

## **New Protocols - Adopted August 2012**

Members will be aware both from Directors' reports and articles in local and co-operative media, that the Society has, in the recent past, experienced some serious issues of governance.

As a consequence of these experiences, the Board undertook its own review of the Society's governance practices and agreed a number of new or revised protocols.

The Society's Board of Directors in the spirit of openness and transparency has agreed that it is entirely consistent with the values of co-operation that details of each protocol be made public.

### **Conflict of Interest**

The Board and Senior Management considered this matter in June 2012. They concluded that the current protocol for declaring a conflict of interest at Board meetings is satisfactory. Declaration of interest is a standard item on the agenda, and conflicts are declared and recorded in the minutes.

Where the Chair of a meeting declares an interest or where a majority of the Board believes there to be a conflict of interest, the Board has the right to appoint another person to Chair any meeting, or to restrict the Chair's participation within the debate and their right to vote (per usual conflict of interest procedures).

Whilst it is recognised that meetings without management have no legal standing, decisions arising from such meetings, that are subsequently ratified at a bona fide meeting of the Board have legal force. Therefore conflicts of interest are to be declared at meetings without management and recorded when ratifying a decision at the following bona fide Board meeting.

During the course of a meeting should a Director find them self conflicted, they should declare their interest at that time.

Where the Chair is conflicted for more than one or two items in any particular meeting, it may be deemed necessary for another person to be appointed Chair for the whole meeting. The Board may appoint whichever of its number it so chooses.

### **Directors right to take independent advice**

The Board and Senior Management considered this matter in June 2012. Taking independent advice must be a collective Board decision. No individual Director has authority to seek independent advice or a second opinion on advice already received.

Where a substantial minority (at least 4 Directors) requires independent advice on any matter, the first port of call should be with the Secretary. If the Secretary is considered conflicted the Board should address the Chief Executive Officer. If the Chief Executive Officer is considered conflicted, the Board may go directly to the Secretary General of Co-operatives<sup>UK</sup>. The decision to seek advice must be duly recorded in the minutes.

Where advice is sought, the advice given is to be accepted, unless a majority of the Board believes the advice to be unsatisfactory. If a majority accept the advice, then the Board as a whole must accept the advice given. If the majority do not accept the advice, further advice should be sought.

It is recommended that any Director who obtains professional or legal advice independently, out with this protocol, does so in contravention of the Directors Code of Conduct, and any cost arising will be deemed a personal liability.

### **Bona fide attendance at sub-committees**

The Board and Senior Management considered this matter in June 2012, and concluded that it is in the Board's best interest that all Directors have a good understanding of the work undertaken by the various sub-committees of the Board. To this end the Board recognises that Directors will migrate from sub-committee to sub-committee during their term of office and will volunteer to serve on sub-committees.

Where a Director wishes to learn more about a sub-committee on which they do not currently serve, they may request permission from the Board to attend a particular sub-committee meeting as an observer, but no Director who is not appointed to a sub-committee may attend a meeting unless they have previously sought Board approval.

An exception is that Directors are encouraged to attend the Annual "Accounts" meeting of the Audit Committee at which the external auditor reports.

### **Reporting of redundancies to the Board**

The Board approved a formalised redundancy policy in 2012. The Society therefore has a formalised redundancy policy, and management is required to comply with it.

Redundancies are to be reported to the Board as a matter of routine to ensure the Board is aware of all redundancies made and in reporting redundancy, management will confirm that the key tenets of the redundancy policy have been fulfilled, that the policy has been fully complied with, and the minutes will record the events.

## **Employment Tribunals**

The Board and Senior Management considered this matter in June 2012. The Board concluded that where Employment or Industrial Tribunal papers are served on the Society, they will, as a matter of routine be reported to the Audit Committee, as potentially they could pose a reputational risk to the business.

Since Employment Tribunals are confidential, management will only report that papers have been served, and the Committee will be updated once a tribunal decision has been reached.

It is accepted that if a tribunal decision is not favourable to the Society, the reasons given will be reported to the Audit Committee and to the Board, and the Board may receive the information before the Audit Committee does, simply because the Audit Committee meets less frequently.

## **Strategic Planning**

The Rules require that the Board should provide strategic direction to the Management, thus ensuring that the Society continues to be successful and serves the needs the membership.

The Board has concluded that it will complete a three year strategic plan on a rolling basis, such that it is never within a year of its horizon.

The Board affirmed that the use of the Balanced Scorecard technique continues, focussing on the 4 key areas; customers/members, financial, learning and growth, and internal business processes.

Management and the Board agreed that this is a joint process between Management and the Board which in the past has proved to be successful.

## **Pension Trusteeship**

Directors who are trustees for the Pension Fund must act in the interest of the Pension Fund, and not confuse this with their role as a Director. It is accepted that Directors who are trustees are conflicted but the primary responsibility of a Pension Fund Trustee is to protect the interests of members and the assets of the Pension Fund.

The duties and responsibilities of Trustees are covered by the various Pension Acts and the Trust Deed and Rules of the scheme.

In simple terms the Trustee has a legal duty to act in the best interests of the Pension Fund and its beneficiaries. A Trustee must at all times act in the best

interests of the Trust.

Management recognises that thorough training in the role and in the responsibilities associated with being a Trustee is a prerequisite for achieving an effective trustee body.

### **Working party recommendations**

The Pension Fund Trustees have previously delegated responsibility for a specific project to a “Working Group”. The working groups’ recommendations, on the basis of their research were put to the Trustees for ratification, which created uncertainty for certain Trustees.

Where the Board, the Trustees or a Board sub-committee creates a separate working group for a specific purpose, the terms of reference of the working group must be agreed to avoid confusion or disappointment at a later date.

The terms of reference shall include whether the Board/committee is obliged to accept the findings of the working group or not, in order that resource is not wasted or deployed without an expected conclusion.

### **Board Meetings and sub-committee meetings**

Ordinarily ‘normal’ board meetings and single item ‘special’ board meetings are scheduled well in advance and, as far as possible, all board meeting dates will be adhered to and the expected business will be transacted. Similarly scheduled sub-committee meetings should not be postponed at short notice without good reason and explanation.

Matters of an urgent nature can be accommodated within ‘normal’ board meetings if appropriate.

The Board has concluded that whatever circumstances arise, its business should always be dealt with in meetings around the board table with face-to-face debate and no director should ever feel that they have been excluded from any matter under consideration (unless they are conflicted). Directors should themselves avoid in-depth discussion of society matters outside the boardroom, although a director who becomes aware of a serious matter should consult the President or Secretary without delay to bring attention to that matter.

Circumstances may arise under which it is advisable or necessary for the board to meet in an emergency when the following guidelines will be implemented:

- If the emergency, in the opinion of the Secretary, the Chief Executive Officer or the President (together or independently) is NOT deemed so serious as to threaten the society with irreparable damage, 3-days notice will be given to directors by the Secretary of the date and time of

an Emergency Board Meeting; the agenda and papers will be available 48 hours before the meeting.

- If the emergency, in the opinion of the Secretary, the Chief Executive Officer or the President (together or independently) is deemed SO SERIOUS that it might result in potentially irreparable damage to the society, the Secretary will convene a meeting as quickly as practicable and papers will be made available at the meeting. In such an event, directors can then consider whether they agree that the meeting is so serious and continue the meeting OR they may conclude that they would prefer time to consider the matter and adjourn the meeting.
- No urgent matters should be dealt with by telephone, email or other correspondence instead of in a meeting.

Only under exceptional circumstances which will need to be ratified as such by the board, may a scheduled board or sub-committee meeting be postponed or cancelled without the agreement of a majority of the participants.

Management is entitled to the same notice as directors should any meeting be called at the instigation of the President or by the board and the Secretary will be responsible for the circulation of the meeting papers.

### **Confidentiality**

Board matters, discussions, agenda and papers should remain private and confidential to the Board. Directors should ensure that these are not discussed with outside bodies, including other Co-operators, the press or Society employees (except with the Society's Senior Executives).

The Board has agreed that any Director who is approached (regardless of the approach) asking for a matter to be treated confidentially should advise the individual to invoke the Whistle blowing Policy. Directors out of courtesy, openness and transparency should advise the remaining Directors of the advice provided and to whom it was provided, through the office of the Secretary.

Directors are entitled to write to the press, providing that it is made clear that they write in a personal capacity. In general, press statements will be the responsibility of the Society's Marketing and Public Relations Manager. Such press releases will be subject to the Society's proof reading controls.

### **Chair of Committees rights in relation to Agenda and to view minutes prior to circulation**

The Board recognised and agreed in June 2012 that it is the Secretary's responsibility to prepare meeting agenda and that if any Committee Chair or the President wishes to view minutes before general distribution to other

members, then this should be facilitated as follows;

The general principles to be applied will be:

➤ Agenda

Whilst the Chair will not normally have pre-sight of any Agenda, they may ask for items to be included on an agenda and may be consulted about items or sequencing. Meeting Agenda should be issued 5 working days prior to any meeting.

➤ Minutes

The Chair will receive a draft copy of the minutes within 5 working days of the meeting and the full proposed minutes will be available to all Board or Committee members 10 working days after the meeting.

### **Meeting without Management**

The Board agreed in July 2012 that either the Secretary or Secretarial Officer attend all Meetings Without Management. The Secretary will liaise with the President to prepare the agenda, and any supplementary papers that may be required. Key action or discussion points should be noted, and copies of the meetings notes will be distributed to all Directors and Senior Executives.

Meetings will be pre-organised, and included within the Meetings diary, and will be held at least quarterly or as the Board sees fit.

Discussions at meetings without management will only deal with topics covered on the 'Matters Reserved for the Board', including annual appointments, strategy, three year strategic plan, delegation to events and training requirements. Matters such as day-to-day operations or executive performance are matters for a standard Board meeting.

Meetings will commence at 6.00pm and end at 8.00pm. If required, standing orders can be suspended to allow an additional 30 minutes for discussion.

The Secretary or Secretarial Officer can be asked to leave the meeting if confidentiality is requested for a particular matter, by a majority of Directors, and the notes will reflect any decisions taken.

### **Pre-meeting**

The Board agreed in July 2012 that a pre-meeting involving the President, Vice President, Chief Executive Officer, Deputy Chief Executive and Secretary or Secretarial Officer represents good practice. If deemed appropriate other individuals (Directors or Management) may be invited to attend.

The current convention of confirming to the Board that the agenda has been

agreed in full is also good practice. If the agenda is not agreed in full, then this will be reported to the Board as a matter of routine and an explanation will be provided why an item(s) has been removed and this will be minuted.

No information should be withheld from any Director.

### **Director Expenses**

The rate of reimbursement of Director's expenses is determined by the members on a three yearly cycle. Directors are paid for representing the Society on duly minuted bona fide business, in accordance with the Directors Expenses Policy Document.

The names of those Directors appointed as delegates is to be minuted, providing a clear reference for which expense claims can be authorised, retrospective approval is permitted if appropriate.

For accounting and audit purposes VAT receipts are required (where relevant) and claims are to be provided to the Secretary or Secretarial Officer no later than 1 month after the expense is incurred.

Directors fulfilling Directorship/appointments within the Co-operative movement shall not claim expenses from both parties.

### **Equal Rights**

All Directors are considered equal, regardless of their position on the Board and each Director has equal rights and responsibilities in law.

Each director has a responsibility to ensure that any relevant information they receive by virtue of their directorship is provided to all Directors, thereby ensuring all Directors are treated equally, and information is shared openly, honestly and transparently in accordance with Co-operative principles.

### **Other Directorship/appointments within the movement**

The Society recognises the value of a Director representing the Society within the wider Co-operative Movement, clearly demonstrating the 6<sup>th</sup> Principle of Co-operation.

Where any Director wishes to serve within the movement in a broader capacity they should firstly seek the approval of the Board. The Society recognises the importance of serving the wider movement and will in general support such aspirations, but only if they do not conflict with responsibilities to Chelmsford Star Co-operative Society Ltd.

Although this matter is not referred to in the Code of Conduct for Directors, the action of any Director not complying with this protocol will be deemed as

serious as a breach of the Code of Conduct for Directors and subject to the same sanction.

### **Management Executive**

Rule 8.1 states “the Society comprises the following:

- (a) Members;
- (b) the Board of Directors;
- (c) the Management Executive, including the Chief Executive;
- (d) the Secretary;
- (e) a Membership Committee;
- (f) a Members’ Council;”

For clarification purposes the Management Executive is led by the Chief Executive Officer and currently comprises the following positions:

- Deputy Chief Executive Officer
- [Secretary]
- Head of Finance / Chief Financial Officer
- Head of Food
- Marketing & Public Relations Manager
- Human Resources Manager
- Member Relations Officer
- Secretarial Officer

Under Rule 8.4 the Board determines the composition of the Management Executive, and approves the appointment and removal by the Chief Executive Officer of other members of the Management Executive.

The Board delegates authority to the Chief Executive Officer and the Management Executive to conduct the day-to-day business of the Society, in accordance with the Society’s rules.