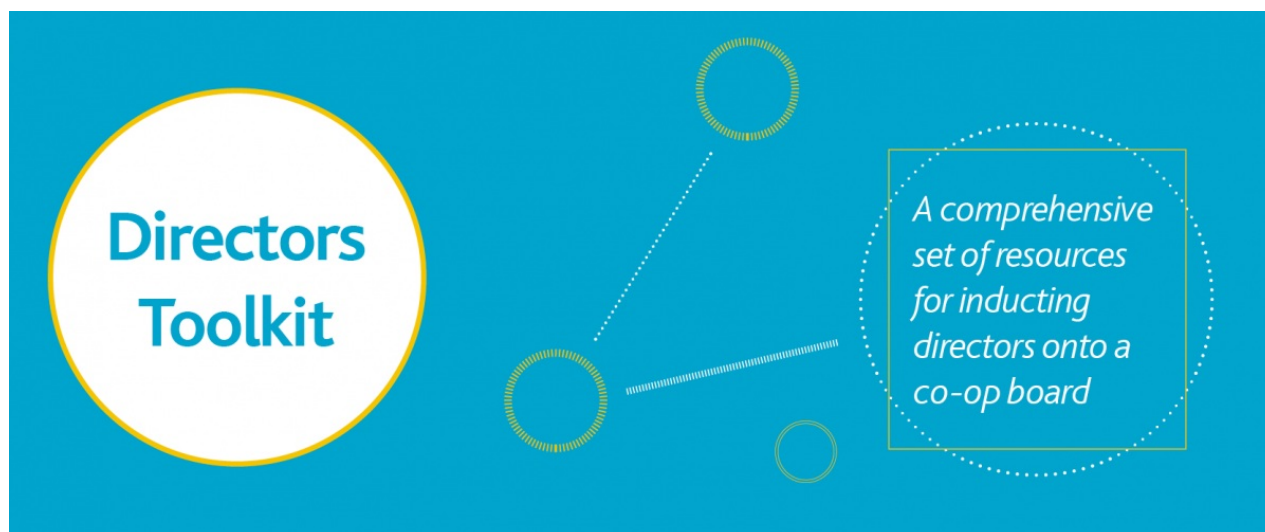


Directors toolkit



Directors toolkit

The directors toolkit is a comprehensive series of resources for inducting directors onto a co-operative board.

This toolkit has been collated as part of work being undertaken by the Co-operative Governance Expert Reference Panel, who produce expert guides and resources – freely available for co-operatives – to guide the practice of good governance for co-operatives.

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- Due diligence for co-operative directors: Guidance questions for a due diligence process for a new co-operative director
- Code of conduct for co-operative directors (read-only version and editable versions): The standards of personal behaviour and conduct required of directors of co-operatives. Template letter of appointment for co-operative directors – read-only version and editable versions
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decided only by the board as a whole.

While every effort has been made to compile the information in this fact-sheet from the most authoritative and up-to-date sources, Co-operatives UK can accept no liability for any loss made as a result of any error or omission. If you are in any doubt as to the currency of this fact sheet, [contact us](#).

Role of the Board

The role of a co-operative board is to ensure the long-term success of the enterprise in accordance with the International Co-operative Alliance Statement on Co-operative Identity.

The Board is appointed by and accountable to the members who own and control the co-operative. The Board represents the membership, making business decisions the interests of members.

The Board acts as the custodian of the co-operative's assets to safeguard the enterprise for the future.

A co-operative board provides accountable leadership by setting the strategic direction of the enterprise ensuring it runs efficiently within a framework of prudent and effective controls and in line with co-operative values and principles.

The Board's key responsibilities fall into the following areas

1 Vision and mission

Determine the co-operative's future vision and what it wants to achieve. Align the vision with the purpose set out by the members in its governing document and reference the value that will be generated for members. Establish the co-operative's mission in order to communicate and ground the vision in practical terms by outlining what the co-operative is going to do and why.

2 Strategy and objectives

Develop strategy to ensure the overall success and performance of the co-operative and safeguard the business for the future. The strategy and objectives will focus activity and set the pace for current operations and for the future of the co-operative.

3 Culture and values

Set the values, ethos and culture of the co-operative, having regard to the International Co-operative Alliance Statement on Co-operative Identity and the co-operative's obligations to members and other stakeholders. The Board must act with integrity and probity whilst promoting behaviour that demonstrates the organisation's culture and values.

4 Accountable leadership

Provide effective, accountable leadership which meets the Board's obligations to its members. Protect the co-operative's assets by exercising independent and objective judgement and be held to account for the co-operative's performance. Promote the growth, development and diversity of the membership by encouraging members to exercise their democratic rights and actively participate in the co-operative.

5 Control environment

Establish an effective system of internal controls including risk management and financial processes. The system of internal controls will ensure compliance with legal and regulatory duties, safeguard the co-operative's assets and protect member interests. The Board must manage

resources effectively to ensure the co-operative's viability is maintained. Internal controls must reflect the size, complexity and risk profile of the co-operative. The board should review compliance and progress in order to report to members at least annually.

6 Governance processes

Establish robust governance processes which align with the requirements of its governing documents. Processes should support the delivery of its purpose and enable effective decision making including appropriate delegation to subcommittees, the executive and members of staff.

7 Succession planning

Maintain a diverse Board with an appropriate balance of skills and experiences in order to discharge its duties effectively. Procedures should be in place for professional development and succession planning for the Board and Chief Executive alongside the regular renewal of directors sitting on the Board.

Co-operative Company Director – duties and responsibilities

An essential guide on the duties and responsibilities of a co-operative Company Director

All companies incorporated under the Companies Act 2006 (CA2006) must have a governing body – most commonly referred to as the Board of Directors. However, regardless of the name given to the governing body, if a person holds themselves out as director it is likely that the law will view them as such. Therefore, it is important that all directors understand their duties and responsibilities to enable them to carry out their role.

There are three types of limited company: a public limited company; a private company limited by guarantee; and a private company limited by shares. This guide will focus on the duties and responsibilities of private limited company directors.

What qualifications does a company director need?

Directors of private limited companies are not required to hold any specific qualifications. However, he/she must have attained the age of 16, be able to carry out the role to the best of their ability when measured against the company he/she is a director of and not be disqualified from acting as a director.

How are company directors appointed?

All private limited companies must have at least one director. However, Co-operatives UK would expect any co-operative incorporated as a company to have a minimum of three directors. Thereafter, the governing document of the company should set out who is eligible to be a director and how they are appointed.

How are company directors removed from office?

The governing document should set out the process for the removal of a director. Typically, examples include: resignation; conclusion of his/her term of office; removal by resolution of the company's members; or where he/she ceases to be eligible to carry out the role such as disqualification under the Company Directors' Disqualification Act 1986.

What are the liabilities of directors?

Company directors are protected by limited liability. This means when the society goes into liquidation or is wound up with outstanding debts, they will not have to contribute to the assets of the society above the guarantee amount (in the case of a company limited by guarantee) or the amount unpaid on their shareholding at the point at which the company is wound up. This protection may be lost in certain situations as follows:

Wrongful trading

The court can order the director of a company that has gone into insolvent liquidation to make a contribution to the assets of the company, if it appears that he/she knew, or ought to have known that the company was going into insolvent liquidation, but took no steps to try and avoid it. The court may make such an order even if the director did not know the company was going insolvent. The crucial test is that he/she ought to have known.

Fraudulent trading

If it can be proved that directors have carried on trading with the intent to defraud creditors, the court has the power to order a director to contribute to the assets of the company. This is also a criminal offence under CA 2006, so the directors concerned can be imprisoned as well as being required by the court to contribute to the company's assets.

Personal guarantees

If a company approaches a bank or other financial institution for a loan, it is common practice for them to ask that the directors give personal guarantees, particularly if the company of which they are a director does not have many assets. Giving a personal guarantee is the equivalent of taking out a personal mortgage and the director will not be protected by limited liability.

Liabilities to third parties

A director of a company can be personally liable to a third party in these situations:

- If he/she signs a cheque which does not contain the society's full and proper name
- If he/she does not make it clear he/she is signing as an agent of the society
- If the third party has the impression that the contract is being made personally with the director and not with the company
- If he/she makes fraudulent or negligent statements to the third party which that person subsequently relies on
- If he/she acts outside his/her area of responsibility without the authority of the board of directors (a concept known as 'breach of warranty')

In each of the above situations any debt which follows and which remains unpaid will be considered to be the debt of the director and he/she may be sued for payment.

What powers do company directors have?

The governing document of a co-operative company should give the governing body power to manage the company on behalf of the members. These powers are generally very wide to enable the governing body to manage and conduct the business of the company.

Directors have overall management responsibility for the company and it is essential that the directors are familiar with their provisions of the governing document and abide by them, so that they can carry out their duties in the correct manner.

What duties do company directors have?

CA 2006 codifies the duties and responsibilities of directors by bringing together and clarifying duties previously dealt with under case law. The statutory company directors' duties are as follows:

Duty to act within powers

A director of a company must always act in accordance with the powers granted to directors in the company's constitution. The 'constitution' includes not only the Memorandum and Articles of Association but any special resolutions and binding agreements made by the company.

Duty to promote the success of the company

A director must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. Specifically having regard to the:

- Consequences of any long term decisions
- Interests of the company's employees
- Need to maintain the reputation of the company and foster business relationships
- Impact of the company's operations on the community and the environment

Duty to exercise independent judgement

A director must exercise independent judgment. This duty requires a director to act in what s/he considers to be in the interests of the Company and not someone else. This duty is not infringed if s/he acts in a way authorised by the company's constitution or with an agreement entered into by the Company that restricts the directors from exercising this discretion in the future.

Duty to exercise reasonable care, skill and diligence

A director of a company must exercise reasonable care, skill and diligence. An assessment as to whether a director has carried out this duty adequately will consider the knowledge, skill and experience the director has and measure this against the standards expected of another person carrying out similar duties to the director in question.

Duty to avoid conflicts of interest

A director must avoid a situation in which s/he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company. This applies in particular to the exploitation of any property, information or opportunity (and it is immaterial whether a company could take advantage of the property, information and opportunity). This duty does not apply to a conflict of interest arising in relation to a transaction or arrangement a director has with the company.

Non-conflicted directors can authorise a conflict, provided that nothing in the company's constitution prevents such authorisation, the director with the conflict does not count towards a quorum at the meeting where the matter is considered and s/he does not vote on the matter. Alternatively, members of the company can authorise a conflict by ordinary resolution

Duty not to accept benefits from third parties

A director must not accept any benefit from a third party if this benefit is connected with his/her carrying out, or not carrying out, the duties associated with him/her being a director.

Duty to declare interest in proposed transactions or arrangements with the company

If a director has directly or indirectly an interest in a proposed transaction or arrangement with the company s/he must, before the company enters into the transaction or arrangement, declare the nature and extent of that interest to the other directors.

A declaration can be made at a board meeting, by notice in writing, or through a general notice. A director may give a general notice to the directors if s/he has a conflict to declare any interest in another organisation and will continue to have an interest in any transaction or arrangement with that organisation after the original notice has been given. A general notice must be given at a meeting of the directors and be raised at the next meeting of the Board after such a notice has been given

Duty to declare an interest in existing transactions or arrangements

A director must declare an interest to the directors in any transaction or arrangement that has been entered into by the company. However, if a director has already declared an interest before the company entered into such a transaction or arrangement s/he does not have to declare it again.

The declaration must be made at a meeting of the directors, by notice in writing or through a general notice. If at any time, the declaration of interest becomes inaccurate, the director must make a further declaration.

- A director is exempt from making a declaration if s/he is not aware of his/ her interest, the transaction or arrangement
- A director is not required to declare an interest if: it cannot reasonably be regarded as likely to give rise to a conflict, the directors are already aware of the conflict or it concerns a director's service contract that had been considered at a Board meeting.

Co-operative Society Director – duties and responsibilities

An essential guide on the duties and responsibilities of a Society Director

Every society registered under the Co-operative and Community Benefit Societies Act 2014 (the Act) must have a governing body. The governing body may be referred to as the Board or Committee. However, regardless of the name given to the governing body, if a person holds themselves out as director or committee member of a society then it is likely that the law will view them as such. Therefore, it is important that all directors understand their duties and responsibilities to enable them to carry out their role.

What qualifications does a society director need?

Directors of societies are not required to hold any specific qualifications. However, they must be able to carry out the role to the best of their ability and not be disqualified from acting as a director. Often, the rules of a society will set out the qualifications required to be appointed as a director. Most commonly these include a requirement for the person to have reached a certain age (the Act states that the minimum age is 16) and that they must be a member of the society.

How are society directors appointed?

The Act states that the rules of all societies must provide for the appointment and removal of a committee. However, it does not stipulate the minimum number of directors a society must have, or the procedure for appointing them. Therefore, it is important that these details are included in the rules of each society. In some cases, it may be sensible to require directors to sign a Code of Conduct which sets out what is expected of a director.

Typically, the rules of a society will set out the minimum and maximum number of directors; how they are elected or appointed; the term of office; and retirement procedure. Directors' details must be kept in the register of members and included in the society's annual return to the Financial Conduct Authority (FCA).

How are directors removed from office?

The governing document should set out the process for the removal of a director. Typically, examples include: resignation; conclusion of his/her term of office; removal by resolution of the company's members; or where he/she ceases to be eligible to carry out the role such as disqualification under the Society Directors' Disqualification Act 1986.

What are the liabilities of directors?

Directors of societies are protected by limited liability. This means that when the society goes into liquidation or is wound up with outstanding debts, they will not have to contribute to the assets of the society above the amount of the value of the shares they hold (usually a nominal sum). This protection may be lost in certain situations as follows:

Wrongful trading

The court can order the director of a society that has gone into insolvent liquidation to make a

contribution to the assets of the society if it appears that he/she knew, or ought to have known, that the society was going into insolvent liquidation, but took no steps to try and avoid it. The court may make such an order even if the director did not know the society was going insolvent. The crucial test is whether he/she ought to have known.

Fraudulent trading

If it can be proved that directors have carried on trading with the intent to defraud creditors, the court has the power to order a director to contribute to the assets of the society. Unlike limited companies, criminal proceedings for fraudulent trading under s993 of the Companies Act 2006 are not available to societies.

Personal Guarantees

If a society approaches a bank or other financial institution for a loan it is common practice for them to ask that the directors give personal guarantees, particularly if the society of which they are a director does not have many assets. Giving a personal guarantee is the equivalent of taking out a personal mortgage and the director will not be protected by limited liability.

Liabilities to third parties

A director of a society can be personally liable to a third party in these situations:

- If he/she signs a cheque which does not contain the full and proper name of the society
- If he/she does not make it clear he/she is signing as an agent of the society
- If the third party has the impression that the contract is being made personally with the director and not with the society
- If he/she makes fraudulent or negligent statements to the third party which that person subsequently relies on
- If he/she acts outside his/her area of responsibility without the authority of the board of directors (a concept known as 'breach of warranty')

In each of the above situations any debt which follows and which remains unpaid will be considered to be the debt of the director and he/she may be sued for payment.

What powers do society directors have?

The Act states that the rules of all societies must set out the powers the directors have to manage and conduct the business. These powers are usually wide-ranging, but the rules may also set out specific powers that a society has.

For example, it may state that a society has the power to borrow or to take on leases. Directors have overall management responsibility for the society and it is essential that they are familiar with their provisions of the rules and abide by them, so that they can carry out their duties in the correct manner.

What duties do society directors have?

Directors should discharge their legal duties and responsibilities in a way which seeks to ensure that the society remains committed to operating as a successful co-operative business in accordance with the values and principles that are set out in the International Co-operative Alliance Statement of Co-operative Identity, which is the basis of all co-operative enterprises, and serve the interests and protect the assets of the society's members by exercising independent

and objective judgement.

Broadly there are three categories of legal duty:

- The duty of good faith
- The duty to take care
- The duty to obey the law

Duty of good faith

A director is in a position similar to that of a trustee – namely being responsible for somebody else's (the society's and the members') property. As a result the law imposes a duty of good faith on directors, which can broadly be summarised as follows:

- Truthfulness and honesty – acting with complete integrity in any dealings with or on behalf of the society.
- Treating the society's affairs as confidential – individual directors have no legal authority to disclose anything outside of governing body meetings except what is already in the public domain, or what they are expressly authorised by the governing body to disclose.
- Acting at all times in the best interests of the society – this means ensuring that the society's interests always come first, and that a director never uses their position to obtain a benefit or advantage for themselves, for other people or other organisations.
- Respecting the collective decision making process – directors should accept decisions made by the governing body in accordance with the law and the society's rules, even if he or she disagrees with it, and voted against it if a vote was taken. This includes a commitment to support any decision of the governing body outside of its meetings.
- Avoiding conflicts of interest – directors should avoid putting themselves in a position where their duties and responsibilities as a director conflicts with other personal interests. Where a conflict arises, they must comply with the society's rules and processes.

Duty to take care

In carrying out their responsibilities and decision-making, directors must take proper care. They are expected to show:

- Such skill and care in carrying out their responsibilities as a person having their background and experience would reasonably be expected to show (the subjective test).
- The levels of skill and care that a person carrying out that role would reasonably be expected to show (the objective test).

In other words, the directors are not expected to be experts, but they are expected to use such expertise as they have. Furthermore, directors must recognise that an objective standard is applied, which means that where they do not have the knowledge and expertise needed, they should either undergo training, or additional skills should be brought onto the governing body, possibly through the co-option of professional external directors.

The duty to take proper care includes the following:

- Reading papers before governing body meetings and arriving properly prepared.
- Asking questions, requesting clarification if further information or explanation is needed, and challenging the members of the management executive when not satisfied with the answers given.
- Taking advice both from the management executive and from independent advisors, when

appropriate, in the best interests of the society.

- Disclosing any material interest to the governing body as provided for in the rules of the society. Directors should also do this in conjunction with any Conflict of Interest Policy that the society may adopt and the Code of Conduct for Directors as approved by the governing body.

Directors should aim to carry out their role to the highest possible standards. It is not acceptable to leave things to other people, to fail to attend meetings without an unavoidable reason for doing so, or to treat other matters as more important than those of the society. A director who does not give an appropriate level of commitment to the society's affairs is failing in his or her duty.

Directors should ensure that they are properly equipped to carry out their responsibilities. It is not sufficient to rely on current knowledge and experience. In order to keep pace with changing needs and changing legal and financial obligations, directors need to undergo appropriate training and professional development on an ongoing basis.

Duty to obey the law

Directors have a duty to conduct the affairs of the society under the Cooperative and Community Benefit Societies Act 2014 and common law. They must also follow the rules of the society.

Do company directors' duties apply to society directors?

The Companies Act 2006 codified directors' duties for limited companies. Although this codification doesn't apply to societies, the general duties set out in company law are based on developed common law and equitable principles and although society directors are not obliged to follow them, it is best practice to do so.

Duty to obey the law and comply with society rules

Directors must obey the law both to guard against the commitment of offences under the Act and under other legislation, such as consumer protection and health and safety laws where offences by a society may also result in liability for governing body members or officers of the society. Directors must also comply with the rules adopted by the society.

Duty to use powers only for the purposes for which they were conferred

Directors must use powers that they are given for the purpose for which they were given. The use of a power for some other ('collateral') purpose will be a breach of duty. For example, it is a misuse of a power to decide when to call a general meeting if a date is deliberately chosen to prevent certain members attending.

Duty to act in the society's best interests

In reaching decisions and exercising their powers under the law and the rules of the society, directors must act in good faith in what they consider to be the best interests of the society and not for any collateral purpose. The court looks to the directors to define what is in the interests of the society and will not substitute its own view.

The interests of the society are the interests of the members as a whole, both present members and future members. If a society is insolvent or close to it, the interests of the society become the interests of its creditors and directors should be mainly concerned with the effects of their decisions on that group. The duty to act fairly between members arises where a decision that is

considered to be in the interests of the society in good faith may have an adverse impact on particular members or groups of members. For example, in a society with different membership classes, when the governing body makes decisions in the interests of the society as a whole, it also needs to balance the interests of different member groups.

Duty to exercise independent judgement

Directors must always consider any issue independently while honestly seeking to pursue the interests of the society. This means that when a director is elected by a particular constituency of members they owe their duty to the whole society membership and must not follow instructions without considering how each decision will be in the best interests of the society.

Duty of care, skill and diligence

In carrying out their responsibilities, directors must take proper care when carrying out their responsibilities. They are expected to show:

...the care, skill and diligence that would be exercised by a reasonably diligent person with the general knowledge, skill and experience that the director has.

Directors are not expected to be experts but they are expected to use what expertise they have to carry out their role appropriately.

To avoid conflicts of interest

There must be no possibility of a conflict between the director's duty to the society and his or her personal interest or interest in some other body. Usually the rules would state that a director is required to declare his/her interest to the governing body and would not be allowed to vote on the issue. If the rules of the society make provision for this and the correct procedure is followed then the society cannot challenge the transaction, or claim the director's profits.

Conflicts can also be much wider. For example, where a director comes across information or an opportunity in which the society might be interested (e.g. to buy land adjacent to society land) by chance and unconnected with their role as a director and takes the opportunity without informing the society. That may put them in conflict with the society's interests even if the society has no interest in the opportunity and no proprietary claim to it.

The procedure for dealing with a conflict of interest should be set out in the society's rules. Where the rules fail to provide a procedure for dealing with a conflict of interest, the director will have to provide full information about the conflict of interests or interest and duty to society members at the general meeting, which will decide whether or not to use its remedies against the director and whether to consent to the breach of the 'no conflict' duty.

Duty not to misuse the society's information or property or make secret profits

The assets of a society cannot be dealt with as if they belonged to a director or any other member. If property is not dealt with lawfully in the society's interests, the general law allows the society to sue for the return of misappropriated property or to seek compensation in the courts for losses caused by the misuse of the property by a director.

In addition to those general remedies, the Act provides a cheap and speedy procedure. Money or other property belonging to the society that has been misappropriated or misused by a director in breach of duty can be recovered by an order of the magistrates' court with or without a conviction

for a criminal offence.

Due Diligence for Directors

Guidance questions for a due diligence process for a new co-operative director

Directors of co-operatives are required to exercise reasonable care, skill and diligence. This guidance note follows the recommendations set out in the FRC Guidance on Board Effectiveness.

A prospective director (whether elected or appointed) should undertake his/her own thorough examination of the co-operative to satisfy themselves that it is an organisation in which they can have faith and in which they will be well suited to working, and being involved, with.

The following questions are not intended to be exhaustive, but are intended to be a basis for the pre-election/appointment due diligence process that all co-operative directors should undertake. They are taken from the Institute of Chartered Secretaries and Administrators' UK Guidance Notes and Best Practice Guides.

Questions for Potential Directors to ask

The business

- What is the co-operative's current financial position and what has its financial track record been over the last three years?
- What is the exact nature and extent of the co-operative's business activities?
- What is the co-operative's competitive position and market share in its main business areas?
- What is the co-operative's strategy and vision?
- What are the key issues being faced by the board of directors at the moment?

Governance

- What record does the co-operative have on corporate governance issues?
- Does the co-operative have sound and effective systems of internal control?
- What is the size and structure of the board and any board committees?
- Does the co-operative comply, or explain non-compliance with any appropriate codes of governance?
- How well does the co-operative articulate its position on governance in the annual report?
- What governance challenges has the charity dealt with in the last two years?
- What is the relationship like between the board and the chief executive, the secretary, and the management team?
- What is the co-operative's attitude towards, and engagement with, its members?
- Is there a strong board culture that supports high standards of behaviour both within and outside of the boardroom?

The role of the director

- If the society is not performing particularly well is there the potential to turn it around and does the proposed director have the time, desires and capability to make a positive impact?
- Is the proposed director satisfied that the size, structure and composition of the board will enable them to make an effective contribution?

- Would accepting the directorship put the proposed director in a position of having a conflict of interest?
- Does the proposed director have the necessary knowledge, skills, experience and time to make a positive contribution to the board of this co-operative?
- Is there a culture of mutual respect and trust amongst the directors? Will the proposed director be provided with sufficient training to enable them to perform their role to the best of their ability?

Risk management

- Is there anything about the nature and extent of the co-operative's business activities that would cause the proposed director concern both in terms of risk and personal and ethical consideration?
- Is any material litigation presently being undertaken or threatened, either by the co-operative or against it?
- Is the proposed director satisfied that the internal regulation of the cooperative is sound and that it operates effectively within its stated corporate governance framework?
- What insurance cover is available to directors and what is the co-operative's policy on indemnifying directors?
- What professional advice is available to directors to enable them to carry out their duties?

Operational matters

- Has adequate thought been given to the board's decision-making processes?
- Do board papers provide high quality information, at a time far enough in advance of the meetings, to enable informed debate and high-quality decision-making?
- Does the board agenda focus on the right things?
- Have you seen the schedule of matters reserved for the board's decision?
- Are committee meetings structured so that there is sufficient time to allow a report to be submitted to the board meeting and is adequate time allowed in board meetings to discuss committee matters?
- Are the ICA Co-operative Values & Principles embedded in the decision making and operational processes of the co-operative?

Code of Conduct for Directors

The standards of personal behaviour and conduct required of directors of co-operatives

Status of this Code of Conduct

This Code of Conduct (the “Code”) sets out the standards of personal behaviour and conduct required of directors of co-operative. A co-operative’s governing document should refer to this Code, confirm its approval by its board and require its board to adopt it and to enforce compliance with it.

Every existing director of a co-operative must sign an acknowledgement accepting his or her obligation to comply with this Code in its entirety. Candidates seeking election as a director will be asked to confirm that they have read and understood it, and, if elected, must sign a similar acknowledgement confirming their obligation to comply with it.

We also provide editable elements of the Directors Toolkit where necessary

Access editable templates

Qualification for office

The co-operative’s governing document set out the criteria under which an individual is eligible to be a director. A director shall notify the secretary immediately on becoming aware that he or she is not, or may no longer be, eligible to be a director.

Commitment to Co-operative Principles

The co-operative is established to [insert the vision of the co-operative] and operate as a successful co-operative business.

Each director will discharge his or her responsibilities in a way which seeks to ensure that the co-operative remains committed to operating in accordance with the values and principles that are set out in the International Cooperative Alliance Statement of Co-operative Identity, which is the basis of all co-operative enterprises.

Carrying out the directors’ responsibilities

- Being a director brings with it a commitment to carry out all necessary duties and responsibilities which must be performed by the board. Each director will:

- Understand and abide by their legal duties and responsibilities. [see Duties and Responsibilities of Directors guidance note]
- Act in accordance with the governing document of the co-operative.
- Attend every meeting of the board and of any committee or sub-committees of the board to which he or she is appointed, unless there is an unavoidable reason for non-attendance, in which case the director shall notify the secretary of this.
- Prepare properly for every meeting by reading in advance any documents sent out for the purpose of the meeting. • Arrive on time for every meeting fully prepared and able to take an active role in discussions and decision making.

Standards of behaviours

In addition to fulfilling their legal duties, directors are expected to show high standards of behaviour in carrying out their responsibilities. This is necessary in order that the board can function properly as a board, that it can play its part appropriately in the co-operative's overall governance, and that the cooperative's good name and reputation is maintained.

Directors will observe the following general standards:

- In their dealings with each other, [with the co-operative's officers], [and with its management executive] [and employees] and members, directors must treat people politely, fairly, and with dignity and respect.
- On public occasions and on all co-operative business, directors must behave with integrity and in a way which is appropriate for a director of such an organisation. The director must not bring the co-operative into disrepute or prejudice its general good standing in any way.
- Directors should behave in a way that demonstrates their belief in the values and principles and ethical stance of the co-operative and shall conduct themselves in a way that does not call these beliefs into question or prejudice the general good standing of the co-operative in any way.
- Directors will treat meetings of the board or of any committee or sub-committee of the board to which he or she is appointed, as formal occasions, and will:
 - Accept the authority of the chair of any meeting, expressing all questions and points of view through the chair.
 - Listen to the views of the directors with an open mind, seek advice or clarification where needed, express their own views, and come to their own decisions on individual matters in good faith in what they believe to be in the best interests of the co-operative, taking into account relevant factors and ignoring irrelevant factors.
 - Accept decisions made by the board in accordance with the law and the co-operative's governing document, even if he or she disagrees with it, and voted against it if a vote was taken. This includes a commitment to support any decision of the board outside of board meetings.
 - Not resort to behaviour that could be considered aggressive or intimidating, e.g. swearing, name calling, shouting, finger pointing.
 - Keep to the agenda, raise other issues under "any other business" according to agreed procedures, and not engage in discussions during the meeting which are not relevant to the issues of the meeting.
 - Not present misleading information or behave in a way designed to mislead the board. • Ensure that they do not attend any meetings under the influence of alcohol, or illegal or recreational drugs.

Confidentiality

Directors will treat all information which they receive in their capacity as directors, and all discussions at board meetings or within committees or subcommittees of the board, as confidential.

Directors who are employees of the co-operative will take particular care not to disclose to their colleagues any confidential information which comes to them in their capacity as a director.

Directors will observe the following obligations of confidentiality:

- They will not disclose any information outside board meetings unless it is already in the public domain, or they are specifically authorised by the board to do so. This includes information about the co-operative's business, the deliberations of the board in reaching decisions, and the way individual directors voted on issues.
- They will not use any information for personal advantage.
- They will not pass information to any representative of the press or media, and will refer any press or media enquiries to the co-operative's management executive.
- They will not make unauthorised photocopies of any documents.
- They will take proper care of any documents they receive as directors, and store and dispose of them securely.

Conflicts of interest

Directors must avoid any situation which may lead to a potential conflict of interest.

Directors must disclose to the board, through the secretary, any situation which they believe may potentially give rise to a conflict of interest.

Where such a potential conflict is notified, the board shall decide whether the director may proceed with the situation giving rise to the conflict (for example, taking up a non-executive appointment in another organisation) or whether he or she must avoid it.

Directors must disclose to the board, through the secretary, any material interest [1] which they or their spouse or partner holds in:

- Any business which competes with or carries on the same trade as the cooperative.
- Any business which is providing goods or services to the co-operative, or is being considered as a potential supplier of goods and services.
- Any public body, voluntary organisation or charity with which the cooperative has or is likely to have dealings.

Where such an interest is notified, the board shall decide whether the director needs to take any action to manage this and, if so, what this must be. Examples of such action include not receiving papers on an issue related to the conflict, not attending board meetings where an issue relating to the conflict is being discussed or not voting on such issue. The board may determine any other action it believes is necessary to manage the conflict.

Subject to the co-operative's governing document, no director may take part in any discussion on a matter in which they have a material interest, or take part in any decision, or vote on any resolution. This applies to meetings of the board and of any committee or sub-committee of the board.

The secretary must keep a register of directors' interests which is open to inspection by members.

Taking independent advice

The co-operative's management executive is responsible for running the day-to-day business of the co-operative. If one or more directors have any questions about any aspect of the co-operative's affairs, they should be raised in the first instance [with the management executive/relevant employee], through the secretary.

If any director, or any committee or sub-committee of the board, believes that it is essential for independent advice to be sought on any matter to enable them to properly perform their duties then this should be done through the secretary. If the matter on which the advice is sought directly concerns the secretary, the advice shall be sought through the chair.

If one or more directors are dissatisfied with advice given, or the board fails to obtain their requested advice, they should raise the matter with the secretary. The secretary may take further independent advice if he or she considers it to be in the best interests of the co-operative to do so.

If the secretary is involved in the matter in question and cannot be regarded as independent for the purposes of taking further advice, a member of the management executive/relevant employee shall act in place of the secretary. If neither the secretary nor any member of the management executive can be regarded as independent for the purposes of the matter, it shall be referred to the Secretary General of Co-operatives UK.

Induction and Ongoing Professional Development

New directors must complete the formal induction programme developed by the board to ensure that they can become as effective as possible, as quickly as possible, in their new role. Failure to do so without good reason is a serious breach of this Code.

Directors should ensure that they are properly equipped to carry out their responsibilities. It is not sufficient to rely on current knowledge and experience. In order to keep pace with changing needs, and changing legal and financial obligations, directors need to undergo appropriate training and professional development on an ongoing basis.

All directors shall take part in any training which the board resolves that they should undertake. Failure to do so without good reason is a serious breach of this Code.

Hospitality and Gifts

Directors must not, in their capacity as director (or what might be perceived as their capacity as director), receive from or give to any person or organisation any hospitality, gift or any other benefit, except in the following circumstances:

- Working meals or refreshments.
- Inexpensive items (less than £10 in value) such as free calendars.
- Hospitality in the course of the co-operative's business, which is disclosed to the secretary and recorded in a register kept for this purpose.

Directors must observe the terms of any policy that the co-operative might have concerning hospitality and gifts.

Serving on the Board of another organisation

Directors who serve on the board of any other organisation must treat their roles as director of the co-operative and director of any such organisation as separate. This means that:

- They must maintain confidentiality in relation to information they receive in one capacity, and not disclose any such information in the other capacity unless they are expressly authorised to do so.
- When making decisions as a director of the co-operative, they must make such decisions in what they consider to be in the best interests of the cooperative, and when making decisions as a director of another organisation, make them in what they consider to be in the best interest of that organisation.

Breach of this Code

All directors accept that they must comply with this Code if the board is to function and carry out its role properly and efficiently. Where any director alleges that another director is in breach of this Code, the following provisions will apply:

- If the allegation is made in the course of a meeting, the matter is to be referred to the chair, who may:
 - Request the director alleged to be in breach to desist from any behaviour giving rise to the breach.
 - Defer the matter to be considered by the board on a subsequent occasion.
 - Adjourn the meeting.
 - Request that the director alleged to be in breach temporarily leaves the meeting for the matter to be discussed by the remaining directors present.
 - Exclude the director alleged to be in breach for the remainder of the meeting.
- If the remaining directors are to consider an allegation of a breach of this Code at any time, the director alleged to be in breach shall be given the opportunity to respond to the allegation.
- If the remaining directors consider that a director has committed a breach of this Code:
 - The breach shall be minuted by the secretary.
 - The board may recommend that the director in breach undergoes disciplinary action and/or training.
 - The board may resolve to report the matter to the members at the next members' meeting.

Subject to the governing document of the co-operative, a director in serious breach of this Code may be removed from office by a resolution approved by not less than three-quarters of the remaining directors, provided that the remaining directors also consider that it is not in the best interests of the co-operative for that individual to continue as a director.

Before any such resolution can be considered, the director alleged to be in serious breach shall be notified in writing of the alleged breach, and shall have an opportunity to answer the allegations made and to rectify the breach. In such cases where the governing document make provision for this instance they will take precedence over this Code.

This Code of Conduct has been approved by the board of [insert the name of co-operative]

Date: [insert date]

Footnotes

[1] For the purposes of the Code "Material interest" includes being an employee, holding any position of authority or responsibility, or owning any financial interest. It does not include the holding of shares which amount to less than 2% of the entire issued share capital of any company whose shares are listed on a stock exchange

We also provide editable elements of the Directors Toolkit where necessary

[Access editable templates](#)

Example letter of appointment for Elected Directors & co-opted professional external Directors

Co-operatives UK recognises the value of providing new directors (including elected directors and co-opted professional external directors) of co-operatives with a letter of appointment which sets out what will be expected of them.

The following letter is designed to be a guide for co-operatives, we suggest that some co-operatives may not use all of the contents of the letter and may need to tailor it to accommodate their requirements. It is based on the ICSA guidance: a sample non-executive's director's appointment letter.[1]

We also provide editable elements of the Directors Toolkit where necessary

[Access editable templates](#)

Dear *[insert name of appointee]*

I write to confirm your appointment as a director of *[name of co-operative]* with effect from *[insert date]*.

This letter is intended to inform you of a number of important formal matters connected with your appointment, and accompanies an induction pack which provides more detail to assist you in your new role. It is agreed that on acceptance of this offer, this letter will constitute an appointment to the office of director and not a contract of employment.

Appointment

Your appointment is subject to the governing document of *[insert name of co-operative]*. Your term of office will be for an initial tenure of *[insert number]* years commencing on *[insert date]*, unless otherwise terminated earlier, until the conclusion of the annual general meeting occurring approximately *[insert number]* years from that date.

Your appointment and position of director is contingent on satisfactory performance and any relevant statutory provisions relating to the removal of a director.

[The following is optional, only include if the letter is being sent to an IpNED]

The Board has determined you to be independent, and will disclose this in the annual report. You must inform me, or the Chair, immediately if you believe that your independence is in doubt.

Termination

Your appointment may be terminated with immediate effect:

- a. If you breach the Code of Conduct for Directors or
- b. You breach your duties to the co-operative or
- c. You become disqualified from acting as a director or
- d. You fail to meet the criteria to be a director as set out in the Governing document of *[insert name of co-operative]*.

Induction

In addition to the enclosed induction pack you will be provided with a comprehensive and tailored induction. You will be expected to make yourself available during your first year of appointment for not less than an additional *[insert number]* days. I shall be in touch shortly with further details.

Role

The board as a whole is collectively responsible for the success of the cooperative. The board has a direct responsibility to ensure that the co-operative operates as a co-operative business and adheres to the International Cooperative Alliance Statement of Co-operative Identity. It is responsible for ensuring that people with the best possible commercial and financial acumen and who have an affinity with the co-operative mode of business are leading the executive management team.

The role of a director is a varied one, and there are different responsibilities. Please refer to the enclosed *Roles & Responsibilities of a Director Guidance Note* for more details.

You will be expected to perform your duties and responsibilities to the co-operative faithfully, efficiently and diligently to a standard commensurate with both the function of your role as director and your knowledge, skills and experience.

As a director you must:

- Understand and exercise your powers under, and abide by, the cooperative's governing document.
- Take decisions objectively in the interests of the society.
- Understand and abide by the co-operative's Code of Conduct for directors.
- Understand and abide by the *[name of the Code of Governance that the cooperative abides*

by].

In your role as director you will be required to be involved in a wide range of activity, including but not limited to:

- Constructively challenge and help develop proposals on strategy.
- Scrutinise the performance of the Management Executive and monitor the reporting of performance against KPIs and objectives.
- Satisfy yourself on the integrity of financial information and that appropriate controls and systems of risk management are in place, robust and defensible.
- Uphold high standards and integrity and instill the appropriate culture, values and behaviours in the board room and beyond.
- Determine appropriate levels of remuneration and have a role in appointing and, where necessary, removing, the Chief Executive, and in succession planning.

If there are matters which arise which cause you concern about your role you should discuss them with me *[or the Chair]*.

Time Commitment

Overall the co-operative anticipates a time commitment of *[insert number]* hours per month after the induction phase. This will include attendance at least *[insert number]* board meetings per year, the AGM(s), *[one]* annual board away day/strategy day, *[at least two]* training days *[and at least one site visit(s) per year]*. Unless urgent and unavoidable circumstances prevent you from doing so, it is expected that you will attend the meetings outlined here.

Additional involvement may include representing *[name of co-operative]* at other events. Board members may also take on other roles, including serving on one or more of the board's committees. You will also be expected to devote appropriate preparation time ahead of each meeting.

By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the expectations of your role. You will be provided with the relevant terms of reference upon appointment to a committee. The agreement of the board should be sought before accepting additional commitments that might impact upon the time you are able to devote to your role as a director.

Code of Conduct

All directors are required to sign, and abide by, the enclosed Code of Conduct for Directors. Please read the attached and if you feel you are able to abide by it you should sign the enclosed agreement and return it to me. If for whatever reason you feel unable to abide by the Code of Conduct for Directors you must inform me as soon as possible.

Declaration of interests

It is accepted and acknowledged that you may have business interests other than those of the co-operative and must declare any conflicts that are apparent at present on the enclosed Declaration of Interests form. In the event that you become aware of any potential conflicts of interest, these should be disclosed to the chair and to me immediately as they become apparent.

Confidentiality

All information acquired during your term of office is confidential to the cooperative and should

not be released, communicated, nor disclosed either during your appointment or following termination (by whatever means), to third parties without prior clearance from me. This restriction shall cease to apply to any confidential information which may (other than by reason of your breach) become available to the public generally. You are required to hold and retain information (in whatever format you receive it) under appropriately secure conditions.

Upon retirement from your role as a director you will be required to delete any documents or other material held electronically and, on request, to certify that this has been done.

Please sign the enclosed confidentiality agreement.

[Optional text] Your attention is drawn to the requirements under both law and regulation relating to the disclosure of price sensitive information. You should avoid making any statements that might risk a breach of these requirements. If in doubt please contact me [or the Chair]

Independent professional advice

Where appropriate you may seek advice from independent advisers at the cooperative's expense. A copy of the agreed process for doing so will be provided to you by me upon request.

Training and ongoing professional development

On an ongoing basis, and further to the annual board evaluation process, the co-operative will make arrangements for you to develop and refresh your skills and knowledge in areas which are mutually identified as likely to be required, or of benefit to you, in carrying out your duties effectively. You should endeavour to attend any relevant training sessions which may be organised for the Board.

No Employment

Nothing in this letter shall render, or be deemed to render, you an employee or agent of the co-operative. You will not qualify for any benefits from the cooperative, including but not limited to occupational pension provision, sick pay or holidays.

Fees

You will be required to exercise relevant powers as a director in accordance with the co-operative's policies and procedures. You will be paid a fee of £[amount] gross per annum, which will be subject to an annual review by the board and put to a members' vote on an annual basis. The co-operative will reimburse you for all reasonable and properly documented expenses you may incur in performing your duties.

Insurance and Indemnity

The co-operative has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of your appointment. The current indemnity limit is £[amount].

Committees

This letter refers to your appointment to the office of director of the cooperative. If you are also asked to serve on one or more of the board's committees, this will be covered in a separate communication setting out the terms of reference of the committee(s) and any specific responsibilities that may be involved.

Personal Details

You should advise me of any change in address or other personal contact details.

Return of Property

Upon termination of your appointment with the co-operative (for whatever cause), you should deliver to the co-operative all documents, records, papers and other co-operative property which may be in your possession or under your control and which relate(s) in any way to the business affairs of the cooperative. Making copies of such is not permitted.

Data Protection

By signing this letter, you consent to the co-operative holding and processing information about you for legal, personnel, administrative and management purposes and in particular to the processing of any sensitive personal data (as defined in the Data Protection Act 1998) including, as and when appropriate:

(a) Information about your physical or mental health or condition in order to monitor and take decisions as to your fitness to perform your duties;

(b) Information about you that may be relevant to ensuring equality of opportunity and treatment in line with the co-operative's equal opportunities and diversity policy and in compliance with equal opportunities legislation; and

(c) Information relating to any criminal proceedings in which you have been involved, for insurance purposes and in order to comply with legal requirements and obligations to third parties.

You will comply with the co-operative's data protection policy. *[FOOTNOTE – a copy of the co-operative's policy should be attached with this letter]*

If you are willing to accept these terms of appointment, please confirm your acceptance by signing and returning to me the enclosed copy of this letter.

In conclusion, may I take this opportunity to congratulate you on your *[election][appointment]* to the board and to contact me if you require any additional support and/or information.

Yours sincerely

Secretary

I confirm and agree to the terms of my *[election][appointment]* as a director of *[insert name of co-operative]* as set out in this letter.

Name:

Signature:

Date:

**We also provide editable
elements of the Directors Toolkit
where necessary**

Model checklist for inducting new co-operative directors

A guideline checklist for inducting new directors onto a co-operative board

Directors should be properly inducted into their role as a board member of the co-operative that they are joining.

Every co-operative should develop its own comprehensive, formal induction programme that is tailored to the needs of the co-operative and individual directors that must be completed by each director within an agreed timescale.

As a general rule a combination of selected written information together with presentations and activities such as meetings and site visits will help to give a new appointee a balanced and real-life overview of the co-operative.

Care should be taken not to overload the new director with too much information. The new director should be provided with an overview of the induction programme so that they may ask for information as and when required.

The following guidelines might form the core of an induction programme and are taken from the ICSA guidance on induction of directors.[1]

Purpose of induction

To educate the director such that he or she can become as effective as possible, as quickly as possible, in the new role² and to build an understanding of the nature of the co-operative, its business and the markets in which it operates.

Approach to induction

Inductions should be tailored to the prevailing needs of the co-operative and the individual directors.

An induction programme may need to be flexible to ensure that new directors receive the right level of information for them at the appropriate times. If possible devise the induction programme in conjunction with the director to enable the induction to be as useful as possible to them and cover any additional information they may request.

If possible plan the induction programme with reference to director training and ongoing development as one should transition smoothly into the other. Where possible try to ensure that the new director is provided with first-hand experience of the co-operative to enable them to understand the work and ethos of the co-operative.

It is important to review the induction programme at a mid-way point to seek feedback as to whether the director's, and the co-operative's, needs are being met. Such feedback may also be

helpful to use to build on any future inductions for new directors.

What to include in an induction programme

Broadly an induction should cover:

- The co-operative's products or services and trading areas.
- Details of the co-operative's vision and strategy, and key performance indicators.
- Any lower tier membership structure, area and regional committees, subsidiaries and joint ventures.
- The co-operative's governing document and associated documents – including a Code of Conduct for Directors, board procedures and protocols, matters reserved for the board and details of any board committees.
- Summary details of the co-operative's principal assets, liabilities, significant contracts and major competitors.
- The co-operative's major risks and its internal risk management strategy.
- Regulatory constraints.
- Building links with the co-operative's people including meeting the management executive and other key staff (if applicable), site visits away from the head office, details of member groups and employee committees.
- Building understanding of the co-operative's main relationships including its members, major stakeholders, suppliers and auditors.

What information should be shared during the induction programme?

It is often easy to bombard new directors with lots of information in order to ensure that they are equipped to carry out their role. However, it is useful to supply information at regular intervals so that a director can absorb information at a steady pace. It is suggested that information sharing can be divided into 3 parts:

1. Essential and immediate
2. Important and necessary
3. Desirable and useful

1. Essential and Immediate

This is information that needs to be given to the director prior to the first board meeting. Methods of delivery vary, some of the information needs to be sent to the director with his/her appointment letter; some could be deferred until a meeting after the board papers have been issued, so that the secretary can review the board pack with the director before the first meeting to highlight any relevant issues. Others could be provided through the use of webinars or other online learning tools.

a. Directors' Duties

An outline of the role of a director and a summary of his/her responsibilities and ongoing obligations outlined in the Code of Conduct for Directors under legislation, regulation and best practice.

b. The co-operative's position on:

- Matters reserved for the board.
- Delegated authorities.

- The policy for obtaining independent professional advice for directors.
- Directors' fees and the co-operative's expenses policy and method of reimbursement.
- Other standing orders, protocols, policies and procedures of which the director should be aware.

c. Conduct and behaviour

An outline of the expectations of the board in terms of its output and behaviours and guidance on the co-operative's culture, values and ethics as outlined in the Code of Conduct for Directors.

d. Aspects of the business, including:

- Current strategic plan, business plan and key performance indicators, market analysis and budgets for the year with revised forecast, and three/ five year plan.
- Latest annual report and financial statements, and interim statements as appropriate.
- List of subsidiaries and joint ventures (if appropriate).
- Summary details of insurance policies including director and officer liability insurance.
- Status of the co-operative's pension plans, including any deficits.
- Marketing and branding.
- Details of any major litigation, either current or potential, being undertaken by the co-operative or against the co-operative.
- Key governance issues affecting the co-operative [including any areas of non-compliance with an appropriate Corporate Governance Code].
- Funding position and arrangements.
- Dividend policy (if appropriate).
- The International Co-operative Alliance's Statement of Identity.
- Any other mission statements and reports issued by the co-operative such including a summary of the main events (such as transfers of engagements, mergers, divestments, introductions of new products, diversification into new areas, restructuring etc.) over the last three years.

e. Board Issues, including:

- An up to date copy of the co-operative's governing document and associated documents.
- Minutes of at least the last 3 board meetings.
- Schedule of dates, times and venues of future board meetings and board committees, if appropriate.
- Description of board procedures covering details such as when papers are sent out, the normal location of meetings, how long they last and an indication of the routine business transacted.
- Brief biographical and contact details of all directors of the co-operative, the secretary and key members of the management executive (if appropriate). This should include their dates of appointment and any board committees upon which individual directors sit.
- Training in the use of any board portal or online board paper facility.
- Details of board committees together including any terms of reference, a schedule of the membership of each committee and, if the new director has been appointed/elected to a committee, copies of the minutes of meetings of that committee during the previous 12 months.

2. Important and necessary

The following information is necessary in order to assist the director to develop his/her knowledge

of the co-operative, its operations and staff.

It is suggested that this information is provided to him/her on request, or within three months of appointment. This could include:

- Copies of any recent media coverage concerning the co-operative itself or any associated suppliers/stakeholders.
- The co-operative's risk management procedures and relevant disaster recovery plans.
- An introduction to the an appropriate Code of Governance and the cooperative's reporting requirements against it.
- A brief history of the co-operative including any major mergers, transfers of engagements, acquisitions and other significant events during its history.
- Details of any general meetings held in the last 3 years where significant decisions have been taken.
- The organisational chart and management succession plans.
- A copy of all management accounts prepared since the co-operative's last audited accounts.
- The co-operative's member engagement policy and details of any nonmember investors.
- Details of the five largest suppliers to the co-operative, including CRTG (if appropriate).
- Policies including commitments relating to: a. Health and safety b. Corporate Social Responsibility c. Environment d. Ethics and whistleblowing e. Bribery f. Tendering g. Equality and diversity
- Charitable, co-operative and political donations.
- Glossary of co-operative/co-operative movement terminology and acronyms. It would also be appropriate for the director to meet the members of the management executive (if appropriate), and other key members of staff, during the induction programme so that the director begins to get a view of the depth of management available.

3. Desirable and Useful

The following is additional information the director may find useful and will differ for each co-operative. The secretary should use his/her experience and knowledge to pass on information to enable the director to become accustomed to the business as soon as possible.

- Informal protocol and procedures for board and members meetings, formal dinners, social occasions, site visits etc.
- Details of the co-operative's professional advisers (lawyers, bankers, auditors, registrars etc.), both internal and external, with the name of the partner dealing with the co-operative's affairs.
- Procedures for: a. Financial statements sign off. b. Trading results announcements. c. Items requiring approval outside of scheduled board meetings.

Example Board induction pack contents

1. Welcome
 - Directors Code of Conduct
 - Hospitality and Gifts Policy
 - Expenses policy and forms
2. Strategic
 - Strategic Plan
 - Three year budget
 - Annual Report and Financial Statements

3. Meetings
 - o Meeting dates and practical arrangements
 - o Minutes of previous three meetings
 - o Standing orders for Board meetings
4. Board of Directors
 - o The Board of Directors – extract from Annual Report/website
 - o Director contact list
 - o Details of insurance in place
5. Internal
 - o Staff structure chart
 - o Contact list
 - o Logo and brand guidelines
6. Governance
 - o Governance Structure
 - o Rule book 2015
 - o Statement of Co-operative Identity (ICA)

Example role profile co-operative board directors

An example role profile for a director of a co-operative board

Purpose of role

- Provide appropriate oversight, governance and leadership to [INSERT NAME OF CO-OPERATIVE] in the pursuit of its objects
- Scrutinise the performance of [executive management] [senior staff] in meeting the co-operative's strategy.
- Review and evaluate performance against agreed targets • Agree and monitor lines of delegation for decision making
- Ensure the integrity of financial and other information, and that systems of risk management are robust and defensible
- [Determine appropriate levels of remuneration of executive directors and have a prime role in appointing and where necessary removing, executive directors, and in succession planning.]
- To ensure that decisions are made in the best interest of [INSERT NAME OF CO-OPERATIVE] and that the interests of members, employees and other stakeholders are considered in Board decisions.

Key areas

Compliance

- With direction from the Secretary, comply with the co-operative's governing document, corporate law, and any other relevant legislation or regulations, [including the Corporate Governance Code for...].
- To comply with the statutory director duties.
- To abide by the co-operative's internal policies and processes.
- Ensuring that financial controls and risk management systems are robust and to play an active part in questioning information presented to the Board in these areas.
- To declare any conflict of interest while carrying out the duties of a director.
- With the assistance of the Secretary, promoting the highest standards of corporate governance by complying with regulatory requirements and best practice, as and when appropriate.
- All board members are expected to act in a way that befits a representative of the co-operative, and are required to sign, and agree to abide by, the co-operative's Code of Conduct for Board Members.

Strategy and performance

- Ensure that the co-operative pursues its objectives as defined in its governing document.
- To ensure the financial stability of the co-operative by ensuring that the co-operative applies its resources exclusively in pursuance of its objectives.
- To contribute actively to the board's role in giving firm strategic direction to the co-operative, setting overall policy, defining goals, setting targets and evaluating performance against agreed targets.
- To protect and manage the property of the co-operative and to ensure the proper investment of the co-operative's funds.

- To make sure the co-operative is properly insured against all reasonable liabilities.
- To be collectively responsible for the actions of the co-operative and those of the co-operative's other directors.

Values

- To uphold the good name and values of the co-operative.
- To safeguard the organisation's co-operative status and ensuring that the values and principles of co-operative are reflected in the co-operative's work.
- Ensuring that equality and diversity are promoted at all levels within the co-operative.
- Ensuring the co-operative meets its commitments to its members and that their interests are central to Board discussions.

Functional duties

- Participating fully in the work of the Board and playing an active role in the delivery of the Board's corporate function.
- To represent the co-operative at functions and meetings as appropriate.
- Through the Secretary, to ensure the effective and efficient administration of the co-operative.
- To appoint and support the co-operative's [executive management] [senior staff] and monitor their performance.
- Scrutinizing board papers, leading discussions, focusing on key issues, and providing advice and guidance requested by the board on new initiatives, or other issues relevant to the area of, the co-operative's work in which the director has special expertise.
- Attending meetings, [and a willingness to Chair meetings, where appropriate] and reading papers in advance of meetings.
- Attending sub-committee meetings as appropriate.
- Act on behalf of the co-operative at external meetings and events from time to time.
- Keeping informed about the activities of the co-operative and wider issues which affect its work.

Key relationships

Internal: Building and maintaining close relations with fellow directors, members, [executive management] and employees.

External: Building and maintaining close relations with stakeholders in the wider Co-operative Movement, professional advisors including the auditors.

Other

- Complete full induction process upon election.
- Undertake appropriate training and other methods of ongoing learning and development.

Qualifications

- Practical experience from having held a similar position in another body.
- [Has attended director/company direction training at a recognised director development body].

Key experience, knowledge and skills

- A commitment to the co-operative, its values and principles and its objectives.
- A sound knowledge of the operating environment of [INSERT NAME OF COOPERATIVE].
- Knowledge of the governance and legal framework applicable to [INSERT NAME OF CO-OPERATIVE].
- A sound understanding and acceptance of the legal duties, responsibilities and liabilities of directors.
- Strategic vision and highly developed commercial experience.
- A proven record of financial management and budget setting.
- An understanding of human resources, performance management and change management in the context of an organisation of a similar size to the [INSERT NAME OF CO-OPERATIVE].
- A proven record of financial management and budget setting.
- A proven record of managing risk and an understanding of risk management tools.
- A willingness to devote the necessary time and effort to their duties as a nonexecutive director.
- Sound, independent judgment and an ability to ask questions and challenge.
- An ability to think creatively.
- Willingness to embrace new technologies and ways of working.
- An ability to work effectively as a member of a team.
- Demonstrable experience of building and maintaining sustainable relationships with stakeholders and colleagues to achieve organisational objectives.
- A successful negotiator with proven influencing skills.
- A proven record of successful team working and partnership working.

Matters reserved for the Board

Matters required, or that in the interests of a co-op, can be decided only by the Board as a whole

All co-operatives should be headed by an effective Board, responsible for the long-term success of the business in accordance with the International Co-operative Alliance Values and Principles.

An effective Board leads and controls the business but delegates day-to-day responsibility to [senior] staff.

Directors need to remind themselves constantly of the distinction between 'direction' and 'management'. Whilst the distinction is not always clear-cut, it is critical that there should be an all-round awareness of it. Only by working together can directors and staff create the appropriate conditions for a successful co-operative business.

The Board and [senior] staff must function as a team. It is vital that they have trust and respect for one another in their respective roles. The co-operative's governing document and associated policies and protocols should clearly specify the respective duties and responsibilities of the Board and of [senior] staff.

The co-op should report on the types of decisions taken by the Board and which are delegated to staff. Periodically, the Board should consider those matters that require its approval.

There are a number of matters which are required, or that in the interests of the co-operative, can be decided only by the Board as a whole.

The UK Corporate Governance Code states that, "There should be a formal schedule of matters specifically reserved for [the Board's] decision and that the annual report should contain a 'high level statement of which types of decisions are to be taken by the Board and which are to be delegated to management'".

It is necessary for the Board to clarify the matters reserved for the Board. Without a clear and documented statement, the Board may find itself faced with some difficulties in attempting to discipline managers and/or seek redress in circumstances where the Board considers that transactions have been undertaken, when the authority for which is open to question. The Board must ensure that any schedule of reserved matters is provided to [senior] staff and all newly appointed directors.

The notes which follow attempt to provide a list of the schedule of matters that could be reserved for the Board's approval in small to medium-sized co-operatives. They are based on the ICOSA guidance on Matters Reserved for the Board. It is recognised that the relative importance of some matters included in this guidance will vary according to the size, complexity and risk profile of the co-operative's business.

Multiple signatures

In drawing up a schedule of Matters Reserved for the Board, co-operatives should clarify which transactions require multiple Board signatures on the relevant documentation.

Delegation

The Board should regularly review which matters are reserved for the Board and which can be delegated. When delegating matters, it should collectively exercise these powers to committees or directors, or staff and volunteers if the co-operative has them and set any limits of delegation including that the final decision on a delegated matter is required to be taken by the whole Board.

Urgent matters

In drawing up a schedule of Matters Reserved for the Board it is important to establish procedures for dealing with matters which often have to be dealt with urgently, often between scheduled Board meetings. If the matter is routine and discussion is not necessary the approval of all the directors may (if permitted by the co-op's governing document) be obtained by means of a written resolution (including decisions using electronic means). However, in all cases the procedures should balance the need for urgency with the overriding principle that each director should be given as much information as possible, the time to consider it properly and an opportunity to discuss the matter prior to the co-operative committing to it.

The checklist below has been produced to assist Boards and secretaries in preparing a schedule of Matters Reserved for the Board in accordance with good corporate governance practice.

We also provide editable elements of the Directors Toolkit where necessary

Access editable templates

1. Membership issues

1. Agreement of all aspects of membership policy.
2. Encourage the growth of membership, its involvement in the affairs and participate in the governance of the co-operative in recognition that co-operatives are membership based.
3. Reporting to members – i.e. frequency, location and content of members' meetings and through the annual report.
4. Profit distribution and determination for members' approval.
5. Approval of high level plans for the annual general meeting and other general meetings, including any draft agendas, proposed rule changes and any resolutions and corresponding documentation to be put forward to members at a general meeting.

2. Strategy and management

1. All matters concerning the determination and operation of the cooperative's governing document, taking advice, where appropriate, from the secretary.
2. Responsibility for ensuring that the co-operative's affairs are conducted in accordance with its governing document, the best interests of the co-operative and its members, and in accordance with Co-operative Values and Principles.
3. Approval and review of the co-operative's objectives, strategies and policies with a view to securing its long term future, including review of performance against those objectives and

strategies.

4. Approval of the annual operating and capital expenditure budgets and any material changes to them.
5. Oversight of the co-operative's operations ensuring: a) Competent and prudent management. b) Sound planning. c) Maintenance of sound risk management and internal control systems. d) Compliance with statutory and regulatory obligations. e) Review of performance in the light of the co-operative's strategic aims, business plans and budgets and ensuring that any necessary corrective action is taken. f) Approval of the extension of the co-operative's activities into new business or geographic areas. g) Approval of any decision to cease to operate all or any material part of the co-operative's business.

3. Financial reporting and controls

1. Review of systems for ensuring compliance with all legal requirements including review and approval of the annual report and financial statements, letter of representation attesting to the accuracy of the financial statements supplied by the co-operative to the auditor and all accounting policies.
2. Review of systems of audit, including receiving the auditor's report on the accounts and ensuring maintenance of a sound system of internal control and risk management including receiving reports on and reviewing the effectiveness of the co-operative's risk and control processes to support its objectives and strategies.
3. Approval of capital expenditure and disposals in excess of [£X] for an individual item.
4. Approval of any changes in accounting policies or practices.
5. Approval of any policy in relation to dividends.
6. Declaration of dividends.

4. Internal Controls

1. Ensuring maintenance of a sound system of internal control and risk management including:
 - a) Deciding the types of risk the co-operative is prepared to take.
 - b) Monitoring the current risks the co-operative is facing and the risk register.
 - c) Receiving reports on, and reviewing the effectiveness of, the co-operative's risk and control processes to support its strategy and objectives.
 - d) Approving procedures for the detection of fraud and the prevention of bribery.
 - e) Undertaking an annual assessment of these processes.
 - f) Approving an appropriate statement for inclusion in the annual report.

5. Contracts

1. Approval of capital expenditure – a clear statement of delegated authority is essential. It should be clear which levels of capital spend require Board approval.
2. Approval of all business acquisitions and disposals.
3. Approval of all property acquisitions and disposals.
4. Approval of all land and building leasing transactions.
5. Approval of all funding arrangements proposed for the co-operative. In general, directors should seek independent external advice before considering proposals for property sale and leaseback transactions.

6. Constitution of the Board and senior staff appointments

1. Ensuring adequate succession planning for senior staff.
2. Selection of the chair and vice-chair(s) of the Board.
3. Appointment of the chief executive, including terms and delegated authority, his/her

performance appraisal and his/her removal from office including compensation terms for loss of office.

4. Approval of the management structure.
5. Appointment or removal of the secretary.
6. Appointment, reappointment or removal of the external auditor to be put to members for approval, following the recommendation of the audit committee.
7. Approval and review of the co-operative's HR policies.
8. Approval of any amendments to the recognised Trade Union's terms and conditions.

7. Directors' fees and remuneration

1. Determining the remuneration of the chief executive, secretary and other senior staff.
2. Determining the remuneration of any professional external directors subject to the co-operative's governing document and member approval as appropriate.

8. Delegation of Authority

1. The division of responsibilities between the Board and senior staff, which should be in writing.
2. Approval of the terms of reference of Board committees.
3. Receiving reports from Board committees on their activities.

9. Corporate Governance Matters

1. Undertaking a formal and rigorous review [annually] of its own performance, that of its committees and individual directors and the division of responsibilities.
2. Determining the independence of directors in light of their character, judgment and relationships.
3. Considering the balance of interests between members, employees, customers, suppliers and the community.
4. Review of the co-operative's overall corporate governance arrangements.
5. Receiving reports of the views of the co-operative's members to ensure that they are communicated to the Board as a whole.

10. Policies

1. Approval of policies, including: a) Code of Conduct for Directors. b) Bribery prevention policy. c) Whistleblowing policy. d) Equality & Diversity policy. e) Environment and Sustainability policy. f) Health and Safety policy. g) Tendering policy. h) Human Resources policy, including any training structures in place.

**We also provide editable
elements of the Directors Toolkit
where necessary**

Access editable templates

<https://www.uk.coop/resources/directors-toolkit>

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