

## **Rules of**

### **ETHICAL CONSUMER RESEARCH ASSOCIATION LIMITED**

*(Registered under the Industrial and Provident Societies Acts 1965-1978)*

#### **NAME**

1. The name of the Society (referred to in these Rules as "the Co-operative") shall be Ethical Consumer Research Association Limited.

#### **OBJECTS**

2. The objects of the Co-operative shall be:
  - (a) to promote environmental sustainability, human rights and animal welfare by providing information to markets on buying choices that consumers and other purchasers may have to influence these issues.
  - (b) to promote public education on the social and environmental impacts of companies, brands, products and any other relevant items of consumer interest.
  - (c) to carry on the business as a bona fide co-operative and to carry on any other trade, business or service as principals or agents which may seem to the Co-operative to be conducive to its interests generally.

In carrying out the above objects the Co-operative shall have regard to promoting the physical, emotional, mental and spiritual well-being of the community, especially those who participate in the activities of the Co-operative, and shall support, foster and promote the principles and practice of common ownership and co-operation in its own affairs and in society generally.

#### **POWERS**

3. The Co-operative shall have power to do all things necessary or expedient for the fulfilment of its objects and in particular:
  - a) to establish and contribute to pension or superannuation schemes for any persons who are or have been employed by the Co-operative and their dependants;
  - b) to make gifts to ex-employees of the co-operative or their dependants in cases of hardship;
  - c) to make gifts and donations for social or charitable purposes.

#### **REGISTERED OFFICE**

4. The Registered Office of the Co-operative shall be at Unit 21, 41 Old Birley Street, Manchester M15 5RF.

#### **MEMBERSHIP**

5. All persons (in the case of an individual being aged sixteen years or over) who support the objects of the Co-operative, who have paid or agreed to pay any subscription or other sum due in respect of membership and who are either:
  - a) employees of the Co-operative (or of any subsidiary of the Co-operative) may be members, subject only to such probationary period not exceeding twelve months which may be in force; or
  - b) an investor in the Co-operative;may be admitted to membership at the discretion of the Board.
6. Applications for membership shall be in such form as the Board may from time to time direct.

7. The Co-operative shall keep at its registered office a register of members in which the Secretary shall enter the following particulars:
- a) the name and address of every member;
  - b) a statement of the number of shares held by each member and that £1.00 has been paid, or agreed to be considered as paid, on each share;
  - c) a statement of other property, whether in loans or otherwise, held by each member;
  - d) the date on which each member's name was entered in the register as a member and the date on which any member ceased to be a member;
  - e) the names and addresses of the Board members and officers of the Co-operative, of the offices held by them respectively, and the dates on which they assumed and vacated office.
- 7A A Member who is a nominee of an unincorporated body shall have entered against her/his name in the Register of Members the name of the unincorporated body by whom the Member has been nominated.
8. A copy of these Rules and any amendments made to them shall be given free of charge to every member upon admission to membership and shall be provided to any other person on demand and on payment of the statutory fee chargeable for the time being in force.
- 8A All members agree to be bound by the obligations on them as set out in these Rules. When acting as Members they shall act at all times in the interests of the Co-operative and as guardians of the objects of the Co-operative.
- 8B The Board may make provision for different classes of membership and different classes of shares and assign to such classes different rights provided that each share have the nominal value of one pound and shall carry no right to dividend and that members shall have one vote (regardless of the number of shares held). In addition to ordinary shares, the Board shall have the power to create and issue additional classes of shares, which may be withdrawable or transferrable, and which may carry various levels of risk, and may benefit from such rates of interest as may be determined by the Board from time to time. The interest payable on such shares may be cumulative or otherwise as the Board shall stipulate. The Board may determine that the different classes of share capital shall rank in a particular order in the event of dissolution. The characteristics of, and the conditions applying to, each class of shares shall be determined at the time the class of shares is created, and, once such shares have been issued, the Board shall not change these characteristics or conditions, without the approval of a Special Meeting.
- 8C At the date of adoption of Rule 8B the classes of membership shall comprise of:
- a) Employee Members, being those members who have invested human capital in the Co-operative and are employed by the Co-operative; and
  - b) Investor Members, being those members who have invested equity capital in the shares of the Co-operative,

#### **CESSATION OF MEMBERSHIP**

9. A member shall cease to be a member if s/he:
- a) being an employee shall cease to be employed by the Co-operative (or of any subsidiary of the Co-operative) for any reason whatsoever; or
  - b) resigns in writing to the Secretary; or
  - c) being an individual dies or becomes bankrupt or being a corporate body is wound up or goes into liquidation; or
  - d) is expelled from membership in accordance with Rule 10; or
  - e) ceases to hold any shares in the Co-operative.
10. A member may be expelled for conduct prejudicial to the Co-operative by a resolution carried by a majority of at least two-thirds of those members voting at a General Meeting of the Co-operative of which due notice has been given, provided that the grounds for

expulsion have been specified in the notices calling the meeting and that the member whose expulsion is to be considered shall be given the opportunity to state her/his case to the meeting. If on due notice having been served the member fails to attend the meeting the meeting may proceed in the member's absence.

11. No member expelled from membership shall be re-admitted except by a resolution carried by a majority of at least two-thirds of those members voting at a General Meeting of which due notice has been given.

## **GENERAL MEETINGS**

12. An Annual General Meeting shall be held within six months of the close of the financial year of the Co-operative, the business of which shall comprise:
  - a) The receipt of the accounts and balance sheet and of the reports of the Board and auditor (if any);
  - b) The appointment of an auditor (subject to Rule 55);
  - c) The election of Board members or the results of the election if held previously by ballot (subject to Rule 30);
  - d) The application of trading surplus;
  - e) The transaction of any other business included in the notice convening the meeting.
13. All other General Meetings shall be called Special General Meetings.
14. A Special General Meeting shall be convened either upon an order of the Board or at the request of three members of the Co-operative or ten per cent of the membership, whichever is the greater.
15. A General Meeting shall be convened by at least fourteen days' notice unless all members of the Co-operative agree to hold a General Meeting with shorter notice. Notices of meetings shall either be given to members personally or posted to them at their registered address or sent by email or alternatively, if so agreed by the Co-operative in General Meeting, notices of General Meetings may be displayed conspicuously at the registered office and in all other places of business of the Co-operative to which members have access such as the company website. Notices shall specify the time, date and place at which the meeting is to be held, and the business which is to be transacted at that meeting. A General Meeting shall not transact any business other than that specified in the notices calling the meeting.
16. A notice sent by post to a member's registered address or by email shall be deemed to have been duly served forty-eight hours after its posting. The accidental omission to send any notice to or the non-receipt of any notice by any member shall not invalidate the proceedings at the meeting.
17. If the Co-operative has appointed an auditor in accordance with Rule 54 they shall be entitled to attend General Meetings of the Co-operative and to receive all notices of and communications relating to any General Meeting which any member of the Co-operative is entitled to receive. The auditor shall be entitled to be heard at any meeting on any part of the business of the meeting which is of proper concern to an auditor.
- 17A The Board may determine to submit a resolution for decision by postal ballot, other than any resolution required by statute to be passed at a meeting of the Co-operative, or resolutions for the appointment or reappointment of auditors or for the removal of auditors before the expiration of their term of office.

## PROCEEDINGS AT GENERAL MEETINGS

18. No person other than a member duly registered shall be entitled to vote on any question at a General Meeting. Every member shall hold one vote only. Votes may only be cast personally; proxy voting is not permitted. Except where otherwise specified by the Rules or by the Act, questions shall be resolved by a simple majority of votes cast.
19. No business shall be transacted at a General Meeting unless a quorum is present in person. Unless and until otherwise decided by the Co-operative in General Meeting, a quorum shall be ten per cent or more of the members of the Co-operative.
20. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved. In any other case it shall stand adjourned until the same day in the next week at the same time and same place or otherwise as the Board may direct, and all members shall be given such notice of the adjourned meeting as is practicable. The members present at a meeting so adjourned shall constitute a quorum.
21. The members present at a General Meeting shall choose one of their number present to be Chairperson of that meeting, whose function shall be to conduct the business of the meeting in an orderly manner.
22. The Chairperson may with the consent of any meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Where a meeting is adjourned for twenty-one days or more, notice of the adjourned meeting shall be given as in the case of the original meeting; otherwise it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
23. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a secret ballot is, before or on the declaration of the result of the show of hands, demanded by at least three members present. Unless a secret ballot be so demanded, a declaration by the Chairperson that a resolution has on a show of hands been carried or lost with an entry to that effect in the book containing the minutes of the proceedings of the Co-operative shall be conclusive evidence of the fact without proof of the number or proportions of the votes recorded in favour or against such resolution.
24. If a secret ballot is duly demanded it shall be taken in such a manner as the Chairperson directs, provided that no member shall have more than one vote, and the result of the ballot shall be deemed to be the resolution of the meeting at which the ballot was demanded.
25. The demand for a secret ballot shall not prevent the continuance of a meeting for the transaction of any other business than the question upon which a ballot has been demanded. The demand for a secret ballot may be withdrawn.
26. In the case of an equality of votes, whether on a show of hands or on a ballot, the Chairperson shall not have a second or casting vote and the resolution shall be deemed to be lost.
27. The Co-operative may invite other persons who are not members to attend General Meetings, with or without speaking rights and without voting rights.
- 27A The members in general meeting can only exercise the powers of the Co-operative expressly reserved to it by these Rules or by the Act or any other statute.

## AMENDMENTS TO RULES

28. Any of these rules may be rescinded or amended or a new rule made by a vote of three quarters of members of the Co-operative voting at a General Meeting of which fourteen clear days' prior notice has been given, such notice to include details of the change(s) to be proposed at that meeting. No amendment of rules is valid until registered by the Financial Services Authority.

## BOARD OF DIRECTORS

29. The governance of the Co-operative shall be vested in a Board of Directors comprising when complete of nine Directors divided as follows:
- Five Employee Directors directly elected by Employee members
  - Two Investor members elected by Investor members
  - Two non-executive directors appointed by the other Directors.
- Only eligible members of the Co-operative may serve on the Committee. By 'eligible members' are members aged eighteen years or over and who are not bankrupt or otherwise prohibited by law or Rule 37 from acting as the director of a company or society. To be eligible, Investor members must have held shares for a minimum of twelve months and be willing to undertake training in co-operative governance.
- In the event of there being fewer than nine directors available to stand then the general meeting may re-design the board with a view to retaining the balance of interests above until such time as all posts are able to be filled. Unless the members shall otherwise decide the minimum number of directors shall be three and the maximum number shall be eleven.
30. For so long as the Co-operative has less than nine eligible members, the Co-operative in General Meeting may decide that all such eligible members shall be members of the Board until the number of such members exceeds fifteen (or until such earlier time if the Co-operative should so decide), when the Co-operative shall commence electing Board members. During a period when all eligible members of the Co-operative are also members of the Board, Rules 12(c), 31, 32 and 33 shall not apply.
31. New Investor Board members shall be elected at or by ballot prior to the Annual General Meeting. Procedures for nominating and electing Board members shall be established and may be amended by the Board, provided that all eligible members are entitled to stand for election and all members are entitled to vote. Employee Directors shall be elected by ballot at the nearest Employee meeting to the Annual General Meeting or otherwise as the employee members may decide. Non-executive directors shall be appointed by the directors at their first meeting following the Annual General Meeting or in accordance with Rule 33.
32. A Board member shall, subject to Rule 37 below, hold office until the end of the next Annual General Meeting following her/his election. Retiring members shall be eligible for re-election at the Annual General Meeting at which they retire.
33. The Board may co-opt any eligible member of the Co-operative to fill a casual vacancy within their body. A person so co-opted shall for all purposes be treated as a duly elected member of the Board and shall serve until the end of the next Annual General Meeting following their co-option. A casual vacancy shall be deemed to exist if the number of Board members should drop below the minimum prescribed in these Rules or below the number elected at the preceding Annual General Meeting.
34. In the event that the size of the Board should drop below the minimum number of members prescribed in these Rules, the members of the Board may act to increase their number or to call a General Meeting of the Co-operative, but for no other purpose.

35. A Board member shall declare an interest in any contract or matter in which s/he has a personal material or financial interest, whether directly or indirectly, and shall not vote in respect of such contract or matter, provided that nothing shall prevent a member voting in respect of her/his terms and conditions of employment or any associated matter.
36. Any remuneration of Board members shall only be in respect of services actually rendered to the Co-operative. Board members may also be paid all reasonable expenses incurred by them in connection with the business of the Co-operative.
37. No person may become or remain a member of the Board and the office of Board member shall be immediately vacated if s/he:
- a) resigns her/his office in writing to the Co-operative; or
  - b) ceases to be a member of the Co-operative for any reason whatsoever; or
  - c) is removed from office by a majority vote of the Co-operative in General Meeting, the notices for which specified that the question of the Board member's removal was to be considered; or
  - d) in the opinion of a majority of the Board, fails to declare her/his interest in any contract as referred to in Rule 35; or
  - e) is absent from three successive meetings of the Board during a continuous period of twelve months without special leave of absence from the Board and they decide that s/he has by reason of such absence vacated office; or
  - f) becomes bankrupt or, in the opinion of a majority of the Board, incapable on medical or psychological grounds of carrying out the functions of a Board member; or
  - g) is disqualified from acting as a director of a company for any reason.
- 37A A member of the Board may be removed from office at any time by a resolution passed at any general meeting of the members of the Co-operative. Pending the decision of such general meeting the Board member may be suspended from her/his duties by resolution of the Board if in their opinion she/he has been guilty of conduct detrimental to the interests of the Co-operative or is otherwise thought to be unfit to carry out her/his duties.

## **OFFICERS**

38. The Board shall elect from among their own number a Treasurer and Secretary and such other honorary officers as they may from time to time decide. These honorary officers shall have such duties and rights as may be bestowed on them by the Board or by statute and any officer appointed may be removed by the Board. A serving officer who is not re-elected to the Board at the Annual General Meeting shall nevertheless continue in office until the first Board meeting following the Annual General Meeting.

## **INDEMNITY**

- 38A Without prejudice to any indemnity to which a Director may be entitled at common law or otherwise, every Director or other officer of the Co-operative shall be indemnified out of the funds and assets of the Co-operative against all actions, claims, costs, demands and expenses and any personal liability whatsoever whether civil or criminal arising out of or in connection with the exercise or purported exercise of his/her duties as a Director or officer of the Co-operative but excluding liability incurred under Section 62 of the Industrial and Provident Societies Act 1965 or for wilful default, fraud or dishonesty, provided that any officer who has given security under Section 41 of the said Act shall not be indemnified for and to the extent of any sum of money due under such security and further provided that no person shall be indemnified against costs or expenses recovered from him/her by order of the Registrar. For the purposes of this paragraph of this rule, any reference to a Section of an Act includes reference to any legislation replacing or amending the same. The Co-operative is indemnifying:
- a) the Directors and officers for the time being of the Co-operative against any liability which by virtue of any rule of law would otherwise attach to them or any of

- them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Co-operative; and
- (b) the Co-operative itself as reimbursement for indemnity actually and lawfully provided to its directors and officers pursuant to the first paragraph of this rule.

### **POWERS AND DUTIES OF THE BOARD**

39. The business of the Co-operative shall be managed by the Board of Directors who may pay all expenses of the formation of the Co-operative as they think fit and may exercise all such powers of the Co-operative as may be exercised and done by the Co-operative and as are not by statute or by these Rules required to be exercised or done by the Co-operative in General Meeting, provided that any arrangement involving the disposal of assets equivalent in value to one-third or more of the total value of the last published balance sheet of the Co-operative must be ratified by a General Meeting before such arrangement is entered into.
40. No regulation made by the Co-operative in General Meeting shall invalidate any prior act of the Board which would have been valid had that regulation not been made.
41. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for monies paid to the Co-operative shall be signed, drawn, accepted, endorsed, or otherwise executed in such manner as the Board shall from time to time direct.
42. Without prejudice to its general powers, the Board may exercise all the powers of the Co-operative to borrow money and to mortgage or charge its undertaking and property or any part of it and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Co-operative or of any third party.
- 42A The Board shall have power to:
- a) delegate, in writing, the exercise of any of its powers to any sub-committees and to employees of the Co-operative on such terms as it determines. Such delegation may include any of the powers and discretions of the Board and shall always include the requirement for regular and prompt reports to the Board; and
- b) make such bye-laws as they may deem necessary or expedient or convenient for the proper conduct and management of the Co-operative, including bye-laws to regulate the procedure at general meetings and meetings of the Board; to regulate conflicts of interest; and to specify criteria for the selection of potential members of the Board
- Provided that:
- (i) no bye-law shall be inconsistent with or shall affect or repeal anything contained in these Rules; and
- (ii) the Co-operative in general meeting shall have the power to alter, add to or repeal such bye-laws and the Board shall adopt such means as they think sufficient to bring to the notice of the members all bye-laws, which shall be binding on all members.

### **PROCEEDINGS AT BOARD MEETINGS**

43. The Board of Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. The Secretary shall at the request of two or more Board members summon a meeting of the Board at any reasonable time by giving all Board members reasonable notice of the date, time and venue for the meeting and the general nature of the business to be considered.
- 43A Meetings of the Board or any sub-committee can take place in any manner (including by suitable digital or electronic means) which permits those attending to communicate with all other participants. Any Board member participating in the meeting by such means shall

be counted in the quorum. The meeting shall be deemed to have taken place at the location of the chair of the meeting.

44. The quorum necessary for the transaction of business at a Board meeting shall be five of the members of the Board, or if there are fewer than five Directors then the quorum shall be all of the Directors.
45. At every Board meeting the Board members present shall elect one of their number to be Chairperson of the meeting whose function shall be to conduct the business of the meeting in an orderly manner.
46. The Board shall cause proper minutes to be made of all the proceedings of the Co-operative, of the Board and of any sub-committees. All such minutes shall be open to inspection by any member of Co-operative at all reasonable times provided that certain minutes relating to the personal affairs of Co-operative members and employees may be designated confidential and shall be available only to current members of the Board.
47. Questions arising at Board meetings shall be decided by a majority of votes of those present. In the event of a tied vote the Chairperson shall not have a second or casting vote and the resolution shall be deemed to be lost.
- 47A A resolution in writing sent to all members of the Board and signed by three quarters of the Board shall be as valid and effective as if it had been passed at a properly called and constituted meeting of the Board and may consist of several documents in the same form, each signed by one or more Board members.

#### **SHARE CAPITAL**

48. The shares of the Co-operative shall be of the nominal value of £1.00 each issued to persons upon admission to membership of the Co-operative. The ordinary shares shall be withdrawable only and not transferable except in the event of death or bankruptcy. The conditions, and terms under which shares, other than ordinary shares, issued pursuant to Rule 8B may (if applicable) be withdrawn, shall be determined by the Board at the time the class of shares is created, and shall be made known to all members applying to hold such shares.
49. The minimum shareholding shall be such number of fully paid shares as the Board may determine or failing such determination one ordinary share. The maximum shareholding shall be defined as such number of fully paid shares as may be prescribed by the Act or otherwise set by a General Meeting.
- 49A A member may subscribe for shares in tranches of shares which are smaller in number than the minimum shareholding, provided that any member who does not achieve the minimum shareholding within 12 months after her/his first payment shall cease to be a member and shall have returned to her/him the value of the shares paid for to date, and the relevant shares shall be cancelled.
- 49B Shares shall be withdrawable only in accordance with the provisions of these Rules. Ordinary shares shall not be transferable except on death or bankruptcy.
- 49C The Board may credit interest on share capital by the allotment of further shares to a Member, provided that:
  - a) the total number of shares allotted to any Member shall not, together with any shares already held by that Member, exceed the nominal value stated in these rules or the maximum shareholding permitted by law;
  - b) no amount less than £1 shall be credited against a share;



and in such events, the amount of any interest not credited as further shares shall stand as a debt of the Co-operative to the Member or, at the option of the Member, be paid in cash to the Member.

- 49D Ordinary shares may be withdrawn by Members upon giving fourteen days notice to the Co-operative but:
- a) all withdrawals shall be paid in the order in which the notices were received by the Board;
  - b) except where a Member resigns from the Co-operative Members shall not be entitled to withdraw shares so as to leave them with less than the minimum shareholding;
  - c) the Board may waive the notice required for a withdrawal and may direct payments to be made without notice or on such shorter notice as they consider fit;
  - d) the Board may decide to suspend the right to withdrawal either indefinitely or for a fixed period and permit only partial withdrawal;
  - e) the suspension shall apply to all notices of withdrawal which have been received by the Co-operative and remain unpaid at the time the Resolution suspending the right to withdraw is decided upon by the Board;
  - f) where the suspension is for a fixed period such period may be extended from time to time by resolution of the Board;
  - g) during any period when the right of withdrawal has been suspended under Rule 49D d) the shares of deceased Members may, if the Board so decide, be withdrawn by their personal representatives upon giving such notice as the Board may require;
  - h) the amount to be paid a Member on withdrawal shall be the amount credited on the shares to be withdrawn less such reasonable sum as may be deducted by the Co-operative to cover any administrative or other costs of withdrawal;
  - i) no interest shall be payable on any share in respect of which a notice of withdrawal has been given unless such interest is declared by the Co-operative in General Meeting before the date of repayment;
  - j) any share withdrawn shall be cancelled.
- 49E If the right to withdrawal has been suspended a Member may cease to be a Member by surrendering all their shares to the Co-operative. Upon such surrender, the Board may, in their discretion, pay to the withdrawing Member the amount paid at or credited in the shares surrendered.
- 49F Shares may not be held jointly except by trustees (including personal representatives of a deceased member or by any persons being nominees of any one unincorporated body) and by not more than 4 named trustees. Requirements regarding notices of meetings, voting rights and other such matters shall apply to the person whose name precedes the names of the others as joint holders in the register of members. An application for the withdrawal of any share or shares held jointly shall be made by all the joint holders who alone shall be able to give a valid receipt for any capital repaid.
- 49G The Co-operative shall have a lien on the shares of a Member for any debt due to it by the Member and may set off any sum standing to the Member's credit with the Co-operative in or towards payment of such debt.

### **BORROWING**

50. The Co-operative shall have power to borrow money from its members and others for the purposes of the Co-operative providing that the amount outstanding at any one time shall not exceed £10,000,000.
51. The Co-operative shall have power to mortgage or charge any of its property, including the assets and undertakings of the Co-operative, present and future, and to issue loan stock,

debentures and other securities for money borrowed or for the performance of any contracts of the Co-operative or its customers or persons or corporations having dealings with the Co-operative.

52. The rate of interest on money borrowed, except on money borrowed by way of bank loan or overdraft or from a finance house or on mortgage from a Building Society or Local Authority shall not exceed 6½% per year or 3% above the base lending rate of The Co-operative Bank plc at the commencement of the loan, whichever is the higher.
53. The Co-operative may receive from any persons donations or loans free of interest towards its work but shall not receive money on deposit.

### **AUDITORS**

54. Subject to rule 55 below the Co-operative shall appoint in each financial year an auditor qualified under section 7 of the Friendly and Industrial and Provident Societies Act 1968 to audit the Co-operative's accounts and balance sheet for the year.
55. The Co-operative shall (subject to Rule 56) be exempt from the obligation to appoint a qualified auditor if during the preceding financial year it met such criteria regarding low levels of income and/or expenditure or other factors as to qualify it for statutory exemption from the need to appoint qualified auditors.
56. The members of the Co-operative shall in general meeting vote every year to allow the Co-operative to apply the audit exemption. Such a resolution shall be deemed to have been passed if less than twenty per cent of the total number of votes cast are against the resolution and less than ten per cent of the members of the Co-operative cast their votes against the resolution.
57. None of the following persons shall be appointed as auditor of the Co-operative:
  - a) an officer or employee of the Co-operative;
  - b) a person who is a partner or employee of or who employs an officer of the Co-operative.
58. The first appointment of an auditor shall be made within three months of the registration of the Co-operative and shall be made by the Board if no General Meeting is held within that time. The Board may appoint an auditor to fill a casual vacancy occurring between General Meetings. Except as specified in these cases, every appointment of an auditor shall be made by a resolution of a General Meeting of the Co-operative.
59. An auditor for the preceding financial year shall be re-appointed as auditor of the Co-operative for the current financial year unless:
  - a) a resolution has been passed at a General Meeting appointing someone else as auditor or providing expressly that s/he shall not be re-appointed; or
  - b) s/he has given notice in writing to the Co-operative of her/his unwillingness to be re-appointed; or
  - c) s/he is ineligible for appointment as auditor of the Co-operative for the current financial year; or
  - d) s/he has ceased to act as auditor of the Co-operative by reason of incapacity.
60. Any resolution of a General Meeting of the Co-operative either to remove an auditor from office or to appoint another person as auditor shall not be effective unless notice of the proposed resolution has been given to the Co-operative at least twenty-eight days prior to the meeting at which the resolution is to be considered. At least fourteen days' notice of such resolution must then be given to members of the Co-operative in the manner prescribed in Rule 15 and in writing to the auditors.

## **ANNUAL RETURN**

61. Every year and within the period prescribed by the Act, the Secretary shall send to the Financial Services Authority the annual return, in the form prescribed by the Financial Services Authority, relating to its affairs for the period required by the Act to be included in the return together with:
- a) a copy of the report of the auditor on the Co-operative's accounts for the period included in the return or a copy of such other report (if any) as is required by statute for such period; and
  - b) a copy of each balance sheet made during that period and of the report of the auditor or other appropriate person as required by statute on that balance sheet.
62. The Co-operative shall on demand supply free of charge to any member or any person with an interest in the funds of the Co-operative a copy of the latest annual return together with a copy of the auditor's report on the accounts and balance sheet contained in the return.
63. The Co-operative shall at all times keep a copy of the latest balance sheet of the Co-operative together with a copy of the corresponding auditor's report hung up in a conspicuous place at the registered office.

## **PROCEEDINGS ON DEATH OR BANKRUPTCY OF A MEMBER**

64. Upon a claim being made by the personal representative of a deceased member or the trustee in bankruptcy of a bankrupt member to any property in the Co-operative belonging to the deceased or bankrupt member, the Co-operative shall transfer or pay such property to which the personal representative or trustee in bankruptcy has become entitled as the personal representative or trustee in bankruptcy may direct them.
65. A member may in accordance with the Act nominate any individual or individuals to whom any of her/his property in the Co-operative at the time of her/his death shall be transferred, but such nomination shall only be valid to the extent of the amount for the time being allowed in the Act. On receiving a satisfactory proof of death of a member who has made a nomination the Co-operative shall, in accordance with the Act, either transfer or pay the full value of the property comprised in the nomination to the person entitled thereunder.

## **APPLICATION OF SURPLUS**

66. The Co-operative intends to trade as a not-for-profit organisation. As such, the profits of the Co-operative shall be applied as follows in such proportions and in such manner as may be decided by the Co-operative at the Annual General Meeting:
- a) firstly, to a general reserve for the continuation and development of the Co-operative in such amount, if any, as the Board may recommend and a General Meeting may by ordinary resolution decide;
  - b) secondly, in paying interest on the share capital (by issue of bonus shares or otherwise) at such rate which in the opinion of the Board is necessary to obtain and retain the capital required to carry out the objects of the Co-operative;
  - c) thirdly, in making payments for social and charitable objects including making such payments in support of the Co-operative, as the Board may recommend and a General Meeting may decide;
  - d) any other profits shall be carried forward.

## **SEAL**

67. If the Co-operative has a seal it shall be kept in the custody of the Secretary and used only by the authority of the Board of Directors. Sealing shall be attested by the signature of two members of the Board of Directors or of one member of the Board of Directors and the Secretary for the time being. If the Co-operative does not have seal, a document which

would have previously required to be sealed, should be signed by a member of the Board of Directors and secretary or two members of the Board of Directors and accompanied by a written statement that the document has been executed by the society as if under common seal.

### **INVESTMENT OF FUNDS**

68. The Co-operative may invest any part of its funds:
- a) in the manner set out in Section 31 of the Industrial and Provident Societies Act 1965; and (without limitation of those powers)
  - b) upon the security of a written promise by the borrower to repay, in any society registered under the Act or any company registered under the Companies Act or Acts from time to time in force, being a society or company with limited liability.

### **DISSOLUTION**

69. The Co-operative may be dissolved by the consent of three quarters of the members by their signatures to an instrument of dissolution, or by winding up in a manner provided by the Act. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, these assets shall not be distributed among the members, but shall be transferred instead to some other common ownership enterprise(s), or to the Co-operative Movement or some other non-profit organisation(s) promoting and supporting co-operative and common ownership enterprises, as may be decided by the members at the time of or prior to the dissolution.

### **DISPUTES**

70. In the event of a dispute between the Co-operative or its Board and a member of the Co-operative or a former member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute. The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may with the consent of both parties be referred to the County Court (or in Scotland, to the Sheriff).

### **INTERPRETATIONS**

71. In these Rules, "the Act" refers to the Industrial & Provident Societies Acts 1965 to 1978 or any Act or Acts amending or in substitution for them for the time being in force. "Common ownership" shall have the meaning afforded to it in the Industrial Common Ownership Act 1976.