Central England Co-operative

# EXPLANATORY NOTES ON THE RULES OF CENTRAL ENGLAND CO-OPERATIVE LIMITED

***These Explanatory Notes do not form part of the Rules***

## INTRODUCTION

The Society has a set of Rules, approved by its members. These serve as the Society's constitution and are a mechanism which ensures how the affairs of the Society are conducted on behalf of its members.

The Rules set out the Society's powers and purpose, the remit of the Board, who can be members, who can be directors, rules over the distribution of its profits (referred to as trading surplus), how members' meetings are conducted, and how other matters should be dealt with. In brief, they provide the framework under which the Society operates on a day-to-day basis, and act as the foundation for the Society.

The Society's former Rules contained a number of enshrined rules which could only be rescinded or altered by a resolution passed at a special meeting of the Society by 95% of the total votes cast. These enshrined rules have been protected, as detailed in the table on page 6 of this document.

The following notes provide a high level summary of the Rules and the purpose of each section of the Society's Rule book.

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## Definitions

Definitions of words commonly referred to in the Rules are shown on pages 3 and 4 of the Rule book.

## Name and details of the Society

*Rules 1 to 3* set out the legal name of the Society and the address of the Registered Office.

## Purpose, Values and Principles, Objects and Powers

*Rules 4 to 9* are intended to satisfy legal requirements to set out what the Society is empowered to do and to confirm its status as a co-operative that will carry on its business for the benefit of Members in accordance with the Values and Principles that form from time to time part of the International Co-operative Alliance's Statement of Co-operative Identity.

## Members

*Rules 11 to 20* contain provisions which are largely taken from the Society's existing Rules relating to the requirements for membership of the Society including application, termination and expulsion from membership.

Provisions have also been included dealing with those Members with whom the Society has lost contact to assist the Society in maintaining an accurate and up-to-date Register of Members.

As per the existing Rules, there is a right of remedy for removal provisions and a right of appeal for expulsion provisions.

## Shares

*Rules 21 to 32* detail matters relating to the share structure of the Society, minimum holding requirements by members and associated administrative matters, procedures relating to the repayment and withdrawal of share capital, and the death or bankruptcy of a member.

## Organisation of the Society

*Rules 33 to 34* set out the governance framework of the Society to implement its purpose and objectives.

## Governance Framework

*Rules 30 to 41* detail the responsibilities and powers, where necessary, of the Board, Chief Executive and Management Executive, Secretary, and Membership & Community Councils.

## Society General Meetings

*Rules 42 to 73* cover provisions relating to meetings of Members and related matters, including the procedures to be followed at or in connection with these meetings.

**The Board**

*Rules 74 to 103* concern:

- the democratic composition of the Board
- the procedures for the removal of a Director from the Board
- matters relating to the chairing of Board meetings
- eligibility requirements for Directors
- procedural matters in connection with Board meetings, including the disclosure of interests

The duties and responsibilities of the Directors reflect the fact that they owe a range of legal duties to the Society, including a duty to act in the best interests of the Society, having regard to the interests of its Members (both present and future); to run the Society as a co-operative in accordance with the Values and Principles; and to ensure that the Society remains a registered society by satisfying the requirements of the Financial Conduct Authority as registration authority.

The Board will comprise up to 12 Member Directors, plus, if deemed necessary by the Board, a maximum of two Independent Non-Executive Directors who will be appointed to the Board on the recommendation of the Search Committee. Member Directors, including Employee Member Directors, will be elected by members who are eligible to vote under the Rules, on a three-year rolling term of office and candidates must satisfy defined eligibility criteria.

In the event that the Society receives a transfer of engagements, the Board may at its absolute discretion appoint member elected directors of the society which is transferring its engagements as Directors of the Society (the Interim Directors). Any Interim Directors appointed shall hold office for a maximum period of twelve months. No appointment of an Interim Director may be made if it would mean any breach of the restrictions in Rules 75 to 77, dealing with Board composition.

**Board Committees**

*Rules 104 to 105* empower the Board to delegate any of its powers to a committee (however at law the Board will remain responsible for the exercise of those powers) and detail the composition of such, as well as specifying five committees that must be established as a matter of course. These include:

- An Audit & Risk Committee is responsible, amongst other things, for: overseeing internal systems and controls concerning risk management, disclosure and financial reporting; ensuring the effectiveness of the internal audit; overseeing the Society's financial statements and the external auditors;

- A Remuneration Committee is responsible, amongst other things, for: determining the remuneration policy for the Management Executive, including the Chief Executive and Secretary.

- A Search Committee which, amongst other things, is responsible for: leading the selection process and making recommendations to the Board concerning Independent Non-Executive Directors and Directors; monitoring the composition of the Board; and evaluating Board and individual Director performance.

- A Conduct Committee which is responsible, amongst other things, for dealing with matters relating to the conduct of Directors;

- A Rules & Practices Committee which is responsible, amongst other things, for high level constitutional and related procedural matters

**Remuneration and Protection of Directors**

*Rules 106 to 111* deal with fees and expenses of Directors and the scope and application of indemnity of Directors and Officers of the Society.

**Member Committees**

*Rules 112 to 113* relate to the establishment and activities of Membership & Community Councils or such other member committee(s).

**Appointments**

*Rule 114* relates to the appointment of delegates to represent the Society at external meetings.

**Registers**

*Rules 115 to 121* contain provisions in respect of the register of members, directors and officers, required by the Act.

**Insufficient Share Balance**

*Rules 122 to 124* outline the procedure for the removal of a member who has less than the minimum £1 share balance.

**Audit**

*Rules 125 to 135* relate to all matters in respect of the external auditor, including eligibility, appointment and remit.

**Accounts**

*Rules 136 to 143* relate to financial record keeping and reporting of the Society's accounts and associated ancillary actions.

**Administrative Provisions**

*Rules 144 to 148* relate to the requirement to record member and Board meetings, all

matters in respect of statutory returns to the registrar of societies, the service of notice to members, and custody of the Society seal including the execution of documents.

**Disputes**

*Rule 149* relates to the method of resolving disputes between members and the Society or an officer and, where appropriate, enables arbitration by a person appointed by Co-operatives UK.

**Interest on Share Capital**

*Rule 150* relates to the calculation of interest payable, to members, on share capital.

**Application of Trading Surplus**

*Rules 151 to 160* details the stakeholders to which a distribution of trading surplus can be paid, the eligibility to receive such, the process by which it is approved, and the retaining of the remaining trading surplus as part of the Society's reserves to support future investment in the business.

**Political Affiliations**

*Rules 161 to 163* covers matters in respect of any political affiliations the Society may have, in furtherance of Co-operative Values & Principles, the reporting by such groups to members and the mechanism by which affiliations can be altered.

**Amendment of Rules**

*Rules 164 to 166* describe the process that should be followed in the event that the Rules require amendment or replacement. It should be noted that Rules 164 and 165 refers to a two-tier voting threshold which relates to certain enshrined Rules. As such to alter or change Rules 48, 51, 52, 68, 71, 72, 164, 165, 166, 167, 168 or 170 requires a 95% majority of the total votes cast whereas amendments to all other Rules require a 75% majority to effect such.

**Amalgamation, Transfer of Engagements, and Conversion**

*Rule 167* details the types of corporate entity reorganisation the Society can engage in, including to amalgamate, transfer engagements or convert into another statutory entity, and the process to effect such.

**Dissolution**

*Rule 168* sets out the process of dissolution of the Society in accordance with the Act.

**Liability of Members**

*Rule 169* states that the liability of a member is limited to their shareholding.

**Surplus Assets**

*Rule 170* sets out how surplus assets should be dealt with in the event of the dissolution or winding up of the Society and the governance arrangements for effecting such.

| **'ENSHRINED' RULES – DESTINATION TABLE** | | |
|---|---|---|
| **Former Rule** | **Purpose** | **2016 Rule(s)** |
| 11.9 | Requisition requirements for calling special members' meetings, including extra safeguards in respect of meetings requisitioned by members to consider amalgamations, transfer of engagements or conversion to a company. | 51 |
| 11.10 | Details the requirements and information that should be contained in a requisition calling for special members' meetings. | 51 |
| 11.11 | Sets out the timeline for holding a requisitioned special meeting and actions that can be taken should the deadline not be met. | 52 |
| 11.12 | Restricts the business that can be transacted at a special members' meeting and the arrangements and procedure to enable an ordinary meeting being made into special meeting. | 48 |
| 11.14 | Details regarding the adjournment of meetings. | 72 |
| 11.15 | Details the period of adjournment, business of adjourned meetings and notice requirements. | 71 |
| 11.16 | Minimum quorum requirements at special meetings to amend/rescind etc. 'enshrined' rules, with the quorum requirement in such cases being 1% of the membership. | 51(a) |
| 11.17 | Quorum of 15 at all other members' meetings (i.e. those other than in 11.16 above). | 68 |
| 23 | Alteration of Rules or the Society's name. | 164, 165 & 166 |
| 25 | Dissolution of the Society. | 168, 170 |