a written estimate or quotation shall be submitted for the approval of the Secretary who will give their approval of the expenditure or, if they think fit, refer the matter to the Board for approval. In either case approval may not be

unreasonably withheld or delayed and any question or dispute as to the granting or refusal to grant such approval shall be referred to Co-operatives UK or such other appropriate appeal body as determined by the Board;

- (c) any written advice or opinion obtained shall be provided to the Secretary and made available to the remainder of the Board; and
- (d) this procedure shall 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.

50.5 Separate from any other indemnity to which they may be entitled, and subject to this Rule, every director and officer 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 their duties on behalf of the Society.

50.6 This indemnity excludes liability for offences incurred under Sections 127 and 128 of the Act, and liability for wilful default, fraud or dishonesty. No person shall be indemnified for costs or expenses recovered from them by order of the Registrar.

50.7 The Society is authorised to purchase and maintain insurance for the purpose of:

- (a) indemnifying the directors and officers of the Society against any liability which they or any of them might incur, in respect of negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Society; and
- (b) indemnifying the Society itself as reimbursement for indemnity actually and lawfully provided to its directors and officers under this Rule.

51. Balanced Board transitional arrangements for directors and Regional Committee members

Until such time as the Board recommend to Members that the transition to the Balanced Board is complete, and subject to the provisions relating to re-election set out in these Rules:

- (a) any director(s) in office immediately before AGM 2014 shall be allowed to continue to serve as a director until they have served the maximum time period in accordance with the Rules registered on 16 June 2010; and
- (b) any Regional Committee member(s) in office immediately before AGM 2014 shall be allowed to continue to serve as a Regional Committee member for a maximum of eight terms of three years from the date of their first appointment as a member of a Regional Committee or its immediate predecessor (known as Area Committees).

52. Regional Committee meetings

- 52.1 The Board may make standing orders for the conduct of Regional Committee meetings, which shall be binding on all Regional Committee members.
- 52.2 Notice of any Regional Committee meeting must indicate the date, time and place of the meeting and, if the Regional Committee members participating in the meeting will not be in the same place, how they will communicate with each other.
- 52.3 The quorum for Regional Committee meetings shall be seven Regional Committee members, which shall include those Regional Committee members present by electronic means.
- 52.4 A Regional Committee member is deemed to be in attendance and able to exercise the right to speak and vote at a Board meeting when that person is in a position to communicate to all those attending the meeting.
- 52.5 The Board may make whatever arrangements they consider appropriate to enable those attending a Regional Committee meeting to exercise their rights to speak or vote at it, including holding Regional Committee meetings in person at a physical location, virtually by electronic means, or at a hybrid of both. In determining attendance at a Regional Committee meeting, it is immaterial whether two or more Regional Committee members attending are in the same place as each other.
- 52.6 Meetings of a Regional Committee shall be chaired by the Chair of the Regional Committee, or in their absence the Vice-Chair of the Regional Committee, or in their absence another Regional Committee member.
- 52.7 Unless otherwise required by these Rules, questions arising at any Regional Committee meeting shall be decided by a majority of votes cast and in the case of an equality of votes the chair shall have a second or casting vote.

53. Remuneration of Regional Committee members

The Society shall from time to time fix the remuneration of the Regional Committee members. In addition, Regional Committee members shall be reimbursed their reasonable out of pocket expenses wholly and necessarily incurred on Society business in accordance with the Society's remuneration policy.

54. Creating or restructuring Regions and Regional Committees

- 54.1 Having regard to the principle of proportional regional representation, and subject to the approval of the Members by ordinary resolution, the Board shall determine the Regions into which the Society will be divided for the purposes of constitutional representation, holding Regional Members' meetings and establishing Regional Committees.
- 54.2 In the event of another society or societies transferring their engagements to the Society, or following a review of regional representation, the Board shall have the power to:
- (a) establish additional Regional Committees to be constituted as the Board shall determine; and

- (b) temporarily increase the size of existing Regional Committees by a maximum of three places which shall be reserved for members of a transferring society, and to determine the timescale for returning the Regional Committee to twelve members.

54.3 The Board may co-opt members of a transferring society onto a Regional Committee, and they will have the same rights and responsibilities as the elected members of the Regional Committee. A person co-opted onto a Regional Committee must stand down at the next Members' meeting but may put themselves forward for nomination as a Regional Committee member provided they meet the eligibility criteria.

54.4 Nominations and elections for the office of Regional Committee member reserved for members of a transferring society shall normally be taken at Members' meetings held in the same Region in which the size of the Regional Committee has been increased under Rule 54.2(b) to accommodate the transfer.

55. Registers

55.1 The Society shall keep at its registered office a Register of Members in which the Secretary shall enter the following information:

- (a) the names and addresses of the Members;
- (b) a statement of the number of shares held by each Member, the amount paid, or agreed to be considered as paid, on those shares;
- (c) a statement of other property in the Society, whether in loans, deposits, or otherwise held by each Member; and
- (d) 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.

55.2 The Society shall keep at its registered office a Register of Directors and Officers in which the names and addresses of the directors and Secretary, the offices held by them, and the dates on which they assumed office, shall be entered.

55.3 The Registers to be kept under this Rule shall be kept in such a way that is open for inspection disclosing only the information required to be disclosed under the Act.

56. Right of inspection

Any Member or person having an interest in the funds of the Society may inspect their own account and the registers containing the names of the Members, including the information referred to in Rule 55 and section 103 of the Act, 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 at a Members' meeting.

57. Untraced Members

57.1 Where the Society has evidence that a Member no longer lives at the address shown in the Register of Members then, subject to carrying out the procedures set out in Rule 57.2, the Secretary may treat the membership as ceased and note the date membership ceased in the Register of Members.

57.2 Before treating a membership as ceased the Secretary shall:

- (a) 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 in Rule 57.2(b)(i) and (ii); and
- (b) advertise in all places of business of the Society to which Members have access, or if no such place exists, take steps to publish an advertisement on its website and in the local media giving the following information:
 - (i) advising that the Society intends to, after a notice period of not less than two calendar months, revise its Register of Members to indicate that Members no longer living at their registered address have ceased to be Members of the Society; and
 - (ii) providing contact details to enable any Member to confirm their registered address, or to confirm that they wish to withdraw from membership of the Society;

57.3 At the end of the notice period set out in Rule 57.2(b)(i), if those Members have not made contact with the Society to confirm otherwise, the Secretary shall amend the Register of Members to show that those memberships have ceased, and any associated shares have been cancelled.

57.4 The remaining amount standing to credit of such ceased Member in the share account of the Society, together with any sum of money representing interest or dividend credited to the member in the records of the Society in respect of their shares, shall be transferred to a suspense account within the books of the Society.

57.5 At the end of the period of two calendar years commencing with the date upon which any credit account has been transferred to a suspense account, any such credit accounts that remain unclaimed shall be forfeited to the Society. If, at any time following forfeiture, a person demonstrates such proof of lawful entitlement to the sum of a forfeited credit account as the Society shall reasonably require, then the Society shall transfer the forfeited sum to them within three months of receiving said proof of entitlement.

58. Insufficient share account balance

58.1 If a Member is found to have not maintained a balance in their share account of at least £1.00 then, subject to carrying out the procedures set out in Rule 58.2, the Secretary may remove the Member from membership.

58.2 Before removing a Member from membership the Society shall:

- (a) 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) state in the notice that, unless the Member increases the balance in their share account to £1.00 within the period of notice, the Society shall cancel and forfeit their share; and
 - (c) send the notice to the Member's registered or last known address and include a statement to the effect that if a Member objects to the cancellation and forfeiture of their share and wishes to remain a Member they should increase the balance in their account to £1.00 within the period of notice.
- 58.3 Once a Member is removed from membership under this Rule, the Society shall cancel the Member's shares and any credit, interest or dividend payments included in the books of the Society in respect of the Member's shares shall be forfeited to the Society.

59. Audit

- 59.1 The Society shall, unless it meets the requirements under Sections 83 or 84 of the Act, appoint an auditor to act for each financial year to audit the Society's accounts and balance sheet.
- 59.2 An auditor for the preceding financial year shall be re-appointed as auditor of the Society for the current financial year unless any of the exceptions set out in Section 93 of the Act apply.
- 59.3 The following persons shall not be appointed as auditor of the Society:
- (a) a director, officer or employee of the Society; or
 - (b) a person who is a spouse or partner of, or in the employment of, or who employs a director, officer or employee of the Society.
- 59.4 At least every ten years, the Society shall re-tender for the provision of the external audit.
- 59.5 An auditor may be appointed by either the Board or by the members at a Members' meeting.
- 59.6 Any resolution of a Members' meeting, either to remove an auditor from office or appoint another person as auditor, shall not be effective unless notice of the proposed resolution has been given to the Society at least twenty-eight clear days prior to the meeting at which the resolution is to be considered. The notice must be served in writing upon the auditor as soon as possible. At least twenty-one clear days' notice of such resolution must then be given to Members in the manner prescribed in these Rules.
- 59.7 When required by the Act, or where the membership requires it, the Board shall cause the accounts of the Society to be submitted at least once in every year to the auditor for audit.
- 59.8 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. They shall be entitled to require from the Board such information and explanations as they think necessary for the performance of their duties. The auditor shall be entitled to attend any Members' meeting of the Society, to receive all notices of and other communications relating to any Members' meeting, which any Member of the Society is also entitled to receive, and to be heard at any meeting which they attend, or any part of the business of the meeting which concerns them as auditor.

60. Accounts

- 60.1 In accordance with the Act, the Society shall ensure that proper books of account are kept with respect to its transactions and its assets and liabilities, and that a satisfactory system of control of its books of accounts, cash holdings, and all its receipts and remittances, is established and maintained.
- 60.2 In each year of account, the Board shall ensure that:
- (a) a revenue account(s) is prepared, which separately, or together, deal with the affairs of the Society as a whole for that year and which give a true and fair view of the income and expenditure of the Society for that year;
 - (b) a balance sheet is prepared giving a true and fair view as to the state of the affairs of the Society; and
 - (c) the Society adopts and conforms to the relevant accounting standards applicable to the Society. Any variation shall be reported clearly to the Members in the Society's annual report.
- 60.3 The Board shall, if it thinks fit, prepare a revenue account(s) for less than one year of account and a balance sheet at the end of the period covered by such revenue account(s).
- 60.4 Every revenue account and balance sheet presented to the annual general meeting shall be accompanied by a report of the Board on the state of the Society's affairs.
- 60.5 If the Society is required to have its accounts audited, any financial statements shall be reviewed by the auditor and any revenue account(s) or balance sheet shall be audited by the Society's auditor, and an auditor's report produced, prior to publication.

61. Annual Return

In accordance with the Act, each year the Society shall send an annual return, in the prescribed form and within the prescribed time period, to the Registrar.

62. Minutes

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

63. Means of communication with Members and directors

- 63.1 The Society shall determine if it shall maintain a website which may be used as a method by which the Society may communicate with Members. Any such website shall clearly show the name of the Society and its registered office address.
- 63.2 A notice required to be given by the Society to any Member(s) or director(s) under these Rules or under the Act may be given by:
- (a) sending the notice to the Member(s) or director(s) at their address in the Register of Members or Register of Directors and Officers;
 - (b) using electronic means, where a Member or director has provided the Society with an address for electronic communication for any purpose. The Society shall be deemed to have the consent of the Member or director to communicate via electronic means unless the Member or director concerned withdraws that consent by notice in writing to the Society; and/or
 - (c) displaying notices conspicuously at the registered office of the Society and in other places of business of the Society to which Members have access.
- 63.4 A notice sent to a director's address shall be deemed to have been duly served forty-eight hours after it has been posted or sent. A director may agree with the Society that notices or documents sent to them in a particular way, including by electronic means, are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than forty-eight hours.

64. Copies of Rules and Annual Return

- 64.1 A copy of these Rules and any amendments to them shall be made available on the Society's website and shall be provided to any other person on demand and on payment of the statutory fee chargeable for the time being in force. In accordance with the Act, the first copy of the Rules issued to any Member will be issued free of charge.
- 64.2 The Secretary shall supply on demand and free of charge to any Member or person with an interest in the funds of the Society a copy of the latest annual return together with a copy of the auditor's report (if any) on the accounts and balance sheet contained in the annual return.

65. Seal

The Society shall not have a seal.

66. Disputes and arbitration

- 66.1 Any disputes or questions arising out of, or in connection with, these Rules, including any questions regarding their existence, validity or termination, or the legal relationships established by these Rules, shall be referred to mediation by a mediator agreed by the parties. If the parties are unable to agree on a mediator, then either party may apply to Co-operatives UK (or any role or body that succeeds them) to appoint a mediator.

66.2 In the event that a dispute cannot be concluded by reference to a mediator, the matter may be referred to the Sheriff Court (in Scotland) or the County Court (in England).

66.3 Any person bringing a dispute must, if so required, deposit with the Society the sum of £500 by way of security for costs. The arbitrator will decide how the costs of the arbitration are to be apportioned and what should be done with the deposit.

67. Application of profits

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

- (a) paying a dividend to Members in respect of the value of the qualifying purchases made by them from the Society and to any other person as decided by an ordinary resolution of the Members, provided that:
 - (i) payments of dividends should be based on the Members' participation in the Society and should be paid in equitable proportion to their trade with the Society;
 - (ii) the Board may determine that no dividend or that reduced rates of dividend shall be paid in respect of such purchases, and 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;
 - (iii) no dividend shall exceed the amount recommended by the Board;
 - (iv) the Board may, at its discretion, pay such interim dividend as it deems to be justified by the profits of the Society. Qualifying purchases on which an interim dividend has been paid shall not rank for dividend in the final distribution of profits in any one financial year; and
 - (v) 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 in payment for any amount unpaid on the Member's shares or for further shares;
- (b) setting aside such amount as the Board may determine for the purposes of promoting education, culture or recreation;
- (c) making such payments for charitable purposes or for the benefit of the community as the Board shall determine;
- (d) setting aside to the Regional Committees such community budgets as the Board may determine from time to time in order to support community-based initiatives which support the interests of the Society, its Members, and the communities within the Society's principal trading area;

- (e) paying the cost of such shares as the Board decides to issue under the terms of the Employee Share Scheme;
- (f) 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 determine from time to time;
- (g) making payments for any lawful purpose whatsoever whether within the objects for which the Society was formed or otherwise, provided that no distribution of the profits shall be made to Members except as is expressly provided for in these Rules;
- (h) setting aside to a reserve fund such amount, if any, as the Board may determine; and
- (i) retaining as reserves any of the profits not applied in one of the methods set out above.

68. 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 Members' meeting may by resolution determine, provided that the moving of such resolution was specified as business of the meeting in the notice convening the meeting.

69. 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 general 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 26.1, 33 and 72 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.

70. Registration of alterations

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

71. Amalgamation, transfer of engagements and conversion

71.1 The Society may, by special resolution passed in a 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.

71.2 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”.

- 71.3 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.
- 71.4 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 organisation with whom the transaction takes place, or from any other person or organisation.
- 71.5 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 71.3 and 71.4 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.
- 71.6 The right to enforce any Binding Undertaking granted in terms of Rule 71.5 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.
- 71.7 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);
 - (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.

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

72. Dissolution

72.1 The Society may be dissolved by:

- (a) winding up in a manner provided by the Act; or
- (b) an instrument of dissolution signed by three-fourths of the Members for the time being, in the form prescribed.

72.2 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 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;
- (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.

.....
[Name] (Member)

.....
[Name] (Member)

.....
[Name] (Member)

.....
[Name] (Secretary)