

ALL PREVIOUS RULES RESCINDED



RULES OF FIRST MILK LIMITED

Adopted on 1 July 2016

Amended by resolution of the Member Council of First Milk Limited on 28 August 2018

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

Registered number: 29199R

RULES OF FIRST MILK LIMITED

Contents

1	DEFINITIONS.....	5
2	INTERPRETATION	11
3	NAME OF THE SOCIETY	13
4	USE OF NAME.....	13
5	SEAL	13
6	REGISTERED OFFICE	13
7	CHANGE OF REGISTERED OFFICE	13
8	MILK FIELDS	14
9	OBJECTS.....	14
10	POWERS	14
11	NET INCOME ALLOCATION.....	14
12	MEMBER ACCOUNTS.....	17
13	SHARE CAPITAL	24
14	PREFERENCE SHARES	24
15	A PREFERENCE SHARES - ADDITIONAL PROVISIONS.....	31
16	ISSUE AND ALLOTMENT OF SHARES	32
17	CERTIFICATES.....	32
18	TRANSFER/CANCELLATION/REDEMPTION/ASSIGNMENT OF MEMBER RESERVES/ NEW PREFERENCE SHARES/ A PREFERENCE SHARES	33
19	JOINT SHAREHOLDING/ ACCOUNT HOLDING	39
20	MEMBERS	40
21	ADMISSION TO MEMBERSHIP.....	40
22	EXPULSION.....	41
23	TERMINATION BY MEMBER.....	43
24	TERMINATION OF MEMBERSHIP	43
25	EFFECT OF TERMINATION AND CANCELLATION OF SHARES	44
26	DEEMED RESIGNATION.....	45
27	NOMINATIONS	45
28	CONTINUITY OF MEMBERSHIP	45
29	REGISTER OF MEMBERS AND TRANSFER REGISTER.....	47
30	ANNUAL GENERAL MEETINGS	48
31	SPECIAL GENERAL MEETINGS.....	48
32	CONVENING OF GENERAL MEETINGS.....	49

33	CONDUCT AND BUSINESS OF ANNUAL GENERAL MEETINGS.....	50
34	QUORUM AT GENERAL MEETING.....	51
35	CHAIRMAN	51
36	ADJOURNMENT OF GENERAL MEETING	51
37	VOTING AT GENERAL MEETINGS.....	51
38	CHAIRMAN'S CASTING VOTE	53
39	REPRESENTATION AT GENERAL MEETINGS.....	53
40	PROXIES	54
41	MEMBERS' POWERS.....	54
42	ROLES, POWERS AND RESPONSIBILITIES.....	54
43	COMPOSITION OF THE COUNCIL	55
44	COUNCIL ELIGIBILITY CRITERIA.....	55
45	ELECTION OF COUNCIL MEMBERS.....	56
46	COUNCIL INDUCTION, TRAINING AND EVALUATION	56
47	DISQUALIFICATION AND REMOVAL OF COUNCIL MEMBERS AND CHAIR OF THE COUNCIL	57
48	REMUNERATION AND EXPENSES	58
49	PROCEEDINGS OF THE COUNCIL	59
50	COUNCIL MEMBERS' INTERESTS.....	59
51	POWERS OF THE BOARD OF DIRECTORS	61
52	DELEGATION OF POWERS OF THE BOARD OF DIRECTORS.....	63
53	COMPOSITION OF THE BOARD	64
54	APPOINTMENT OF DIRECTORS.....	65
55	RETIREMENT AND RE-ELECTION OF DIRECTORS	66
56	DISQUALIFICATION AND REMOVAL AS A DIRECTOR.....	66
57	BOARD INDUCTION, TRAINING AND EVALUATION	68
58	BOARD REMUNERATION AND EXPENSES	69
59	EXECUTIVE DIRECTORS	69
60	CHAIR AND VICE CHAIR	69
61	NOTICE.....	69
62	QUORUM.....	70
63	VOTING	70
64	VALIDITY OF ACTS.....	70
65	WRITTEN RESOLUTIONS.....	70
66	MEETING BY TELEPHONE.....	70
67	DUTY TO MEDIATE DISPUTES BETWEEN THE BOARD AND COUNCIL	71

68	DIRECTORS' INTERESTS.....	71
69	MINUTES	73
70	BORROWING	73
71	THE SECRETARY	76
72	AUDIT	76
73	ACCOUNTS	77
74	PUBLICATION OF ACCOUNTS AND BALANCE SHEETS.....	77
75	SUBMISSION OF ANNUAL RETURN.....	78
76	CONTENTS.....	78
77	COPIES.....	78
78	INSPECTION	79
79	NOTICE.....	79
80	ARBITRATION PROCEDURE.....	80
81	REQUISITE RESOLUTION	81
82	INDEMNITY AND INSURANCE	81
83	AMALGAMATION, TRANSFER OF ENGAGEMENTS AND CONVERSION	82
84	DISSOLUTION.....	82
85	COMPLIANCE.....	83
86	WITHOLDING/TAX.....	83
	SCHEDULE 1 - OBJECTS	82
	SCHEDULE 2 - COUNCIL ELECTION RULES	87

I. DEFINITIONS AND INTERPRETATION

PART 1 – DEFINITIONS AND INTERPRETATION

1 DEFINITIONS

In these Rules the following expressions shall have the meanings set out below (except where otherwise specified or where the context otherwise requires):

A Preference Shareholder: means a registered holder of A Preference Share(s) from time to time;

A Preference Shares: means A preference shares of £0.10 each in the capital of the Society having the rights and being subject to the restrictions set out in these Rules;

account: means any account in the capital of the Society created pursuant to Rule 12 (including, where relevant, a Member Capital Account or Capital Reserve Account);

Annual Board Evaluation: has the meaning set out in Rule 57.3;

Annual Accounts: means accounts for a year of account of the Society dealing with the state of affairs and income and expenditure of the Society in accordance with the requirements of the Act;

Act: means the Co-operative and Community Benefit Societies Act 2014;

Aggrieved Member: means a member on whom a Termination Notice has been served pursuant to Rule 22.4;

Annual Council Evaluation: has the meaning set out on Rule 46.3;

Auditor(s): means the auditor(s) of the Society from time to time appointed pursuant to Rule 72;

B Preference Shareholder: means a registered holder of B Preference Share(s) from time to time;

B Preference Shares: means B Preference Shares of £1 each in the capital of the Society having the rights and being subject to the restrictions set out in these Rules;

Bank: means the Society's principal bankers from time to time;

Base Rate: means the base rate of the Bank of England from time to time;

Board or Board of Directors: means the Board of Directors of the Society;

Board Eligibility Criteria: has the meaning set out in Rule 54.1.2;

Board Member: means a Board Member elected under Rule 54;

business day: means a day on which clearing banks are open for the transaction of normal banking business in both London and Glasgow;

Capital: means for any Member (or former Member as relevant) the aggregate of their holdings from time to time of Member Reserves, A Preference Shares, New Preference Shares and C Preference Shares (but excluding any Capital Reserves);

Capital Policy: means the policy adopted by the Board from time to time and as published by the Society on its internet homepage (or as otherwise deemed appropriate by the Board from time to time) in relation to, inter alia, (i) the payment of Dividends and Interest to Members (or, as the case may be, former Members) and (ii) the treatment of new Members (including, without limitation, in respect of their contributions to the capital of the Society);

Capital Reserve Account: means a reserve conditionally attributable to specific Member(s) or former Member(s) to which amounts are credited and/or debited pursuant to Rules 12.2 and 12.3 and having the rights and being subject to the restrictions, and being payable to Members only as, set out in these Rules;

Capital Reserve Account Holder: means a registered holder of Capital Reserves from time to time;

Capital Reserves: means any amount standing to the credit of Capital Reserve Accounts from time to time having the rights and being subject to the restrictions set out in these Rules;

Capital Target: means the target Capital of each Member and former Member, being such target calculated as determined by the Board from time to time, with the consent of the Council, and as at the date of adoption of these Rules being an amount equal to

Zx0.035 expressed as a figure in pounds sterling

Where

Z = the Capital Target Litreage of such Member;

Capital Target Maximum: means a sum equal to 200% of the Capital Target;

Capital Target Litreage: means, in respect of any Member, the average Members' Litreage over three years (or such shorter period as such person has been a Member) and assessed periodically at the Board's discretion (and for those Members who do not have a Members' Litreage, such estimated litreage as the Board shall determine);

Capital Target Minimum: means a sum equal to 50% of the Capital Target;

clear days: means the period of days excluding the day on which a notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

cow: means a cow kept for dairy purposes whether dry or in milk (excluding heifers which have never calved);

Co-opted Director: means a Director appointed by the Board of Directors pursuant to Rule 54;

Corporate Member: means any Member which is a body corporate;

Council: means the Council constituted under Part 10 of these Rules;

Council Election Rules: means the rules set out in Schedule 2;

Council Eligibility Criteria: has the meaning set out in Rule 44.1.2;

Council Member: means a Council Member elected under Rule 44;

C Preference Shareholder: means a registered holder of C Preference Share(s) from time to time;

C Preference Shares: means C Preference Shares of £1 each in the capital of the Society having the rights and being subject to the restrictions set out in these Rules;

Director: means a member of the Board of Directors and, for the avoidance of doubt, includes any Farmer Director, any Co-opted Director, any non-Executive Director and any Executive Director;

Dividend: means any dividend the Board determines in any financial year in respect of the Dividend Recipients in accordance with the Capital Policy and/or the dividend (if any) in respect of the A Preference Shares and/or the C Preference Shares to be determined by the Board in any financial year, payable in accordance with the Capital Policy;

Dividend Recipients: means New Preference Shareholders who are Members or Retired Members (but, save as the Board otherwise determines in respect of any former Member(s), excluding Non-Retiring Leavers and any Leaver(s) to whom Rule 12.15 would apply in respect of any Member Reserves) as at the relevant Record Date for payment of a Dividend;

Executive: means the executive management team led by the Chief Executive;

Executive Director: means an executive Director of the Society;

Farmer Non-executive Director: means a Farmer Non-executive Director elected or appointed under Part 11 of these Rules;

Former Implementation Date: means 1 April 2009;

General Meeting: means a Special General Meeting or the Annual General Meeting of the Society;

Group Accounts: means the consolidated accounts for a year of account of the Society dealing with the state of affairs and income and expenditure of the Society and its subsidiaries in accordance with the requirements of the Act;

Implementation Date: means 1 April 2013 or such other date as the Board shall determine;

Independent Non-executive Director: means an Independent Non-executive Director elected or appointed under Part 11 of these Rules;

Interest: means interest (if any) payable in respect of Member Reserves as determined by the Board from time to time in accordance with Rule 12.7;

Interest Payment Date: in respect of B Preference Shares, has the meaning set out in Rule 14.1.2(c)(i);

Interest Period: means the period from (and including) 1 April up to and including 31 March of any financial year;

Intimation Notice: means a notice given by an Aggrieved Member pursuant to Rules 22.3 and 22.4;

Lapse Date: means the earlier of (i) the date immediately prior to the Implementation Date and (ii) the date falling 12 months after a Member becomes a Leaver (or such shorter period or periods as the Board may determine in its discretion from time to time in respect of any Leaver);

Leaver: means a person who ceases to be a Member;

LIBOR: has the meaning set out in Rule 14.1.2(c)(ii);

Medical Certificate: means a certificate signed by a registered medical practitioner certifying that the individual the subject of the certificate is no longer capable of administering his own affairs due to his medical condition;

Member: means any person who is a member of the Society for the time being;

Member Capital Account or Capital Account: means a reserve attributable to specific Member(s) or former Member(s) to which amounts are credited pursuant to Rule 12 and having the rights and being subject to the restrictions set out in these Rules;

Member Capital Account Holder: means a registered holder of a Member Capital Account/Member Reserves from time to time;

Members' Litreage: means the litreage of milk which he supplied to the Society in the relevant quota year or such other litreage as the Board shall have determined in accordance with these Rules;

Member Reserves: means any amount standing to the credit of a Member Capital Account from time to time having the rights and being subject to the restrictions set out in these Rules;

milk: means cow's milk in all its forms and of every description including but not limited to non-standardised whole milk, standardised whole milk, semi-skimmed milk and skimmed milk;

Milk Contracts: means the contract between each of the Members and the Society the terms of which shall be determined by the Board from time to time;

Milk Field: means the Milk Fields demarcated by the Board in terms of Rule 8;

New Preference Shareholder: means a registered holder of New Preference Shares;

New Preference Shares: means the non-redeemable New Preference shares of £1 each (or such nominal value as results for a subdivision of such shares) in the capital of the Society having the rights and being subject to the restrictions set out in these Rules;

New Preference Shares Lapse Date: means the date falling 3 years after a Member becomes a Leaver;

Nomination and Remuneration Committee: means the committee of the Board established and maintained by the Board in accordance with Rule 52.2.2;

Non-Executive Director: means a non-executive Director of the Society;

Non-Retiring Leaver: means any Leaver other than a Retired Member;

ordinary resolution: means a resolution duly passed by not less than a majority of Members for the time being entitled under the Rules to vote and may have voted in person or by proxy at a General Meeting of which notice has been duly given according to the Rules;

Ordinary Shares: means ordinary shares of £5 and/or £10 each in the capital of the Society;

Permitted Maximum: means the maximum number of shares (including Preference Shares) which Members or former Members may hold/have an interest in, as determined by the Board from time to time in accordance with the provisions of the Capital Policy and the Act;

Permitted Successor: means a person falling within any of the categories itemised in Rule 28.2;

Preference Shares: means the A Preference Shares, the New Preference Shares, the B Preference Shares and the C Preference Shares;

Producer: means a person authorised by the Relevant Authority to produce milk for sale in England, Wales and/or Scotland or any part thereof or, if applicable, in any country outside England, Wales and Scotland;

Producer-Retailer: means a Producer who processes and packages milk at his dairy;

Record Date: has the meaning set out in Rule 18.20;

Register of Members: means the register of members of the Society maintained pursuant to the provisions of Rule 29;

Registrar: means the Financial Services Authority, including any statutory successor carrying on its function;

Relevant Authority: means such governmental or administrative or other authority (whether, national, supranational, or local), if any, for the time being empowered to authorise the production of milk for sale;

Relevant Quota Year: means the quota year immediately before the date of a vote of the type referred to in Rule 37.10;

Retires: means that a Member ceases to be in the business of milk production and the Secretary has received such evidence as may reasonably be required to show that the Member's cessation is intended to be permanent (and "Retired" shall be defined accordingly);

Retired Member: means a person who has Retired;

Rules: means the Rules (including the Schedules) set out in this document as amended from time to time;

Secretary: means the Secretary to the Society for the time being;

Service Period: means the period of notice after which a Termination Notice takes effect pursuant to Rule 22.3;

share farming arrangements: means arrangements (not being a partnership) whereby two or more persons each of whom carries on business separately, share in the gross product (and the gross receipts arising from the sale of such product) of dairy farming carried out on land owned by one or more (but not all) of them;

Society: means the society of which these are the registered Rules;

special resolution: means a resolution duly passed by not less than two-thirds or three quarters (as is the case) of Members for the time being entitled under the Rules to vote and may have voted in person or by proxy at a General Meeting of which notice has been duly given according to the Rules and otherwise duly approved in accordance with the requirements of the Act;

subsidiary: shall have the meaning specified in the Act;

Termination Notice: means a notice given by the Board pursuant to Rule 22.1;

trading in competition with the Society: means competing with the milk marketing activities of the Society or any part of such activities except as may otherwise be agreed in writing by the Society;

trading with a competitor: means dealing with a competitor of the Society in relation to any milk marketing activities or any part of such activities except as otherwise may be agreed in writing by the Society;

Transfer Facility: means a facility approved by the Board from time to time via which A Preference Shares, New Preference Shares and/or Member Reserves may be transferred in accordance with these Rules and the Transfer Rules (if any) and which facility shall be notified to the Members in such manner as the Board considers appropriate (including by giving notice in any newsletter or other publication of the Society);

Transfer Rules: means the rules of the Transfer Facility (if any) as adopted by the Board from time to time in relation to the transfer of Member Reserves, A Preference Shares and/or New Preference Shares on the Transfer Facility;

Transferred Reserves: means any Member Reserves acquired by a Member Capital Account Holder within the period of 12 months ending on the date that a Member becomes a Leaver by way of a transfer (pursuant to Rule 18.1.2 or otherwise) (or any Member Reserves resulting from any shares (including A Preference Shares or New Preference Shares) so transferred) and not by way of amounts originally credited to an account of such person, provided that the Board shall have discretion to determine whether Member Reserves transferred pursuant to Rule 18 shall be classified, in whole or in part, as “**Transferred Reserves**” for any purpose;

Withdrawal Notice: means a notice given by a Member pursuant to Rules 23.1 and 23.2; and

year of account: shall have the meaning specified in Section 78 of the Co-operative and Community Benefit Societies Act 2014.

2 INTERPRETATION

2.1 In these Rules (except where otherwise specified or where the context otherwise requires):

2.1.1 reference to any statute or statutory provision shall include a reference to any statute or statutory provision which amends, extends, consolidates or replaces the same or which has been amended, extended, consolidated or replaced by the same and shall include any orders, regulations, instruments or other subordinate legislation made under the relevant statute or statutory provisions;

2.1.2 reference to the singular includes the plural and references to the masculine includes the feminine, and vice versa;

2.1.3 references to persons shall include individuals, bodies corporate, unincorporated associations and partnerships;

2.1.4 references to Rules and subdivisions thereof, unless the contrary intention appears, are to the rules of these Rules and subdivisions thereof;

2.1.5 references to Schedules are to the Schedules to these Rules, and the Schedules shall form part of these Rules;

2.1.6 headings are inserted for convenience only and shall not affect the construction of these Rules;

2.1.7 words importing one gender shall (where appropriate) include any other gender and words importing the singular shall (where appropriate) include the plural and vice versa;

- 2.1.8 any provision of these Rules which provides for the Board or any other person to determine, change, notify, consider appropriate, require, think fit, deem, allocate, resolve, opine, appoint, decide, calculate or (without limitation) act in any way then the Board or such other person shall have sole and absolute discretion in that respect, its decision on any such matter shall be final and binding and it shall not be bound to give any reasons whatsoever for the decision which it makes; and
- 2.1.9 provisions which relate to partnerships shall apply in the same way to unincorporated associations.
- 2.2 Any words or expressions defined in the Acts shall, if not inconsistent with the subject or context and unless otherwise expressly defined in these Rules, bear the same meaning in these Rules.
- 2.3 References to:
- 2.3.1 “*paragraph*” mean a paragraph of the Schedules comprised in these Rules;
- 2.3.2 “*associate*” means:
- (a) in relation to an individual:
 - (i) that individual’s spouse or minor child or minor step-child;
 - (ii) any body corporate of which that individual is a director; and
 - (iii) any employee or partner of that individual;
 - (b) in relation to a body corporate:
 - (i) any body corporate of which that body is a director;
 - (ii) any body corporate in the same group as that body; and
 - (iii) any employee or partner of that body or of any body corporate in the same group;
 - (c) in relation to a Scottish firm, or a partnership constituted under the law of any other country or territory in which a partnership is a legal person:
 - (i) any body corporate of which the firm is a director;
 - (ii) any employee of or partner in the firm; and

- (iii) any person who is an associate of a partner in the firm;
 - (d) in relation to a partnership constituted under the laws of England and Wales or Northern Ireland, or the law of any other country or territory in which a partnership is not a legal person, any person who is an associate (as defined in sub-clauses (a) to (c) above) of any of the partners.
- 2.4 References in these Rules to events of insolvency relating to Members (whether individuals, firms or companies) or Directors shall include any analogous events in any jurisdiction to which such Member or Director is subject.

PART 2 - NAME AND REGISTERED OFFICE

3 NAME OF THE SOCIETY

The name of the Society shall be FIRST MILK LIMITED.

4 USE OF NAME

The name of the Society shall be displayed, in a conspicuous position and in easily legible letters, on the outside of its registered office and every other office or place in which the business of the Society is carried on and shall be mentioned in legible characters in all notices, advertisements and other official publications of the Society, in all business letters of the Society, all bills of exchange, promissory notes, endorsements, cheques and orders for money or goods, purporting to be signed by or on behalf of the Society and in all bills, invoices, receipts and letters of credit of the Society.

5 SEAL

The Society shall have a seal on which the name of the Society shall be engraved in legible characters. The seal shall be kept in the custody of the Secretary or such other person as the Board shall direct and shall be used only under the authority of the Board or a committee of the Board. The impression of the seal on any document shall be attested by the signatures of two Directors and the Secretary.

6 REGISTERED OFFICE

The Society's registered office shall be at Cirrus House, Glasgow Airport Business Park, Marchburn Drive, Paisley PA3 2SJ.

7 CHANGE OF REGISTERED OFFICE

The situation of the registered office may be changed by a resolution of the Board and notice of any such change shall be sent to the Registrar within fourteen days in the form and manner for the time being prescribed by law.

8 MILK FIELDS

The demarcation of Milk Fields shall be determined by the Board of Directors, in consultation with the Council. The Board of Directors shall have the sole discretion from time to time to change any such demarcation.

PART 3 - OBJECTS AND POWERS

9 OBJECTS

9.1 The objects for which the Society is established are set out in Schedule 1.

9.2 None of the objects set forth in any of the paragraphs of Schedule 1 shall be restrictively construed but the widest interpretation shall be given to each such object, and none of such objects shall, except where the context expressly so requires, be in any way limited or restricted by reference to or inference from any other object or objects set forth in such paragraph of Schedule 1 or by reference to or inference from the terms of any other of the paragraphs of Schedule 1 or by reference to or inference from the name of the Society.

9.3 None of the paragraphs of Schedule 1 and none of the objects therein specified shall be deemed subsidiary or ancillary to any of the objects specified in any other paragraph and the Society shall have as full a power to exercise each and every one of the objects specified as though each such object was the object of a separate Society.

10 POWERS

The Society shall have full powers, within the scope of the Act and these Rules, to do all acts and things necessary or expedient for the accomplishment of its objects.

PART 4 - NET INCOME ALLOCATION AND CAPITAL ACCOUNTS

11 NET INCOME ALLOCATION

11.1 The net income of the Society in any year of account shall be calculated by adding together the income of the Society in the year in question from all sources, including the sale of milk and any other products, dividends from subsidiaries or otherwise, and the provision of services whether to Members or others and by deducting from income all costs, expenses and outgoings of the Society of every description incurred in respect of that year of account (excluding payments listed in Rules 11.2.1 and 11.2.2).

11.2 Subject to Rule 12.8, the whole or any part of the net income for any year of account of the Society shall be applied by the Board in its absolute discretion (after making such allowance for taxation as the Board considers appropriate) for the following purposes:

11.2.1 for payments under the Milk Contracts; then (and in such order as the Board shall determine)

11.2.2 for payment of interest on accounts (including, in respect of Member Reserves, Interest (whether deferred or otherwise pursuant to the

provisions of the Capital Policy)), interest to the holders of B Preference Shares and the payment of Dividends in respect of A Preference Shares and/or New Preference Shares and/or C Preference Shares;

- 11.2.3 for capitalising any undistributed income in accordance with Rule 12;
- 11.2.4 for making up any losses incurred in any previous year;
- 11.2.5 in setting aside any reserve which the Board shall think fit;
- 11.2.6 in allocating amounts to Capital Reserve Accounts; and
- 11.2.7 for any other purpose authorised by these Rules,

and, subject thereto, may be divided among the persons who were Members (or any group of Members as the Board may determine in accordance with Rule 11.4.1) during the whole or part of that year of account. The Board may from time to time pay to Members or any group of Members such monthly or other interim payments on account of net income to be distributed under this Rule 11.2 as it may determine in its discretion.

11.3 If, having paid to Members interim payments provided for in accordance with Rule 11.2, there is a surplus of net income in respect of any year of account the whole or any part of such balance may be divided in any manner or way determined by the Board in its absolute discretion (whether or not in proportion to the volume of milk sold by a Member to the Society) among such group or class of Members who shall:

- 11.3.1 have been Members of the Society at the time of such declaration or at such other time as the Board may determine; and/or
- 11.3.2 have been Members of the Society for such period as the Board may determine; and/or
- 11.3.3 have supplied to the Society such volumes of milk during such period(s) as the Board may determine; and/or
- 11.3.4 have complied with such other conditions as the Board may from time to time determine,

but where, at or prior to such determination, a Termination Notice and/or a Withdrawal Notice has been served (whether or not any such notice shall take effect before or after the date of such determination) the Member concerned shall not, unless the Board otherwise directs, be entitled to a share of such balance.

11.4 Notwithstanding any other provision of these Rules the Board may from time to time:

- 11.4.1 allocate such of the costs and expenses of the Society between such groups of Members as it in its absolute discretion shall determine whether relating to the supply of milk by distinct groups

of Members or for distinct geographical areas or otherwise and any such allocation shall be final and binding on all Members; and/or

- 11.4.2 pay premiums to or impose charges on any Member or Members in respect of any matter determined by the Board including, but not limited to, the place in which milk is produced, the place to which milk is delivered, the quantity of milk purchased and fluctuations in its supply, the description, quality or condition of milk supplied, the manner or conditions of its production and any special service rendered to a Member.
- 11.5 Deductions may be made from the amount otherwise payable in accordance with Rules 11.2 and 11.3 in respect of:
 - 11.5.1 sums due from a Member/former Member to the Society but which are not paid at the time payment by the Society is made;
 - 11.5.2 any charges or levies or other sums which the Society is required to collect from Members/former Members by virtue of any law or regulation or under the Rules or otherwise howsoever or which the Society has reason to believe will become payable by a Member to the Society as aforesaid.
- 11.6 If having made interim payments to Members (which shall include payments to Members under Milk Contracts) the Society has or the Board determines that it is likely to have a net deficit in any year of account, the Board may require Members, or particular groups of Members, to repay to the Society all or such part of such interim payments previously paid in that year as the Board may determine and/or make deductions from amounts otherwise payable to Members in the following year(s) of account in order to make good such deficit.
- 11.7 Without prejudice to the Board discretion regarding payment of Interest and Dividends as set out in the Capital Policy, distributions of net income may be made by:
 - 11.7.1 cheque sent by ordinary post to Members/former Members at their respective addresses (as shown in the Register of Members); and/or
 - 11.7.2 the transfer or credit to Member Capital Accounts (or any other account(s)) or any part thereof in respect of those Members entitled to such distributions; and/or
 - 11.7.3 any other method which the Board shall determine,and neither the Board nor the Society shall be liable for any loss thereby occasioned.
- 11.8 No distribution of net income of the Society shall be made otherwise than as permitted by these Rules.
- 11.9 The Board may use any share or loan capital or reserves (including any sums standing to the credit of Member Capital Accounts, and/or Capital Reserve Accounts) for such purposes as it considers appropriate.

12 MEMBER ACCOUNTS

Member Capital Accounts

12.1 The following sums shall be classified as Member Reserves and standing to the credit of Member Capital Accounts for the purposes of these Rules:

12.1.1 amounts standing to Member Capital Accounts as at close of business on the Implementation Date;

12.1.2 pursuant to the terms of the cancellation of A Preference Shares the nominal value of the A Preference Shares held by each Member immediately prior to such cancellation (or at such other time and date as the Board may determine); and

12.1.3 all such other amounts standing to any account of any Member or Members (and/or former Member or Members) as the Board shall determine from time to time.

Amounts classified as Member Reserves pursuant to Rules 12.1.1 shall be so classified with effect from close of business on the Implementation Date. Amounts classified pursuant to Rules 12.1.2 and 12.1.3 shall be so classified with effect from such date as the Board shall determine.

Capital Reserve Accounts

12.2 The following sums shall be classified as Capital Reserves and standing to the credit of the Capital Reserve Accounts for the purposes of these Rules:

12.2.1 such amount (if any) of the net income of the Society as the Board determines in accordance with Rule 11.2.6 should be so allocated to each Member, and a Member's allocation shall be pro rata to that Member's holding of Capital (as a proportion of all Capital held by Members) or pro rata to that Member's holding of Member Reserves (as a proportion of all Member Reserves held by Members) as the Board in its sole discretion determines; and

12.2.2 all such other amounts standing to the credit of any account of any Member or Members as the Board shall determine,

Amounts allocated and classified pursuant to Rule 12.2 shall be so classified, allocated and with effect from such date as the Board shall determine.

12.3 In the event that in any financial year, the Society makes a loss after payments under Milk Contracts the losses of the Society in such period may also, at the discretion of the Board, be allocated to Capital Reserve Accounts with the effect of reducing pro tanto the amount of those Capital Reserves (and a Member's or former Member's allocation of such losses shall be, save as the Board shall otherwise determine, pro rata to their holding of Capital Reserves at the relevant time). Losses allocated pursuant to this Rule 12.3 shall be so allocated with effect from such date as the Board shall determine.

12.4 For the avoidance of doubt, (save as otherwise determined by the Board in respect of any former Member or former Members) former Members shall not

be entitled to receive any allocation of profits in accordance with Rule 12.2 to a Capital Reserve Account (but losses allocated to Capital Reserve Accounts pursuant to Rule 12.3 shall be allocated to former Members in the same way as to Members).

12.5 In addition to Member Capital Accounts and Capital Reserve Accounts, the Board may create one or more other categories of account in the capital of the Society in the name of any Member which shall be operated in accordance with the provisions of these Rules and/or otherwise as directed by the Board. The Board shall give a name to each category of account and shall give notice of that name as soon as is reasonably practicable after its creation.

12.6 With the consent of the Council, the Board may in respect of any account (including Member Capital Accounts and Capital Reserve Accounts):

12.6.1 convert all or any part of the credit balance on any account into shares (including New Preference Shares or other forms of redeemable or non-redeemable shares), debentures, debenture stock (or such other loan stock or instruments as the Society may by ordinary resolution decide);

12.6.2 cancel any account by paying the credit balance on that account; and/or

12.6.3 transfer all or part of the credit balance(s) on an account to an account of a different category of the Member concerned as the Board may determine.

12.7 The Board may determine whether and on what terms interest shall be paid on the credit balance of any account (including Member Capital Accounts) and the Board may determine that different rates of interest shall be payable according to the category of account, the credit balance on any account and/or whether such account(s) are held by Member(s), Leavers, Retiring Leavers or Non-Retiring Leavers (and/or certain groups or categories thereof) and may change such rates at any time. The Board may determine in respect of any Member Capital Account Holder(s), to pay any interest in whole or in part in cash or by allocating the whole or part of such payment to an account (including Member Capital Account) of such Member Capital Account Holder(s) (and/or may stipulate in the Capital Policy from time to time that all or part of such interest shall be so allocated unless the relevant Member Capital Holder(s) elects in writing to the Board to receive interest only in cash).

Save where the Board determines in its absolute discretion, no interest or other return shall be payable in respect of Capital Reserve Accounts.

12.8 Subject to the remaining provisions of this Rule 12.8, the Board may, with the consent of the Council, at any time make retentions from the net income of the Society in any year of account (including retentions from any interim payments referred to in Rule 11.2 or from the sums payable to any Member or Members under Milk Contracts and/or (without prejudice to Rules 12.7 and 14.1.2(b)) from Interest and/or Dividend accrued but unpaid in respect of such Member(s) in any year of account) of such sums as it shall think fit and shall transfer the sums retained to the credit of accounts of any category as the Board, with the consent of the Council, shall determine (including Member Capital Accounts):

12.8.1 the Board may not exercise the right referred to in this Rule 12.8 to make retentions from or on account of the net income of the Society in respect of any year of account without the consent of the Council and an ordinary resolution;

12.8.2 the Board may not, without the consent of the Council and a special resolution, make any retentions in respect of any Member for any year of account an amount which exceeds in aggregate the sum arrived at by multiplying the sum of 0.5 pence per litre by the number of litres of milk supplied by that Member to the Society in that year of account,

in each case save to the extent that:

(a) any such sum(s) represents the consideration payable on redemption and/or cancellation and/or conversion or similar of any of his A Preference Shares or any other shares or account of any Member to be transferred to the Member Capital Account in accordance with the Rules of the Society from time to time; and/or

(b) any sum determined by the Board, with the consent of the Council, in accordance with Rule 12.10 to achieve the Capital Target; and/or

(c) any bonus payment is transferred to an account of a Member or former Member (including a Member Capital Account and/or Capital Reserve Accounts).

In the case of resolutions pursuant to Rules 12.8.1 and/or 12.8.2, such resolution(s) may specify the year or years of account or any part thereof for which such right to make retentions may be exercised and the retentions may apply in respect of the year of account then current or any previous or future year of account.

12.9 With the consent of the Council the Board shall from time to time determine the sum of capital which the Society requires from each Member and the category of account to which that sum is to be paid.

12.10 With the consent of the Council the Board may, at such time as it shall determine, make retentions from the net income of the Society in any year of account (whether the current or any previous or future year(s) of account, and including retentions from any interim payments referred to in Rule 11.2, the sums payable to Members under Milk Contracts and/or from Interest and/or Dividends accrued or declared but unpaid in any year of account) in respect of any Member any sum by which the Capital Target exceeds the Capital of such Member and the Board shall on receipt thereof transfer such sum to an account (which may include a Member Capital Account) of the Member concerned.

12.11 The credit balance on any account (including Member Capital Accounts and Capital Reserve Accounts) shall not be withdrawable and shall be only transferable in accordance with those Rules.

Transfer and repayment

- 12.12 A Member/former Member may only transfer the legal and/or beneficial interest in his Member Reserves and/or Capital Reserves or any part thereof in accordance with the provisions of Rule 18. A Member may transfer all or part of the credit balance on any account other than a Member Capital Account and/or Capital Reserve Account to a Permitted Successor.
- 12.13 If a Member dies, the credit balance on his accounts (including Member Capital Accounts and Capital Reserve Accounts) (together with Interest accrued and not paid up in respect of Member Reserves up to and including the date of repayment) shall be repaid to his personal representatives or such person nominated to receive his property in the Society not later than the first anniversary of his death.
- 12.14 Save as otherwise provided expressly in these Rules and in particular subject to Rules 12.15 to 12.20 (inclusive) if a Member becomes a Leaver in circumstances where there is no Permitted Successor or there is a Permitted Successor but the credit balance of accounts (including Member Capital Accounts and Capital Reserve Accounts) (or any part thereof) are not transferred to the Permitted Successor prior to the Lapse Date, then that part of the credit balance on such account(s) shall be repaid in five annual instalments as follows:
- (a) 10% on the first anniversary of cessation of membership;
 - (b) 20% on the second anniversary of cessation of membership;
 - (c) 20% on the third anniversary of cessation of membership;
 - (d) 25% on the fourth anniversary of cessation of membership; and
 - (e) 25% on the fifth anniversary of cessation of membership.
- 12.15 If:
- 12.15.1 a Leaver; or
 - 12.15.2 any person who was a shareholder in, member of or partner in a Corporate Member or partnership Member which is a Leaver,
- is a Non-Retiring Leaver and/or continues, whether with or without interruption, and whether solely, jointly or in any other way directly or indirectly, to be a Producer, or where the Board has reasonable grounds for believing that such Member, former Member or person, whether directly or indirectly, is supplying or has since the date of cessation of membership supplied milk to a person other than the Society (save for such of the production of a Member who is a Producer-Retailer as is packaged and processed by him at his dairy), then the credit balance on the relevant account(s) (including Member Capital Accounts (together with Interest accrued and not paid up to and including the last day of the month immediately preceding the date of repayment) but excluding Capital Reserve Accounts) shall be repaid in a lump sum on the fifth anniversary of his/its cessation of membership.
- 12.16 If:

12.16.1 a Leaver; or

12.16.2 any person who was a shareholder in, member of or partner in a Corporate Member or partnership Member which is a Leaver,

is a Non-Retiring Leaver and/or continues, whether with or without interruption, and whether solely, jointly or in any other way directly or indirectly, to be a Producer, or where the Board has reasonable grounds for believing that such Member, former Member or person, whether directly or indirectly, is supplying or has since the date of cessation of membership supplied milk to a person other than the Society (save for such of the production of a Member who is a Producer-Retailer as is packaged and processed by him at his dairy), then the credit balance on the relevant Capital Reserve Account shall be immediately cancelled without payment to the relevant Member or former Member or person and the Society shall have no further obligation to such Member, former Member or person in respect of such Capital Reserves.

12.17 The Board may determine in its absolute discretion, on any application by any person who was a Member or a member or shareholder of a person who was a Corporate Member or a partner in a Member which was a partnership (or the personal representatives of any such person) whether and on what terms the credit balance on the accounts (including Member Capital Accounts and/or Capital Reserve Accounts) of a person who ceases to be a Member or any part thereof shall be repaid earlier than provided for in this Rule 12.

12.18 Notwithstanding the provisions of Rules 12.13 to 12.16, the Board may alter or extend the terms and conditions for repayment of any account (including Member Capital Accounts and/or Capital Reserve Accounts) from time to time and in respect of some or all of the Members/former Members where, in its sole discretion, the Board considers it in the best interests of the Society so to do.

12.19 The Society shall be entitled to set off any credit balance on any account of a Member or former Member (including a Member Capital Account and/or Capital Reserve Accounts) against any sum claimed by the Society against the Member/former Member. In the event of the Society having any claim against a Member/former Member, the Society shall be entitled to withhold payment of any sum due or becoming due to that Member/former Member by the Society (including accrual/payment of Interest and/or repayment of principal) up to the amount of such claim until such claim is determined.

12.20 All amounts standing to the credit of accounts (including Member Capital Accounts (including accrued but unpaid Interest in respect of the same) and Capital Reserve Accounts) shall rank:

12.20.1 in priority to any payment to the holders of Ordinary Shares in respect of their holdings of Ordinary Shares in the Society to the extent of the nominal value of such shares together with a sum equal to any declared but unpaid arrears of the interest thereon;

12.20.2 after and postponed to any payment to the holders of Preference Shares in respect of their holdings of Preference Shares to the extent of the nominal value of such shares (together with in relation to the A Preference Shares and/or New Preference Shares and/or C Preference Shares, a sum equal to any and all declared but

unpaid Dividends and in relation to the B Preference Shares and/or C Preference Shares, a sum equal to any accrued but unpaid interest); and

- 12.20.3 pari passu in all respects with any payment to the holders of such other account(s) as may have been created pursuant to Rule 12.5 (unless otherwise decided by the Board on the creation of such account(s)),

and subject thereto, Members/former Members shall not, by virtue of such holdings, be entitled to any further or other right of participation in the assets of the Society.

Capital Target

- 12.21 The Capital Target is a base capital level which all Members are to contribute pursuant to these Rules. The Society has no obligation to repay any Capital in excess of a Capital Target save as otherwise expressly provided for in these Rules or as determined by the Board with the consent of the Council.
- 12.22 The Capital Target Litreage shall be reviewed annually by the Board and the Board may adjust the Capital Target Litreage for any Member as they determine in their absolute discretion following such annual review.
- 12.23 Any Member, whilst their Capital Target exceeds their Capital, may contribute Capital towards their Capital Target through:
- 12.23.1 retentions from net income in accordance with Rules 12.8 and/or 12.10 and/or any other agreement between such Member and the Society from time to time;
- 12.23.2 payment in advance of contributions towards their Capital Target with the consent of the Board;
- 12.23.3 subject to Rules 12.24 and 12.25, purchasing Member Reserves, New Preference Shares or C Preference Shares from former Members in accordance with Rule 18 (but any Member Reserves, New Preference Shares or C Preference Shares acquired from Members shall not count towards the Capital Target);
- 12.23.4 allocating any Dividends and/or Interest to their Member Capital Account and such allocation shall be made automatically on the declaration of such Dividends and/or Interest by the Board unless the Member elects by giving notice in writing to the Society prior to the allocation of such Dividends and/or Interest that they do not wish such Dividends and/or Interest to be so allocated.
- 12.24 Any former Member and/or any Member (whose Capital has at any time equalled or exceeded their Capital Target ("**Qualifying Member**")) may sell Member Reserves and/or New Preference Shares and/or C Preference Shares to Member(s), and in the case of a Qualifying Member may acquire Member Reserves and/or New Preference Shares and/or C Preference Shares from other Member(s) or former Member(s), provided always that any such transfer

is in accordance with Rule 18, and provided always that (save as otherwise determined by the Board):

- 12.24.1 no Member may sell Member Reserves and/or New Preference Shares and/or C Preference Shares where as a result of such sale their Capital would fall below their Capital Target Minimum;
- 12.24.2 no Member may acquire Member Reserves and/or New Preference Shares and/or C Preference Shares where as a result of such acquisition their Capital would exceed their Capital Target Maximum.
- 12.25 Save as otherwise determined by the Board, a Member who is not a Qualifying Member may not sell any Member Reserves, New Preference Shares or C Preference Shares nor may they buy Member Reserves, New Preference Shares or C Preference Shares from Members (but, subject to Rules 12.24.1 and 12.24.2, may do so from former Members provided always the same is in accordance with Rule 18, whereupon such purchased Capital shall count towards the Capital Target for such Member in accordance with Rule 12.23.3).
- 12.26 Former Members may not acquire Member Reserves, New Preference Shares or C Preference Shares from any other former Member or any Member in any circumstances, save as determined by the Board from time to time.
- 12.27 Save as otherwise determined by the Board, in the event that any Member or former Member has Capital exceeding their Capital Target Maximum (in the case of a former Member, being the Capital Target Maximum at the time they became a Leaver), such excess Capital shall not attract any return (Interest in the case of Member Reserves or Dividend and/or interest, as applicable, in the case of New Preference Shares and C Preference Shares) and the Board shall determine for all purposes whether the excess Capital comprises Member Reserves, A Preference Shares, New Preference Shares, C Preference Shares or other forms of capital and in what proportions.

Distributions

- 12.28 Subject to the provisions of these Rules relating to Interest, Dividends and interest on B Preference Shares and the provisions of the Capital Policy, no distribution of net income shall be paid or calculated by reference to the amount of any share or interest in the capital of the Society.

Capitalisation of Income

- 12.29 The Board may in its discretion with the consent of the Council:
 - 12.29.1 resolve to capitalise any undistributed net income or reserves of the Society (whether or not they are available for distribution);
 - 12.29.2 appropriate the sum resolved to be capitalised to Members in such proportions as the Board may determine in accordance with Rule 11 and/or apply such sum on their behalf:
 - (i) in or towards paying up the amount of the Capital Target of a Member; and/or

- (ii) in crediting the account(s) of a Member (including Member Capital Accounts and Capital Reserve Accounts);
- (iii) in or towards paying up Preference Shares.

Summary of Member Accounts

- 12.30 The Society shall inform Members/former Members of the amount standing to the credit of their accounts (including Member Capital Accounts and Capital Reserve Accounts) in accordance with the provisions of the Capital Policy.

PART 5 - SHARE CAPITAL

13 SHARE CAPITAL

- 13.1 The share capital of the Society at the date of the adoption of these Rules is divided into five classes, namely:

- 13.1.1 an unlimited number of Ordinary Shares;
- 13.1.2 an unlimited number of A Preference Shares;
- 13.1.3 an unlimited number of New Preference Shares;
- 13.1.4 200,000,000 B Preference Shares; and
- 13.1.5 an unlimited number of C Preference Shares.

- 13.2 The Ordinary Shares shall rank equally in all respects.

- 13.3 Each Member shall be bound but only entitled to hold one Ordinary Share.

- 13.4 Ordinary Shares and Preference Shares shall be neither withdrawable nor transferable, except in accordance with the provisions of these Rules.

- 13.5 Preference Shares shall have the rights and are subject to the restrictions set out in Rule 14 and A Preference Shares shall additionally have the rights and are subject to the restrictions set out in Rules 15, 16, 17 and 18 and New Preference Shares shall additionally have the rights and are subject to the restrictions set out in Rules 16, 17 and 18.

- 13.6 Each Preference Share shall be capable of re-issue once cancelled pursuant to Rule 25.

14 PREFERENCE SHARES

- 14.1 The rights attaching to the Preference Shares are as follows:

- 14.1.1 as regards transfer:

(a) *A Preference Shares*

A Preference Shares are transferable in accordance with Rule 18 but not otherwise.

(b) *New Preference Shares*

New Preference Shares are transferable in accordance with Rule 18 but not otherwise.

(c) *B Preference Shares*

B Preference Shares are freely transferable to other Members but not otherwise.

(d) *C Preference Shares*

C Preference Shares are freely transferable to Members but not otherwise.

14.1.2 as regards interest/Dividend:

(a) *A Preference Shares*

A Preference Shares shall have no entitlement to interest. The Board may at its absolute discretion declare and pay a Dividend in accordance with the Capital Policy.

(b) *New Preference Shares*

New Preference Shares shall have no entitlement to interest. The Board may at its absolute discretion declare and pay a Dividend (to Dividend Recipients only save as the Board shall otherwise determine) in accordance with the Capital Policy. The Board may determine in respect of any Dividend Recipient(s), to pay any Dividend in whole or in part in cash or by allocating the whole or part of such payment to an account (including Member Capital Account) of such Dividend Recipient(s) (and/or may stipulate in the Capital Policy from time to time that all or part of such Dividend shall be so allocated unless the relevant Dividend Recipient(s) elects in writing to the Board to receive Dividend only in cash).

(c) *B Preference Shares*

B Preference Shareholders shall be entitled to interest on the following terms:

- (i) interest shall be calculated on the basis of actual days elapsed and a 365 day year or a 366 day year if the last day of such period falls in a leap year. Interest shall accrue on a

daily basis and shall be payable, after deduction of tax where so required by law, in arrears with such frequency (subject to a minimum requirement of one payment in each financial year) and on such date(s) as the Board shall upon issue of any such shares specify (or, if such date does not fall on a business day in any year, the next succeeding business day) (each such date being an "**Interest Payment Date**") in respect of the Interest Period (as defined below) ending immediately prior thereto. The first payment of interest in respect of any B Preference Share shall be in respect of the period from (and including) the first date of issue of such B Preference Share (the "**First Issue Date**") to (but excluding) the next following Interest Payment Date;

"**Interest Period**" shall mean the period from (and including) an Interest Payment Date (or in respect of the first interest payment from the First Issue Date to (but excluding) the next following Interest Payment Date);

- (ii) subject to sub-paragraph (iv) below, the rate of interest payable from time to time in respect of the B Preference Shares shall be such rate as the Board shall in its absolute discretion specify upon the issue of any such B Preference Shares as being no greater than necessary to attract and retain long term capital provided that such rate of interest shall without the prior approval of Members in General Meeting not exceed five per cent. above LIBOR on the previous Interest Payment Date (or, if such day is not a business day, the immediately preceding business day).

For the purposes of these Rules, "**LIBOR**" means the percentage rate per annum certified by the Bank to the Society as the rate determined by the Bank to be that on which deposits in pounds sterling in an amount and for a period comparable with the amount and the period in respect of which LIBOR is to be determined were being offered by first class banks to the Bank in the London Interbank Market at or about 11am (London time) on the relevant date;

- (iii) all payments made shall be made in sterling on a business day by transfer to a sterling

account maintained with a branch of any clearing bank established in the United Kingdom by the holder(s) of B Preference Shares or at the option of the Society by sterling cheque;

- (iv) the Society shall be entitled to make deductions for or on account of taxation in respect of any payment of principal, interest or other moneys in any case where it is not satisfied that the payment may be made without any such deduction. For this purpose the Society may require the holder of a B Preference Share to make such declarations (as to his usual place of abode or otherwise) and to produce such evidence as the Society sees fit;
- (v) payment of interest to B Preference Shareholders is in priority to any payment to the holders of Ordinary Shares in respect of their holdings of Ordinary Shares;
- (vi) interest shall be paid to the B Preference Shareholders whose name appears on the register at close of business on the day the register is closed. The register shall be closed 15 business days prior to each Interest Payment Date, or on such other date as provided beforehand to the Members in writing; and
- (vii) Preference Shares shall not entitle the holders thereof to any further or other right of participation in the profits of the Society other than Dividends (if any) in the case of New Preference Shareholders and/or A Preference Shareholders.

(d) *C Preference Shares*

The Board may at its absolute discretion declare and pay a Dividend or interest on the C Preference Shares in accordance with the Capital Policy.

- 14.1.3 as regards capital: on a distribution of assets on dissolution of the Society or other return of capital, the assets of the Society available for distribution among the holders of shares shall be applied in repaying to the holders of the Preference Shares (together, in respect of the A Preference Shares, New Preference Shares and C Preference Shares only, with a sum equal to any and all declared but unpaid Dividends and in respect of the B Preference Shares only, with a sum equal to accrued but unpaid interest (if any)) in priority to any payment to the holders of Ordinary Shares in respect

of their holdings of Ordinary Shares, the nominal value of such shares. The Preference Shares shall not entitle the holders thereof to any further or other right of participation in the assets of the Society and shall rank pari passu amongst themselves.

14.1.4 as regards voting:

(a) *A Preference Shares*

The A Preference Shares shall not entitle the holders thereof to vote upon any resolution or to receive notice of or to attend any General Meeting of the Society in respect of their holdings of A Preference Shares.

(b) *New Preference Shares*

The New Preference Shares shall not entitle the holders thereof to vote upon any resolution or to receive notice of or to attend any General Meeting of the Society in respect of their holdings of New Preference Shares.

(c) *B Preference Shares*

The B Preference Shares shall not entitle the holders thereof to vote upon any resolution or to receive notice of or to attend any General Meeting of the Society in respect of their holdings of B Preference Shares.

(d) *C Preference Shares*

The C Preference Shares shall not entitle the holders thereof to vote upon any resolution or to receive notice of or to attend any General Meeting of the Society in respect of their holdings of C Preference Shares.

14.1.5 class consents:

(a) *A Preference Shares*

Any variation and/or abrogation of the rights of withdrawal/redemption in respect of A Preference Shares as set out in these Rules shall be subject to approval by a special resolution passed at a meeting of A Preference Shareholders (being a resolution passed by not less than two thirds of A Preference Shareholders as vote in person or by proxy at that meeting). Provisions relating to General Meetings shall apply, *mutatis mutandis*, to any meeting of the A Preference Shareholders pursuant to this Rule 14.1.5.

(b) *New Preference Shares*

The rights attaching to New Preference Shares may be varied and/or abrogated in any respect by special

resolution and without the consent of the holders of such shares.

(c) *B Preference Shares*

The written consent of the holders of three-quarters in nominal value of the issued B Preference Shares is required:

- (i) if the special rights and privileges attaching to the B Preference Shares are to be varied or abrogated or otherwise directly affected in any way; or
- (ii) if any shares are to be created, allotted or issued by the Society which rank in priority to the B Preference Shares (or any right to call for the allotment or issue of such shares is to be granted by the Society).

(d) *C Preference Shares*

The written consent of the holders of three-quarters in nominal value of the issued C Preference Shares is required:

- (i) if the special rights and privileges attaching to the C Preference Shares are to be varied or abrogated or otherwise directly affected in any way; or
- (ii) if any shares are to be created, allotted or issued by the Society which rank in priority to the C Preference Shares (or any right to call for the allotment or issue of such shares is to be granted by the Society).

14.1.6 as to conversion: The Board may issue Preference Shares with such rights or obligations to convert such shares into debentures or debenture stock (or into Member Reserves or Capital Reserves) as the Society may by ordinary resolution in General Meeting decide or, if no such resolution has been passed, or so far as the resolution does not make specific provision, as the Board may decide.

14.1.7 as to redemption:

(a) *A Preference Shares*

The A Preference Shares may be redeemed and/or cancelled in accordance with the provisions of Rule 18 but not otherwise.

(b) *New Preference Shares*

the New Preference Shares are non-redeemable but may be cancelled in accordance with Rule 18.22.

(c) *B Preference Shares*

The B Preference Shares may be redeemed at the election of the relevant Member during such periods as are determined by the Board in accordance with the Capital Policy (the "**Redemption Period**") as follows:

- (i) a holder of B Preference Shares shall give to the Society a written notice of redemption ("**Redemption Notice**"). The Redemption Notice will be irrevocable and should state (i) the number of B Preference Shares which the Member wishes to redeem; (ii) an irrevocable instruction from that Member confirming that once redeemed, the redemption monies shall be transferred to his Member Capital Account; and (iii) be accompanied by the share certificate for all such B Preference Shares;
- (ii) the B Preference Shares the subject of Redemption Notices shall be redeemed with effect from the date(s) specified in the Capital Policy ("**Redemption Date**");
- (iii) on the Redemption Date, the Society shall credit an amount equal to the aggregate nominal value of the B Preference Shares the subject of a Member's Redemption Notice to the Member Capital Account of such Member; and
- (iv) unless otherwise agreed by the Board, the redemption of B Preference Shares shall only be permitted during a Redemption Period.

(d) *C Preference Shares*

The C Preference Shares may be redeemed only at the election of the Board during such periods and on such terms as are determined by the Board in accordance with the Capital Policy as follows:

- (i) the Society shall give written notice to the holders of C Preference Shares ("**Redemption Notice**"). The Redemption Notice will state the number of C Preference Shares which the Society wishes to redeem and the amount to be paid in redemption or partial redemption of each C Preference Share;

- (ii) the C Preference Shares the subject of Redemption Notices shall be redeemed (or partially redeemed) with effect from the date(s) specified in the Capital Policy or the Redemption Notice (as the case may be) (“**Redemption Date**”); and
- (iii) on the Redemption Date, the Society shall pay the relevant amount to each member whose C Preference Shares are being redeemed (or partially redeemed) in such manner as the Board shall determine.

Prior to any payment in respect of the redemption (or partial redemption) of C Preference Shares the relevant holder shall deliver to the Society for cancellation the relevant C Preference Share certificate(s) in respect of the C Preference Share(s) being repaid/redeemed and the Society shall (where appropriate) issue a balancing certificate.

- 14.1.8 as to additional rights: subject to any rights conferred on the holders of any other shares of the Society, any Preference Share may be issued with or have attached to it such other or additional rights and restrictions as the Society may by ordinary resolution in General Meeting decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide.

15 **A PREFERENCE SHARES - ADDITIONAL PROVISIONS**

Issue of A Preference Shares

- 15.1 In addition to the rights and restrictions attributed to A Preference Shares pursuant to Rules 14, 16, 17, 18 and 18.21, A Preference Shares shall have the following rights and be subject to the following restrictions:
- 15.1.1 as regards dividend: In any financial year, the A Preference Shares shall (subject to the Board’s determination and in accordance with the Capital Policy) be entitled to payment of a Dividend;
- 15.1.2 as regards re-investment of Dividend: if the Capital Policy provides for the same, and subject to the Capital Policy, a Member shall be entitled (but not obliged) to reinvest into his Member Capital Account an amount equal to all or part of the Dividend payable to him in respect of his A Preference Shares (such reinvestment to be effected in accordance with the Capital Policy); and
- 15.1.3 as to Leavers: following a Member becoming a Leaver, up to and including the Lapse Date, such Leaver shall be entitled to transfer his A Preference Shares in accordance with Rule 18.1.2(b). Immediately following the Lapse Date, all of the rights attaching to the A Preference Shares not transferred shall immediately be deemed to have lapsed with effect from such date and such A Preference Shares shall automatically be cancelled by the Society at par value (together with any declared but unpaid Dividends) and such redemption monies

shall be transferred immediately into the relevant Member Capital Account and be treated for all purposes under those Rules as Member Reserves.

16 ISSUE AND ALLOTMENT OF SHARES

- 16.1 The Board shall have general and unconditional authority to allot and issue only to Members, Ordinary Shares, New Preference Shares and/or A Preference Shares and in the case of C Preference Shares to Members and (in the event of a conversion under Rule 12.6.1 only) to former Members up to the amount of the Society's authorised share capital from time to time.
- 16.2 Without prejudice to generality of Rule 16.1, the Board shall have general and unconditional authority to allot and issue to Members fully paid up (as part of a reorganisation of the share capital of the Society involving the redemption of A Preference Shares at or around the Implementation Date) New Preference Shares pro rata to the holdings of A Preference Shares of the Members as at the Implementation Date. The Board shall not be obliged to issue fractions of a share and shall be entitled, to assist in allocation, prior to allotment and issue under this Rule 16.2 to subdivide the New Preference Shares in such manner as it shall determine.
- 16.3 On the admission of any person to membership the Board shall allot to such Member one Ordinary Share of £10.
- 16.4 A Member may not have allotted to him or hold or have an interest in at any time any Ordinary Share and/or Preference Shares which, when taken together, have a total value which exceeds any maximum shareholding limit imposed from time to time by any statute or regulation applicable to the Society and/or the Permitted Maximum from time to time (whichever is the lower).
- 16.5 The Society shall have a lien on the Ordinary Share(s) and/or Preference Share(s) of a Member for any debt due to it by the Member and may set off any sum standing to the Member's credit, including, without prejudice to the generality of the foregoing, any loan, money, interest or dividends, in or towards the payment of such debt.

PART 6 - MEMBER RESERVES AND NEW PREFERENCE SHARES /A PREFERENCE SHARES

17 CERTIFICATES

- 17.1 An A Preference Share certificate and/or a New Preference Share certificate is a certificate (in such form as the Board may determine) issued to an A Preference Shareholder or a New Preference Shareholder (as the case may be) setting out the number of A Preference Share(s) or New Preference Share(s) (as the case may be) held by him.
- 17.2 Every A Preference Shareholder or New Preference Shareholder shall be entitled free of charge to one (or such other number as the Board determines appropriate in each case) A Preference Share certificate or New Preference Share certificate. Joint holders shall be entitled to only one (or such other number the Board determines appropriate in each case) A Preference Share certificate or New Preference Share certificate for the A Preference Share(s) or New Preference Share(s) held by them respectively and such certificate(s)

shall be delivered to that one of the joint holders whose name stands first in the register referred to in Rule 29 in respect of the joint holding. If an A Preference Share certificate or a New Preference Share certificate is worn out, defaced, lost or destroyed it may be replaced by the Society on such terms as to evidence and indemnity and payment of the expenses reasonably incurred by the Society as the Board may determine but otherwise free of charge, and (in the case of defacement or wearing out) on delivery to the Society of the old certificate.

17.3 Where, in accordance with these Rules, an A Preference Shareholder or a New Preference Shareholder has transferred or had redeemed/cancelled or capitalised a part only of his A Preference Shares or New Preference Shares, he shall be entitled (without charge) to a certificate for the balance not transferred or repaid.

18 **TRANSFER/CANCELLATION/REDEMPTION/ASSIGNMENT OF MEMBER RESERVES/ NEW PREFERENCE SHARES/ A PREFERENCE SHARES**

18.1 Subject to Rules 18.7 and 18.8, Member Reserves, Capital Reserves, A Preference Shares and New Preference Shares will not be transferable except as follows and in accordance with Rules 12.24 and 12.25. In addition, any transfer of C Preference Shares made in accordance with Rules 12.24 or 12.25 shall where expressly stated also be subject to the provisions of this Rule 18:

18.1.1 In the case of Members Reserves, Capital Reserves, A Preference Shares and New Preference Shares to a Permitted Successor in the circumstances set out in Rule 28.1 and in accordance with Rule 28;

18.1.2 In the case of Member Reserves, A Preference Shares and New Preference Shares only:

(a) from a date to be determined by the Board (and set out in the Capital Policy), subject to Rule 12.25, any Member is permitted to transfer some or all of their Member Reserves, A Preference Shares or New Preference Share(s) to any other Member in accordance with the remaining provisions of this Rule 18;

(b) from a date to be determined by the Board (and set out in the Capital Policy), any Leaver is permitted to transfer some or all of his Member Reserves and/or A Preference Shares and/or New Preference Share(s) to any Member in accordance with the remaining provisions of this Rule 18 (in the case of the New Preference Shares, only up to and including the New Preference Shares Lapse Date and in the case of the A Preference Shares, only up to and including the Lapse Date);

(c) subject to the prior approval of the Board, where in relation to a Member which is a partnership or a Corporate Member (the "**New Member**"), one or more of the partners or members was previously a partner in

another partnership Member or member of a Corporate Member of the Society (the "**Old Member**") (or in any similar situation where the Board determines that an appropriate relationship exists between Members ("**Connected Members**") the Old Member or a Connected Member may transfer any part of the Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) it holds to the New Member or other Connected Member; and/or

- (d) in any situation where an application for early repayment could be made pursuant to Rule 12.17, an application may instead be made to transfer some or all of the relevant Member Reserves and/or A Preference Shares, and/or New Preference Shares to a third party (including the retiring person or the estate of the deceased (as the case may be)). In the event of such an application for transfer being granted by the Board, the transferee shall, for all purposes relating to such Member Reserves, A Preference Shares and/or New Preference Shares transferred, be treated as the former Member/Retired Member/Leaver.

18.2 Any transfer of Member Reserves, A Preference Share(s) and/or New Preference Share(s) shall be by an instrument of transfer in any form which the Board may approve and shall be completed only (save for any transfers pursuant to Rules 18.1.1, 18.1.2(c) and/or 18.1.2(d)) through the Transfer Facility (or in such other manner as the Board determines), in accordance with the Rules and subject to the restrictions contained in the Transfer Rules. Such instrument shall be executed by or on behalf of the transferor but need not be executed by the transferee (unless the shares the subject of the transfer (or some of them) are not fully paid up or the Board otherwise requires it) and shall be accompanied by the relevant New Preference Share certificate(s) and/or A Preference Share certificate(s) and such other evidence as the Board (or such other person it may nominate) may reasonably require to show the right of the transferor to make the transfer. Subject to Rule 18.6, the transferor shall be deemed to remain the owner of the Member Reserves, and/or A Preference Share(s), and/or New Preference Share(s) to be transferred until the name of the transferee is entered in the register referred to in Rule 29 in respect thereof. In relation to all transfers (save where such transfer is effected via the Transfer Facility), the parties to the transfer shall notify the Secretary in writing immediately following a purported transfer providing full details of the transfer including the names of the transferor and transferee and the amount of Member Reserves, and/or and/or A Preference Share(s), and/or New Preference Share(s) transferred and shall further lodge the duly stamped stock transfer form/instrument of transfer with the Secretary as soon as practicable thereafter.

18.3 The Board may decline to approve or register any purported transfer of Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) and/or C Preference Shares by written notice by the Board (or such other person it may nominate for the purpose) to the purported transferor within ten days after the date on which the Board is notified of the purported transfer if, in the sole discretion of the Board, the Board considers that such transfer would:

- 18.3.1 result in the purported transferee exceeding the Permitted Maximum;
 - 18.3.2 breach Rule 12.24; and/or
 - 18.3.3 breach any of the provisions of the Transfer Rules (if any) and/or these Rules and/or the Capital Policy.
- 18.4 Any transfer of Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) in accordance with Rule 18 may be in whole or part as to the amount transferred but shall, subject to Rule 18.7, always be of the entire legal and beneficial interest in the Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) respectively. A Member Capital Account Holder and/or A Preference Shareholder and/or New Preference Shareholder shall not mortgage, charge, pledge or otherwise encumber his Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) respectively without the prior written consent of the Board.
- 18.5 Without prejudice to Rule 18.3, in the case of any transfer of Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) respectively in contravention of these Rules, the transfer shall, at the discretion of the Board (provided that the Board shall only exercise its discretion under this Rule where it is of the opinion that the transferee knew or should reasonably have known that the transferor was transferring the Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) respectively in contravention of these Rules), be voidable at the option of the Society and the Society shall for all purposes be entitled to treat the transferor as the holder of the Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) respectively.
- 18.6 If a transfer of Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) respectively has occurred in accordance with these Rules, during the period from the date of transfer until the date that the transferee is entered into the register referred to in Rule 29 as the registered holder thereof the Society may, at the discretion of the Board, treat the transferee as if he were the registered holder of such Member Reserves and/or A Preference Shares and/or New Preference Shares.
- 18.7 The operation of the Transfer Facility may require transfers of Member Reserves and/or A Preference Shares and/or New Preference Shares (in accordance with these Rules and/or the Transfer Rules) to be carried out in a manner which involves a nominee arrangement whereby the operator of the Transfer Facility acts as the nominee of any transferees. If such a nominee arrangement is approved by the Board the following shall apply:
- 18.7.1 the Society shall recognise the nominee arrangement and shall require a notice of nomineehip to be entered into the register referred to in Rule 29 stating the details of the beneficial owner of the relevant Member Reserves and/or A Preference Share(s) and/or New Preference Share(s). The details required by Rule 29.1 to be entered on the register shall relate to the beneficial owner and not the nominee legal owner;

- 18.7.2 unless expressly stated to the contrary in these Rules, the beneficial owner of the Member Reserves and/or A Preference Share(s) and/or New Preference Share(s) shall at all times be treated as the Member Capital Account Holder and/or A Preference Shareholder and/or New Preference Shareholder respectively for all other purposes including for the purposes of the payment of Interest, for the payment of a Dividend and for all other purposes pursuant to Rules 17, 18 and 18.22; and
- 18.7.3 the Board may (at any time and without giving a reason) direct the nominee to transfer the legal interest in a Member Reserves and/or A Preference Shares and/or New Preference Shares to the beneficial owner at no expense to the beneficial owner (except any stamp duty which may be payable).
- 18.8 The Board may prescribe such requirements and conditions as it considers appropriate regarding any periods during which Directors, Area Representatives and/or senior employees of the Society or its subsidiary may not deal in Member Reserves and/or New Preference Shares and/or A Preference Shares.

Rights of the Society on an amalgamation, transfer of engagements, reorganisation or similar

18.9 Without prejudice to the operation of sections 50-52 (inclusive) of the Act or Rule 83 of these Rules and/or (in the case of Member Capital Accounts and Capital Reserve Accounts) to the generality of Rule 12.6, at any time, on the occurrence of any of the following events from time to time so that this Rule shall apply each time such event occurs:

- 18.9.1 a conversion into, amalgamation or merger with or transfer of engagements to or from any other person; or
- 18.9.2 a reorganisation of any nature of the Society and/or any of its subsidiaries (including any dissolution, winding up or liquidation for the purpose of a bona fide scheme of solvent amalgamation or reconstruction); or
- 18.9.3 any such other event determined by the Board to be similar or analogous,

the Society may assign the Society's rights and/or obligations in respect of all and/or any Member Reserves and/or Capital Reserves and/or (to the extent possible) A Preference Shares and/or New Preference Shares to any other person that the Board considers appropriate and/or, with the approval of a special resolution, all and/or any of the rights attaching to the Member Reserves and/or Capital Reserves and/or A Preference Shares and/or New Preference Shares may be varied (including any variation which adversely affects the rights of the Member Reserves and Capital Reserves and/or A Preference Shares and/or New Preference Shares in any way).

18.10 The rights of the Member Reserves and/or Capital Reserves and/or A Preference Shares and/or New Preference Shares may be varied in accordance with Rule 18.9 without requiring consent of any of the Member

Capital Account Holders and/or Capital Reserve Account Holders and/or New Preference Shareholders and/or A Preference Shareholders respectively pursuant to Rule 14.1.5 or otherwise.

Repayment of Member Reserves/Capital Reserves/New Preference Shares/A Preference Shares

- 18.11 Notwithstanding any other provision of these Rules, the following shall always apply:
- 18.11.1 the amount repayable to a Member Capital Account Holder, Capital Reserve Account Holder and/or New Preference Shareholder and/or A Preference Shareholder by the Society in respect of any principal amount of Member Reserves, Capital Reserves and/or amount paid up in respect of an A Preference Share or New Preference Share shall never exceed the nominal amount of the same;
 - 18.11.2 save as otherwise determined by the Board Transferred Reserves shall not be repayable prior to the fifth anniversary of the cessation of membership of the then current holder of such Transferred Reserves.

Repayment/Redemption of A Preference Shares or cancellation of rights at the option of the Society

- 18.12 Without prejudice to the operation of Rule 18.9, at any time and notwithstanding any other provision of these Rules (and in particular without requiring consent of any of the A Preference Shareholders whether under Rule 14.1.5 or otherwise), the Society may, with the approval of a special resolution, at any time, in accordance with the procedures set out in Rules 18.13 to 18.18 (inclusive):
- 18.12.1 cancel all or any part of the rights that attach to some or all of the A Preference Shares without repaying the amounts paid up on the same; and/or
 - 18.12.2 redeem at par some or all of the A Preference Shares of any one or more A Preference Shareholders respectively and on such repayment/redemption cancel all or any part of the rights that attach to the A Preference Shares so repaid,

PROVIDED ALWAYS that in no circumstances shall the Society have any obligation to take any action under the preceding part of this Rule 18.12.

- 18.13 On any redemption and/or cancellation of rights by the Society pursuant to Rules 18.12 to 18.18 inclusive, the Society shall in relation to redemption of the underlying A Preference Shares, pay an amount equal to the nominal amount of such shares (for the avoidance of doubt no payment shall be made to compensate for loss of entitlement to Dividend) provided that this Rule 18.13 shall not affect any entitlement an A Preference Shareholder has to declared but unpaid Dividend at the date of such redemption and/or cancellation of rights.

18.14 If the Society wishes to carry out any cancellation and/or redemption pursuant to Rule 18.12, it shall give written notice of such intention to the A Preference Shareholders as the case may be setting out:

18.14.1 details of any rights which it proposes to cancel; and

18.14.2 details of any A Preference Shares which it proposes to redeem in whole or in part,

PROVIDED THAT it shall not be necessary to give the above details to any A Preference Shareholder whose A Preference Shares (or any of them) would not be repaid or whose rights (or any of them) would not be cancelled as a result of any such proposals.

18.15 The nature of the consideration payable on the redemption of any of the A Preference Shares and/or on the cancellation of all or any part of the rights and benefits attached to the same to the holder/former holder of such A Preference Shares shall be at the discretion of the Board and may comprise cash and/or non-cash consideration. In particular, and without limitation to the foregoing, such consideration may include amounts credited to Member Capital Accounts, loans issued by the Society and/or by any person or persons which the Society has merged or amalgamated with or expects to merge or amalgamate with and/or by any person which is created on any merger or amalgamation or expected merger or amalgamation of the Society with any other person and/or by any person or persons to which the Society transfers or expects to transfer its engagements (in each case whether in accordance with Rule 18.9 or otherwise).

18.16 The method of any redemption and/or cancellation pursuant to Rules 18.12 to 18.18, including the determination of the times at which any such redemption and/or cancellation may be effected shall be determined by the Board.

18.17 Prior to any payment in respect of A Preference Shares pursuant to Rules 18.9 to 18.18 (or at such other time or times determined by the Board) the relevant holder shall deliver to the Society for cancellation the relevant A Preference Share certificate(s) in respect of the A Preference Share(s) being repaid/redeemed. On receipt of the sum being repaid the Society shall issue a balancing certificate as appropriate in the case of any partial repayment and the relevant A Preference Share certificate(s) shall (irrespective of receipt by the Society) be deemed to be cancelled with immediate effect.

18.18 In respect of a cancellation of all or any of the rights attached to A Preference Shares but not redemption of the same, such A Preference Share(s) shall immediately on such cancellation of rights be re-classified as shares with such rights as may be determined by the Board.

Death

18.19 On the death of a Capital Reserve Account Holder and/or a Member Capital Account Holder and/or New Preference Shareholder and/or A Preference Shareholder, the deceased's personal representatives may transfer and otherwise deal with his Member Reserves, Capital Reserves and/or A Preference Share(s) and/or New Preference Share(s) in accordance with the

provisions of these Rules as if those persons were themselves the relevant Member or former Member respectively.

Record Dates

- 18.20 Notwithstanding any other provision of these Rules the Board may specify any date or dates (the "**Record Date**" or the "**Record Dates**" as appropriate) as the date or dates at the close of business (or such other time as the Board may determine) on which persons registered as the holders of Member Reserves and/or A Preference Shares and/or New Preference Shares shall be entitled to receipt of any Interest and/or Dividend (and/or calculation of and/or payment on account of the same) and/or to any allotment, issue, notice, information, document or circular. No change in the register of such holders after the record date or record dates shall invalidate the same.

Cancellation of New Preference Shares

- 18.21 Without prejudice to Rule 18.9, if a Member's A Preference Shares and/or New Preference Shares are not fully paid up, the Board shall be entitled (at any time and in its absolute discretion) to cancel such A Preference Shares and/or New Preference Shares and, on such cancellation, the A Preference Shareholder and/or New Preference Shareholder shall not be entitled to any accrued but unpaid Dividend arising in respect of such shares.
- 18.22 Following a Member becoming a Leaver, up to and including the New Preference Shares Lapse Date, such Leaver shall be entitled to transfer his New Preference Shares in accordance with Rule 18.1.1 or 18.1.2. Immediately following the New Preference Shares Lapse Date, all the rights attaching to the New Preference Shares not so transferred shall immediately be deemed to have lapsed with effect from such date and such New Preference Shares shall automatically be cancelled by the Society (together with any declared but unpaid Dividends such Member was entitled to) without payment to the relevant Leaver and/or any successor or personal representative of the same and the Society shall have no further obligation to such Member, former Member or person in respect of such New Preference Shares.

19 **JOINT SHAREHOLDING/ ACCOUNT HOLDING**

- 19.1 In the case of a partnership, all the partners together shall be one Member. The partnership's share(s) and/or accounts (including Member Capital Accounts and Capital Reserve Accounts) shall be held by the partners jointly. All acts done or notices given in respect of shares and/or accounts (including Member Capital Accounts and Capital Reserve Accounts) held jointly shall be deemed to be valid if done or given by or to any person who is named as one of the joint holders of such share and/or accounts (including Member Capital Accounts and Capital Reserve Accounts) on the relevant register or, if done or given by or to any person nominated for the time being for this purpose by the partnership, in writing to the Secretary.
- 19.2 If any partner in a partnership which is a Member or which holds accounts (including Member Capital Accounts and Capital Reserve Accounts) and/or B Preference Shares and/or New Preference Shares and/or A Preference Shares shall die or retire or cease for any other reason to be in that partnership or a new partner shall be admitted, the partnership shall notify the Secretary in

writing of the change forthwith and, upon the Society being satisfied (in its absolute discretion) as to the validity of such notice, the holding of the partnership's share(s), including for the avoidance of doubt any holding of A Preference Shares and/or New Preference Shares and/or B Preference Shares and/or any accounts (including Member Capital Accounts and Capital Reserve Accounts) shall be amended accordingly. No such change shall give rise to any right to repayment of any accounts, Member Reserves and Capital Reserve Accounts or redemption/cancellation of shares other than in accordance with these Rules.

PART 7 - MEMBERSHIP

20 MEMBERS

20.1 The Members shall be all those persons who were members of the Society on the date of registration of these Rules and such other persons as the Board shall admit to membership from time to time.

20.2 Each Member shall supply milk to the Society in accordance with the Milk Contract applicable to him.

20.3 Subject to the terms of any existing Milk Contract, the terms of the Milk Contracts may be altered by resolution of the Board and any such alteration shall take effect no earlier than 90 days after the date of the notice communicating the same to Members, save in exceptional circumstances when the Society shall give such period of notice as the Board considers reasonable.

20.4 In the event of the Society having any claim against a Member, the Society shall be entitled to withhold payment of any sum due or becoming due to that Member by the Society up to the amount of such claim until such claim is settled and in the event of such claim or part thereof being subsequently adjudged or agreed due by the Member to the Society the amount of such claim or such part thereof shall be deemed to be a debt due to the Society by the Member.

20.5 Each member shall provide such information to the Society as the Society may reasonably require from time to time.

21 ADMISSION TO MEMBERSHIP

21.1 The Board shall be entitled, in its absolute discretion, to admit to membership any person whose membership of the Society will, in the opinion of the Board, be of benefit to the Society and the Members as a whole, provided that such person:

21.1.1 is a Producer;

21.1.2 has undertaken to conform to these Rules;

21.1.3 has signed an application for membership of the Society in such form as the Board may from time to time prescribe;

21.1.4 has paid in full the amount due in respect of the shares to be allotted to him and any admittance fee that the Board may, in its sole discretion, require in respect of such admittance; and

- 21.1.5 has undertaken to pay to the Society the Capital Target and such other sums as the Board may determine at such time and on such terms as the Board shall determine from time to time.
- 21.2 Notwithstanding Rule 21.1 above, the Board shall be entitled in its absolute discretion to accept or refuse admission to membership of the Society.
- 21.3 In accordance with Rule 12.23 (and without prejudice to the provisions of such Member's Milk Contract), any person who becomes a Member on or after the date of these Rules coming into force shall pay to the Society (in such manner and over such period as the Board shall determine and at all times in accordance with the Capital Policy) the Capital Target applicable to him.
- 21.4 The Board may impose such other terms and conditions of membership as it may consider to be in the best interests of the Society.
- 21.5 In the case of an application for membership from any person whom the Board has reason to believe to be a party to share farming arrangements, the Board shall have absolute discretion to determine whether the applicant is an appropriate person from amongst the parties to the relevant share farming arrangements to be a Member. As a condition of admitting any such person to membership the Board of Directors may require the parties to share farming arrangements to enter into a separate agreement between themselves and the Society on such terms as the Board may determine.

22 **EXPULSION**

- 22.1 The Board of Directors shall be entitled to serve notice on a Member (a "**Termination Notice**") terminating his membership of the Society if that Member shall:
 - 22.1.1 cease to be a Producer, as the case may be, or otherwise cease to be authorised or licensed to produce or to be able to produce milk; or
 - 22.1.2 breach any of the Rules; or
 - 22.1.3 breach any other term or condition of the membership of the Society; or
 - 22.1.4 fail to comply with any of the quality or other requirements of his Milk Contract, whether relating to health or safety or animal husbandry or otherwise; or
 - 22.1.5 if, in the opinion of the Board, the milk supplied by the Member to the Society on any occasion during the preceding 90 days was of a poor quality, or did not comply with any warranty or condition subject to which it was sold or if the total number of litres of milk supplied by the Member to the Society in the previous year of account of the Society fell below such minimum amount as the Board may determine from time to time; or
 - 22.1.6 if the Member is in material breach of these Rules, and, if such breach is capable of remedy, it is not remedied within twenty-eight

days of written notice having been served upon him by the Board identifying the breach and requesting remedy thereof; or

- 22.1.7 if the Member acts in a manner which, in the opinion of the Board, is prejudicial to the interests of the Society; or
- 22.1.8 if the Member fails to pay to the Society such sums as he has an undertaking or obligation to pay to the Society (whether pursuant to these Rules or otherwise) at such time and on such terms and conditions determined by the Board.
- 22.2 For the purposes of Rule 22.1.1, and without prejudice to its generality, in the case of a Member who is not a Producer-Retailer, it shall be conclusive evidence that he has ceased to produce milk that he has not sold milk to the Society for twelve consecutive months and in the case of a Member who is a Producer-Retailer it shall be conclusive evidence that he has ceased to produce milk that he has not sold milk to the Society from his own production for twelve consecutive months.
- 22.3 Without prejudice to any provisions of the Milk Contracts or any terms for the supply of milk between a Member and the Society, that Member's membership of the Society shall terminate on expiry of the period of twenty eight days following service of a Termination Notice (the "**Service Period**") unless within the Service Period the Board has received an Intimation Notice (as defined in Rule 22.4) from that Member. During the Service Period, and if an Intimation Notice is received by the Board within that period, thereafter until notice of the Termination Committee's (as defined in Rule 22.5) decision is given to the Member in accordance with Rule 22.6, the Member's rights to attend and vote at meetings of the Society shall be suspended but his membership certificate shall not be cancelled.
- 22.4 If a Member on whom a Termination Notice is served (an "**Aggrieved Member**") objects to termination of his membership, he may, by notice (an "**Intimation Notice**") to the Secretary served within the Service Period, intimate his intention to appeal against such termination. The Intimation Notice shall set out the basis on which he objects to the termination.
- 22.5 Following service of an Intimation Notice, the Secretary shall convene a hearing for the Aggrieved Member before a committee appointed by the Board for such purpose (the "**Termination Committee**") at which the termination and the basis of the Aggrieved Member's objections shall be considered by the Termination Committee. The Chairman of the Termination Committee shall be an independent person who is an advocate of not less than seven years' standing or a solicitor of not less than seven years' standing. The Aggrieved Member shall be entitled to make such written or oral representations to the Termination Committee as are appropriate and shall be entitled to be represented at any such hearing.
- 22.6 The Termination Committee shall, following the hearing or consideration of the written representations, as the case may be, decide whether to lift suspension of the membership (whether or not subject to conditions) or confirm the decision to terminate membership, and its decision shall be conclusive, final and binding. Notice of such decision shall be given to the Aggrieved Member within seven days of the making of such decision.

- 22.7 If the Termination Committee decides to lift suspension of the membership of the Aggrieved Member, the Aggrieved Member's rights as a Member shall be restored with effect from the date of the Termination Committee's decision and the Aggrieved Member shall have no claims whatsoever against the Board or the Society arising out of the service of the Termination Notice.
- 22.8 If the Termination Committee decides to confirm the Board's decision to terminate the membership:
- 22.8.1 such termination shall take effect from the date of the Termination Committee's decision whereupon the Aggrieved Member's Ordinary Share in the Society shall be cancelled and any sum paid thereon shall be retained by the Society;
- 22.8.2 all loans made by the Aggrieved Member to the Society (save for any amounts standing to the credit of accounts to which the provisions of Rule 12 shall apply) shall be repaid upon such terms and in such manner as the Board shall determine but so that the terms of such repayment shall be no less onerous to the Aggrieved Member than if he had given notice under Rule 23.1;
- 22.9 If the Member's membership of the Society has terminated pursuant to Rule 22.3 at the end of the Service Period, the Aggrieved Member's Ordinary Share in the Society shall thereupon be cancelled and any sums paid thereon shall be retained by the Society and the terms of Rule 22.8.2 shall apply, *mutatis mutandis*.

23 **TERMINATION BY MEMBER**

- 23.1 Subject to the terms of any milk contract, each member shall be entitled to terminate his membership of the Society by giving at any time not less than one year's notice to the Society, such notice to expire on the last day of any calendar month; and for the purpose of this Rule 23.1 any notice which is not expressed to expire on the last day of a calendar month shall be deemed to expire on the last day of the calendar month after the end of a period of one year following the giving of the notice.
- 23.2 The Board may from time to time, and in its absolute discretion, determine time periods following the giving of a notice in terms of this Rule during which such a notice may be withdrawn by a Member.

24 **TERMINATION OF MEMBERSHIP**

- 24.1 Without prejudice to the Milk Contracts and any other contracts between the Member and the Society, a Member's membership of the Society shall terminate in any of the following circumstances:
- 24.1.1 in the event of the Member's death; or
- 24.1.2 if the Member becomes or is declared bankrupt or insolvent or makes any general arrangement or composition with his creditors, or enters into voluntary or compulsory liquidation otherwise than for the purpose of any amalgamation or reconstruction the terms of which have been approved in advance by the Society, or becomes

subject to an administration order, or if a receiver or administrator is appointed over all or any part of the Member's business or assets or distress or any form of execution is levied or enforced upon or sued out against any such assets and is not discharged within thirty days of being levied, enforced or sued out, or any security interest which may for the time being affect any of the Member's assets becomes enforceable; or

- 24.1.3 if the Member becomes permanently incapable of managing his property or affairs by reason of injury or physical or mental illness as evidenced by a Medical Certificate; or
- 24.1.4 on expiry of a Withdrawal Notice given by that Member; or
- 24.1.5 in any of the circumstances specified in Rules 22.3 and 22.8; or
- 24.1.6 if the Member ceases for any reason to be involved in the business of milk production, and the Society has received such evidence as may be reasonably required to show that the Member's cessation is intended to be permanent; or
- 24.1.7 if his Milk Contract terminates for any other reason whatsoever (and is not renewed or replaced within 90 days of termination), in which case the Member shall be deemed to have given a Notice pursuant to Rule 23.1; or
- 24.1.8 if the Member ceases to hold any shares.

24.2 Notwithstanding any provision in a Milk Contract, if a Member is in material breach of a Milk Contract the Society shall have the right to refuse to collect milk from such Member.

25 **EFFECT OF TERMINATION AND CANCELLATION OF SHARES**

25.1 Termination of a Member's membership shall be without prejudice to any accrued rights of either the Member or the Society, but forthwith upon any person ceasing to be a Member:

- 25.1.1 in the case of Ordinary Shares, unless his Ordinary Share is transferred to a person or persons entitled upon a nomination in accordance with Rule 27 below; and
- 25.1.2 in the case of B Preference Shares, unless his B Preference Share(s) are transferred to a person or persons in accordance with Rule 14.1.1,

his Ordinary Share and/or B Preference Share(s) shall be cancelled at par. To the extent not transferred pursuant to Rule 18, New Preference Shares shall be cancelled in accordance with Rule 18.22.

25.2 The Society may, at any time, upon giving at least 10 days' notice in writing to the holders of the B Preference Shares cancel all or any of the B Preference Shares at par.

- 25.3 In the case of any purported transfer of B Preference Shares to a person who is not a Member, the Society shall cancel such B Preference Shares without notice.
- 25.4 On the date of cancellation of a B Preference Share, interest shall cease to accrue on that Preference Share.
- 25.5 The method of cancellation of any Ordinary Share or Preference Share and the nature of the consideration payable to the former holder of the share by the Society on cancellation, shall be dealt with in accordance with the terms of issue of any such shares and, if it is not, shall be at the discretion of the Board.

26 **DEEMED RESIGNATION**

- 26.1 A Member who is bound by a Milk Contract and who gives notice to terminate such contract in accordance with its provisions shall be deemed to have resigned from membership of the Society. Such Member's resignation shall become effective on the date on which notice becomes effective under such Member's Milk Contract or such later date as the Board and the Member may agree, unless, in either case, on or before such date such contract has been renewed or replaced.
- 26.2 Any Member (other than a Member bound by a Milk Contract) may resign from membership in the Society at any time by notice in writing to that effect made to the Society's Secretary. Such Member's resignation shall be effective on the date stated in the Member's notice.

27 **NOMINATIONS**

- 27.1 A Member may nominate in accordance with the Act a person or persons to whom any of his property in the Society shall be transferred on his death. Upon the Secretary being satisfied, in his sole discretion, that he has received proof of the death of a Member who has made a nomination which is valid under the Act, the Board, at its discretion, shall either transfer the property comprised in the nomination to the extent that it is so valid or shall pay an equivalent sum to the person or persons entitled thereunder, provided always that the Ordinary Shares, Preference Shares and accounts (including Member Capital Accounts and Capital Reserve Accounts) of such Member may be transferred only to a person fulfilling the conditions set out in Rule 21.1. A Member may revoke such nomination during his lifetime in accordance with the provisions of the Act.

28 **CONTINUITY OF MEMBERSHIP**

- 28.1 Where the following conditions are satisfied:
- 28.1.1 upon death or otherwise, a Member's dairy farming business is transferred as a going concern to a Permitted Successor (as defined in Rule 28.2 below); and
 - 28.1.2 where the transfer has been otherwise than on death, the Member has assigned his Member's Milk Contract to the same Permitted Successor and in consequence of that transfer, the Permitted Successor is admitted to membership of the Society,

the provisions of Rules 28.3, 28.4 and 28.5 shall apply.

- 28.2 For the purposes of Rule 28.1 above, a “**Permitted Successor**” means:
- 28.2.1 any one of the spouse, child, step-child, grandchild, brother, sister, nephew or niece of a Member; or
 - 28.2.2 any partner(s) of the Member; or
 - 28.2.3 a company or society in which a Member holds a shareholding in excess of 50 per cent. of the nominal value of the issued and outstanding share capital (for the avoidance of doubt, a company shall be a Permitted Successor where persons who were a partnership Member together hold in excess of 51 per cent. of the nominal value of the issued outstanding share capital); or
 - 28.2.4 a person who holds a shareholding in excess of 50 per cent. of the nominal value of the issued and outstanding share capital in a Member which is a company or a society; or
 - 28.2.5 a relevant person, for the purposes of Rule 28.6 below; or
 - 28.2.6 such other person in respect of whom the Board shall have granted approval.
- 28.3 Where, for the purposes of these Rules, it is necessary to calculate the period of membership of any person, then any person who is a Permitted Successor of a Member shall be treated for the purposes of such calculation as a single person with the original Member, and, in particular, as having been admitted to membership of the Society upon the date on which the original Member was so admitted, and the volume of milk supplied by the Permitted Successor to the Society shall be deemed to include such volume of milk as was supplied by the original Member to the Society, provided always that the Board, in its absolute discretion is satisfied that there has been at all times since the original Member ceased to be a Member a continuous supply of milk to the Society from the Permitted Successor.
- 28.4 Rule 28.3 may operate on successive occasions on a cumulative basis.
- 28.5 Where there is more than one Permitted Successor to any dairy farming business, the Board shall have absolute discretion to determine the operation of Rule 28.3.
- 28.6 Where, upon death or upon a Member becoming or being declared bankrupt or insolvent or making any general arrangement or composition with his creditors, or entering into voluntary or compulsory liquidation, or becoming subject to an administration order, or having a receiver or administrative receiver appointed over the whole of or any part of his assets or undertakings, or becoming permanently incapable of managing his property or affairs by reason of injury or physical or mental illness, the control of such Member's dairy farming business and/or the land on which such dairy farming business is carried on is transferred from such Member to a personal representative, trustee, liquidator, receiver, administrator, committee or other person (any such person being the relevant person), the Board shall be entitled to deal with and

treat the relevant person, for the purposes of these Rules and of the Member's Milk Contract, as if he were that Member, until the relevant person shall have disposed of the control of such dairy farming business and/or such land, as appropriate.

29 REGISTER OF MEMBERS AND TRANSFER REGISTER

29.1 The Society shall keep at its registered office a register containing the following particulars:

- (i) the names and addresses of the Members, current Member Capital Account Holders, Capital Reserve Account Holders, and Preference Shareholders;
- (ii) the number of Ordinary Shares, A Preference Shares, New Preference Shares, B Preference Shares and C Preference Shares held by each Member and (where relevant) former Member from time to time and the sum(s) paid up on such shares;
- (iii) a statement of any other property in the Society held by each Member;
- (iv) the date on which each person was entered on the register as a Member, and the date on which any person ceased to be a Member;
- (v) the names and addresses of the officers of the Society, with the offices held by them respectively, and the dates on which they assumed office;
- (vi) the Capital Target and the amount standing to the credit of a Member(s) Capital Account, and Capital Reserve Account the name of the holder, details of any transactions and payments on such accounts and details of any transfers and payments which have been made from and/or to the account;
- (vii) details of any other account of a Member showing the amount to the credit thereof from time to time, the name of the holder, details of any transactions and payments on such accounts and details of any transfers and payments which have been made from and/or to the account; and
- (viii) the date on which a Member/former Member ceased (if relevant) to be a Member Capital Account Holder / Capital Reserve Account Holder / A Preference Shareholder / B Preference Shareholder / C Preference Shareholder / New Preference Shareholder.

29.2 The registers referred to in Rule 29.1 shall be kept in such a way permitted by the Act. The particulars mentioned in Rules 29.1(i), 29.1(iv), 29.1(v) and 29.1(viii) can be disclosed without revealing the particulars mentioned in items 29.1(ii), 29.1(iii), 29.1(vi) and 29.1(vii). A Member shall be permitted to see the registers referred to in Rules 29.1(ii), 29.1(iii), 29.1(vi), 29.1(vii) and 29.1(viii) only in so far as it relates to his own account and shareholdings.

- 29.3 A written statement purporting to be signed by the chairman of the Board (“**Chairman**”) or vice-chairman of the Board (“**Vice-Chairman**”) or the Secretary that the name of a person does not appear on the register or did not appear on the register upon any stated date shall be evidence that such person is not a Member or was not a Member at the date stated as the case may be.
- 29.4 Insofar as it is permitted under Rule 13 (and the terms upon which such shares are issued), the Society shall register a transfer of B Preference Shares provided it is lodged at the registered office of the Society or at such other place as the Board may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Society may reasonably require to show the right of the transferor to make the transfer.
- 29.5 A copy of any entry in a register purporting to be certified in writing by the Chairman of the Board or the Vice-Chairman of the Board or the Secretary to be a true copy, shall be evidence of such entry in the relevant register.
- 29.6 Subject to Rule 18, the Society will recognise the holder of Member Reserves/ Capital Reserves / A Preference Shares / B Preference Shares / C Preference Shares / New Preference Shares as the absolute owner thereof and shall not be bound to recognise any nominee ship or trust whether express, implied or constructive to which any Member Reserves / Capital Reserves / A Preference Shares / B Preference Shares / C Preference Shares / New Preference Shares may be subject and receipt of the registered holder for the time being or, in the case of joint holders the first named holder, shall be a good discharge to the Society notwithstanding any notice (express, constructive or otherwise) it may have of the right, interest or claim of any other person to or in such Member Reserves/ Capital Reserves / A Preference Shares / B Preference Shares / C Preference Shares / New Preference Shares. Subject to Rule 18.7, no notice of any nominee ship or trust shall be entered on the register;
- 29.7 The information in the register shall be available to Member Capital Account Holders / Capital Reserve Account Holders / A Preference Shareholders / B Preference Shareholders / C Preference Shareholders / New Preference Shareholders in respect of their own Member Reserves / Capital Reserves / A Preference Share(s) / B Preference Share(s) / C Preference Share(s) / New Preference Share(s) during normal office hours.

PART 8 - GENERAL MEETINGS

30 ANNUAL GENERAL MEETINGS

The first Annual General Meeting shall be held within 18 months of the date of registration of the Society at such time and place as the Board shall determine and thereafter not more than 15 months shall elapse between the date of one Annual General Meeting and the next.

31 SPECIAL GENERAL MEETINGS

31.1 All General Meetings other than Annual General Meetings shall be called Special General Meetings.

31.2 Special General Meetings shall be convened by the Secretary either on the order of the Board or upon a written requisition signed by at least 1/10 of the

Members and stating the purpose for which the meeting is required to be convened, and shall be held as soon as is practicable after receipt of the order or delivery of the requisition. If the Secretary shall fail to give notice of a Special General Meeting within 28 days after receipt by him of such a requisition, the Members signing such requisition may convene such a meeting by giving due notice thereof and shall be reimbursed by the Society for all expenses reasonably incurred thereby.

31.3 No business shall be transacted at a Special General Meeting other than that set out in the notice convening that meeting and any matters arising therefrom.

32 CONVENING OF GENERAL MEETINGS

32.1 All meetings shall be held (a) at the registered office of the Society or at such other place as the Board determines, (b) wholly by means of electronic facility or facilities or (c) by a combination of (a) and (b), as may be determined by the board.

32.2 The provisions of Rules 32.3 to 32.6 shall apply if any meeting is convened at, or adjourned to, more than one place.

32.3 The notice of the meeting or adjourned meeting shall specify the place at which the chairman of the meeting shall preside (the "**Specified Place**") (unless the meeting or adjourned meeting is held wholly by means of electronic facility or facilities) and the Directors may make arrangements for simultaneous attendance and participation by members at other places (whether adjoining the Specified Place or in a different and separate place or places altogether or otherwise) or by means of electronic facility or facilities or by a combination of a Specified Place and by electronic facility or facilities.

32.4 The Directors may from time to time make such arrangements for the purpose of controlling the level of attendance at any such place (whether involving the issue of tickets or the imposition of some means of selection or otherwise) as they shall in their absolute discretion consider appropriate, and may from time to time vary any such arrangements or make new arrangements in place of them, provided that a Member who is not entitled to attend, in person or by proxy, at any particular place shall be entitled so to attend at one of the other places; and the entitlement of any Member so to attend the meeting or adjourned meeting at such place shall be subject to any such arrangements as may be for the time being in force and by the notice of meeting or adjourned meeting stated to apply to the meeting.

32.5 For the purposes of all other provisions of these Rules, any such meeting shall be treated as being held at the Specified Place unless the meeting is held wholly by means of electronic facility or facilities.

32.6 If a meeting is adjourned to more than one place, notice of the adjourned meeting shall be given notwithstanding any other provision of these Rules.

32.7 The Secretary will give notice of all meetings as follows:

32.7.1 save as otherwise provided by these Rules, every General Meeting (and any adjournment thereof) shall be convened by written notice, (which, for the purpose of these Rules, includes transmission by

electronic means) giving not less than twenty-one clear days before the date fixed for such meeting, specifying the date, time and (unless the General Meeting is to be held wholly by means of electronic facility or facilities) place thereof and the business intended to be transacted thereat and either sent by electronic transmission or left at or posted to the registered address of every Member provided that the accidental omission to give any Member notice of a General Meeting or the non-receipt of such notice by any Member shall not invalidate the proceedings at that General Meeting. If a General Meeting is to be held wholly by means of electronic facility or facilities or by a combination of being held in a Specified Place and by means of electronic facility or facilities, the notice shall specify the means of attending and participating the meeting by means of electronic facility or facilities; and

32.7.2 in the case of an Annual General Meeting, the notice required by this Rule to be sent shall designate it as such.

33 **CONDUCT AND BUSINESS OF ANNUAL GENERAL MEETINGS**

33.1 An Annual General Meeting may transact the following business:

33.1.1 the presentation of the Annual Accounts, balance sheets, and the reports of the Board and auditor and the application of the profits for the last complete year of account of the Society;

33.1.2 the appointment of the Auditors;

33.1.3 the determination of the remuneration of the Farmer Directors; and

33.1.4 any other matter which the Board may determine.

33.2 The Annual General Meeting shall not transact any business not specified in the notice convening it.

33.3 The Board may resolve to enable persons entitled to attend and participate in a General Meeting to do so partly or wholly by simultaneous attendance and participation by means of electronic facility or facilities, and may determine the means, or all different means, of attendance and participation used in relation to the General Meeting. The members present in person or by proxy by means of an electronic facility or facilities (as so determined by the Board) shall be deemed to be present in person at the General Meeting for the purpose of these Rules and be counted in the quorum for, and be entitled to participate in, the General Meeting in question. That meeting shall be duly constituted and its proceedings valid if the Chairman is satisfied that adequate facilities are available throughout the meeting to ensure that members attending the meeting by all means (including the means of an electronic facility or facilities) are able to:

(a) participate in the business for which the meeting has been convened;

(b) hear all persons who speak at the meeting; and

- (c) be heard by all other persons attending and participating in the meeting or (if they are attending the meeting by means of electronic facility or facilities) be able to communicate at the meeting by other means.

34 QUORUM AT GENERAL MEETING

34.1 No business shall be transacted at a General Meeting unless a quorum is present, either in person or by means of electronic facility or facilities or by a combination of both, when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a Chairman in accordance with these Rules (which shall not be treated as part of the business of the meeting). A quorum shall be 15 Members.

34.2 If within thirty minutes after the time fixed for the meeting a quorum is not present then, if the meeting is a Special General Meeting convened on the requisition of Members it shall be dissolved, but in any other case it shall stand adjourned to a time and place fixed by the Chairman (being not less than fourteen nor more than twenty one days later) to be notified by the Board by a notice sent in accordance with Rule 32.7 or placed in at least two national daily newspapers. The meeting so adjourned may proceed to business whatever is the number of Members present.

35 CHAIRMAN

35.1 At every General Meeting the Chairman of the Board of Directors or, in his absence, the Vice-Chairman or, in his absence, some other Director nominated by the Board, shall preside. If neither the Chairman, Vice-Chairman, nor such other Director (if any) is present within fifteen minutes after the time appointed for a meeting or is not willing to act as Chairman the Members present in person or by proxy and entitled to vote shall choose one of those present and entitled to vote to preside.

36 ADJOURNMENT OF GENERAL MEETING

The Chairman of a General Meeting with the consent of the meeting may, and if so directed by the meeting shall, adjourn the meeting from time to time and (unless the General meeting is to be held wholly by means of electronic facility or facilities) from place to place. No business shall be transacted at an adjourned meeting other than business left unfinished at the original meeting. Unless before the original meeting disperses there are available to those present full details of the day, hour and place of the adjourned meeting, notice thereof shall be published by a notice placed in at least two national daily newspapers.

37 VOTING AT GENERAL MEETINGS

37.1 Every question put before a General Meeting shall be decided, either on a show of hands (upon which a representative or a proxy may show his hand) or by other method, as the chairman will determine, unless (either before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by the Secretary on behalf of the Board of Directors or by or on behalf of at least one third of

those Members present in person or by representation or proxy and entitled to vote.

- 37.2 Unless a poll is so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against a resolution.
- 37.3 If a poll is properly demanded it shall be taken in such manner as the Chairman shall direct and he may appoint scrutineers who need not be Members. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
- 37.4 A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or on such date (being not later than thirty days after the date of the demand) and at such time and place as the Chairman shall direct. It shall not be necessary (unless the Chairman otherwise directs) for notice to be given of a poll.
- 37.5 The demand for a poll shall not prevent continuance of a meeting for the transaction of any business other than in respect of which the poll was demanded, and it may be withdrawn with the consent of the Chairman at any time before the close of the meeting or the taking of the poll, whichever is the earlier, and in that event shall not invalidate the result of a show of hands declared before the demand was made.
- 37.6 On a poll votes may be given either personally or by proxy and may be given by means of electronic facility or facilities.
- 37.7 If any objection shall be raised to the qualification of any voter, or any votes have been counted which ought not to have been counted or which might have been rejected, or any votes are not counted which ought to have been counted the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless it is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection shall be referred to the Chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the Chairman decides that it may have affected the decision of the meeting. The decision of the Chairman on such matters shall be conclusive.
- 37.8 If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the Chairman of the meeting the proceedings on the substantive resolutions shall not be invalidated by any error in such ruling.
- 37.9 On a show of hands or on the decision of a question by such other method as the chairman determines in terms of Rule 37.1, every Member entitled to vote shall have one vote.
- 37.10 On a poll, the number of votes of each member depends on the litreaage of Milk which he supplied to the Society in the quota year immediately before the

Relevant Quota Year or such other litreage as the Board shall have determined in accordance with these Rules (the “**Member’s Litreage**”) as set out in the table below:

MEMBER’S LITREAGE	NUMBER OF VOTES
1 – 400,000	1
400,001 – 600,00	2
600,001 – 800,000	3
800,001 – 1,000,000	4
More than 1,000,000	5

Any questions regarding a Member’s Litreage shall be determined by the Board.

37.11 The Board may determine the Member’s Litreage of:

- (a) any Member who has joined the Society, or started supplying Milk to the Society during or after the Relevant Quota Year; and
- (b) any Member who has been prevented from supplying and milk to the Society by circumstances which the Board considers to be exceptional;

Provided that so far as practicable the Board shall use its reasonable endeavours to base the Member’s Litreage of such Members on the figures set out in the table at Rule 37.10 and the Board may deem the expected annual Litreage of any such Member to be his Member’s Litreage. In the absence of any other determination by the Board, each such Member shall have one vote on the issue in question.

38 **CHAIRMAN’S CASTING VOTE**

The Chairman of any General Meeting may exercise any vote to which he may be entitled as a Member or as a proxy or representative of a Member, and in the event of an equality of votes shall have a second or casting vote.

39 **REPRESENTATION AT GENERAL MEETINGS**

Every Member which is a body corporate may appoint an individual to act as its representative at General Meetings. Every such appointment shall be made by written notification to the Secretary and may be revoked in the like manner. A duly appointed representative shall be entitled to attend General Meetings and to speak (or, if they are attending the meeting by means of electronic facility or facilities, communicate by other means) and vote in place of the Member which appointed him and when present at a General Meeting shall be treated for all purposes of these Rules as being that Member present in person. Any

partnership which is also a Member may exercise any of its rights by any of its partners. The Board shall be entitled to accept the vote of any such partner to the exclusion of any other such partner in its entire discretion.

40 **PROXIES**

40.1 Any Member or representative of a Member appointed and notified by such a Member in writing to the Secretary, may appoint a proxy to attend any General Meeting and to participate and vote on such Member's behalf. The board shall determine the method of appointing a proxy. If the proxy is appointed by instrument in writing, the said instrument and the authority, if any, under which it is signed shall be deposited at the registered office of the Society not less than 72 hours before the time for holding the meeting at which it is to be used and in default the instrument of proxy shall be treated as invalid. If the notice of the General Meeting or any documentation that is sent with the notice includes instructions for the appointment of a proxy by electronic means, the said appointment shall be made by such means not less than 72 hours before the time for holding the meeting at which it is to be used and in default the purported appointment of the proxy shall be treated as invalid.

40.2 A proxy need not be a Member. A proxy shall be entitled to participate in the meeting only to the extent necessary to enable him to exercise his right to vote and to demand a formal vote.

PART 9 – MEMBERS’ POWERS

41 **MEMBERS’ POWERS**

41.1 Without prejudice to any other Rule, Members shall have the power to:

41.1.1 elect and re-elect (or vote not to elect or re-elect) Directors at Annual General meetings in accordance with Rule 54.2;

41.1.2 remove any Director from office in accordance with Rule 56.2;

and

41.1.3 approve Rule changes in accordance with Rule 81.1 (in particular, but not limited to Rule changes that relate to General Meetings, Directors and member capital).

PART 10 - THE COUNCIL

42 **ROLES, POWERS AND RESPONSIBILITIES**

42.1 The Council shall:

42.1.1 support the objects and business aims of the Society;

42.1.2 hold the Board to account on behalf of the Members;

42.1.3 in consultation with the Board, recommend candidates for the role of the chair and vice chair for election by Members at Annual general Meetings;

- 42.1.4 in consultation with the Board, approve the nomination process for Independent Non-Executive Directors and Farmer Non-executive Directors;
- 42.1.5 have the power to approve (or otherwise) the annual budget and business plan prepared by the Board and any longer term budgets and business plans prepared by the Board, and the strategy of the Society (including the capital strategy);
- 42.1.6 have the power to approve (or otherwise) acquisitions and disposals proposed by the Board, in accordance with Rule 51.4;
- 42.1.7 have the power to approve (or otherwise) Rule changes in accordance with Rule 81;
- 42.1.8 communicate with Members and approve processes for groups of Members to raise matters of concern (other than matters relating to individual to Members) with the Council;
- 42.1.9 make representations to the Board in relation to matters concerning Members in their Milk Fields, including any proposal in respect of which they are consulted by the Board;
- 42.1.10 have the power to remove any Director from office in accordance with Rule 56.3;
- 42.1.11 have the power to approve those matters set out in Rule 12 which are subject to the Council's consent;
- 42.1.12 have the power to set the remuneration of the Directors; and
- 42.1.13 have the power to set the Board Eligibility Criteria from time to time in consultation with the Board.

43 **COMPOSITION OF THE COUNCIL**

- 43.1 The Council shall comprise one Council Member for each Milk Field or such other structure as the Council in consultation with the Board shall agree.
- 43.2 The Council shall elect an independent chair of the Council but that person shall not be a Council Member and shall not be entitled to vote on Council business.
- 43.3 The Council must from time to time elect one of their number as deputy chair of the Council.
- 43.4 The Council shall have the power from time to time to remove from office the chair and/or any deputy chair of the Council.

44 **COUNCIL ELIGIBILITY CRITERIA**

- 44.1 No person shall be eligible to be appointed, elected or re-elected as a Council Member unless:

- 44.1.1 he/she is over 16 years of age;
- 44.1.2 he/she satisfies the eligibility criteria set by the Council from time to time, in consultation with the Board (the “Council Eligibility Criteria”); and
- 44.1.3 he/she produces milk in the Milk Field for which he/she is seeking election as Council Member.

45 **ELECTION OF COUNCIL MEMBERS**

45.1 Subject to satisfaction of the Council Eligibility Criteria, a Member may be elected as a Council Member in accordance with the Council Election Rules set out in Schedule 2. For the purposes of this Rule 45 and Schedule 2, a Member shall include anyone who is a Member of the Society and also anyone who is:

- (a) (i) the daughter or son of a Member or (ii) a tenant farmer or contract farmer with whom the Society has most day-to-day contact but where the landlord is the Member;

and

- (b) Involved in the business of milk production on the Member’s nominated farm.

45.2 Every Council Member shall within seven days of his/her election or as a Council Member sign and lodge with the Secretary of the Society a declaration in the form prescribed from time to time by the Board of Directors relating to confidentiality and the improper disclosure of information obtained by him/her as a Council Member.

45.3 No Member may hold the office of Council Member and Director simultaneously.

45.4 Subject to Rule 45.5 the term of office of Council Members shall be two years and no Council Member may hold office for more than three consecutive terms. If a Council Member holds office for three consecutive terms he/she shall not be eligible for election to the Council again for a period of at least 12 months from the date on which he/she ceased to hold office at the end of such third consecutive term.

45.5 The Council shall have the power from time to time to permit up to one half of the then-serving Council Members to serve a term of office greater than two years (but not longer than three years) in order to ensure the orderly rotation and transition of Council Members.

46 **COUNCIL INDUCTION, TRAINING AND EVALUATION**

46.1 Before accepting a position as a Council Member or as chair of the Council an individual must agree to undertake training during his/her first year of office and otherwise as deemed appropriate by the chair of the Council or, in the case of the chair of the Council, the Council Members. This training will include information on the roles and responsibilities of being a Council Member or, in

the case of the chair of the Council, the roles and responsibilities of the chair. The Board and the Council shall ensure that such training is provided to each Council Member and the chair of the Council.

- 46.2 Newly elected Council Members and the chair of the Council will receive a comprehensive and timely induction designed to help them contribute within an appropriately short timeframe to the Council, and to maximise the quality of their contributions. This induction will be tailored to each new chair of the Council or Council Member's existing knowledge, experience and needs, as determined, in the case of the new chair of the Council, by the chair of the Council and the Council Members, or, in the case of a Council Member, by the chair of the Council and the new Council Member (as is the case) and will include, in particular, training on the Society's business, its financial structure, the markets in which it operates, the business strategy, the particular expectations for a new Council Member or chair and the Society's governance structure.
- 46.3 The Board and the chair of the Council shall ensure that a formal and rigorous evaluation of the Council's performance (including the performance of each Council Member) annually (the "Annual Council Evaluation"), which shall include the following:
- 46.3.1 a description of how the evaluation was conducted;
 - 46.3.2 a focus on the regular working practices of the Council;
 - 46.3.3 a review of the reporting of information to the Council to ensure that the Board is receiving sufficient information in an appropriate format to carry out its duties;
 - 46.3.4 a review of the Council's interaction with the Board; and
 - 46.3.5 recommendations to address any developmental requirements arising out of the evaluation.
- 46.4 The Annual Council Evaluation may be conducted externally if the Council, in consultation with the Board, considers it appropriate to do so.
- 46.5 The Annual Council Evaluation shall be discussed by the Council and the Council shall also discuss it with the Board.
- 46.6 The chair of the Council shall be responsible for ensuring that appropriate remedial action or otherwise is taken as a result of recommendations arising from the Annual Council Evaluation.
- 47 **DISQUALIFICATION AND REMOVAL OF COUNCIL MEMBERS AND CHAIR OF THE COUNCIL**
- 47.1 A Council Member or the chair of the Council (as the case may be) shall cease to hold office if:
- 47.1.1 he/she delivers to the Board of Directors a written resignation of his office, and such resignation has taken effect according to its terms;

- 47.1.2 a registered medical practitioner who is treating that person gives a written opinion to the Society stating that that person has become physically or mentally incapable of acting as a Council Member or as chair of the Council and may remain so for more than three months;
- 47.1.3 by reason of that person's mental health, a court or tribunal makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
- 47.1.4 he/she becomes bankrupt or makes any arrangement or composition with his or her creditors;
- 47.1.5 that person has been absent from more than three consecutive meetings of the Council or, in any year, in excess of one half of the meetings of the Council held during that period, without permission of the Council, and a majority of the Council resolves that his/her office be vacated;
- 47.1.6 in the case of a Council Member that person becomes a director, other officer or an employee of any entity trading in competition with the Society;
- 47.1.7 his/her office as a Council Member is vacated pursuant to his/her not being re-elected or ceasing in the opinion of the Board in consultation with the Council to fulfil the Council Eligibility Criteria;
- 47.1.8 that person is prohibited from being a director by law;
- 47.1.9 in the case of a Council Member he/she ceases to be a Member or submits a Notice to terminate his or her membership of the Society (or the membership of a legal entity of which he or she is a partner or director ceases to be a member or submits a resignation notice);
- 47.1.10 the Board, in consultation with the Council, resolves that that person has acted in a manner which is prejudicial to the interests of the Society or is in material breach of his or her duties or contractual obligations as a Council Member or chair of the Council (as is the case); or
- 47.1.11 he or she is appointed or elected as a Director of the Society.

48 **REMUNERATION AND EXPENSES**

- 48.1 Council Members and the chair of the Council shall be paid such fees for their roles as Council Members or chair (as is the case) as shall be determined by the Nomination and Remuneration Committee.
- 48.2 A Council Member and the chair shall be paid out of the funds of the Society all travelling hotel and other expenses properly incurred by him/her in and about the discharge of his/her duties, including his/her expenses of travelling to and from Council meetings, committee meetings and general meetings in accordance with the Society's expenses policy in force from time to time.

49 **PROCEEDINGS OF THE COUNCIL**

49.1 Subject to the provisions of these Rules, the Council shall regulate its proceedings as it thinks fit.

49.2 The Council must convene at least four times a year at quarterly intervals.

49.3 The quorum for the transaction of business of the Council shall be fixed by the Council. If a quorum has not been fixed by the Council, the quorum for the transaction of business of the Council shall be a majority of the Council Members.

49.4 The Board shall provide the Council with information relating to the Society sufficient to enable the Council, Council Members and the chair of the Council to fulfil their roles, powers and responsibilities set out in Rule 42. The Board and Council shall review and agree what information shall be provided to the Council in terms of this Rule 49.4. This information shall consist of at least the following:

49.4.1 annual budgets and business plans;

49.4.2 strategy papers;

49.4.3 agreed key performance indicators; and

49.4.4 trend analysis.

49.5 The Council shall, in consultation with the Board, determine the process for the election of the chair and any deputy chair, their terms of appointment, the criteria for appointment and their roles, which shall include chairing of Council meetings.

49.6 The Council shall have the right to require any Board Members to attend Council meetings at agreed intervals to answer any questions the Council may reasonably have.

49.7 The Council shall appoint a secretary from time to time and may, without prejudice to any liability of the Society to pay compensation or damages to the secretary in respect of any such removal, remove such person from office, fix his remuneration and determine his duties. The Council may at any time appoint a person to act temporarily as a substitute for the secretary for the time being of the Council and any person so appointed shall be taken to be the secretary for all purposes while so acting.

50 **COUNCIL MEMBERS' INTERESTS**

50.1 Council Members and the chair of the Council shall disclose to the Board of Directors any interest which they may have or any office they may hold in any business profession, trade body or organisation which may give rise to a conflict of interest with the Society.

50.2 Provided that he/she has disclosed to the Board of Directors the nature and extent of any material interest of his/her, a Council Member notwithstanding his/her office:

- 50.2.1 may be a party or otherwise directly or indirectly interested in any transaction or arrangement with the Society or in which the Society is otherwise interested;
 - 50.2.2 may be or become a member or Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Society or in which the Society is otherwise interested;
 - 50.2.3 shall not, by reason of his/her office, be accountable to the Society for any benefit which he/she derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and
 - 50.2.4 may act by him/herself or his/her firm in a professional capacity for the Society (otherwise than as Auditors) and he/she or his/her firm shall be entitled to remuneration for professional services as if he/she were not a Director of the Society.
- 50.3 Save as otherwise provided by these Rules, a Council Member shall not vote at a meeting of the Council or of a committee of the Board on any resolution concerning a matter in which he/she has, directly or indirectly, an interest (other than by virtue of his/her membership of the Society) which is material or a duty which conflicts or may conflict with the interests of the Society unless his/her interest or duty arises only because one of the following Rules applies (in which case he/she may vote and be counted in the quorum):
- 50.3.1 the resolution relates to the giving to him/her of a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by him/her for the benefit of, the Society or any of its subsidiaries;
 - 50.3.2 the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Society or any of its subsidiaries for which the Council Member has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - 50.3.3 his/her interest arises by virtue of his/her being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares, debentures, or other securities by any of the subsidiaries of the Society for subscription, purchase or exchange;
 - 50.3.4 the resolution relates to any proposal concerning any company in which he/she is interested, directly or indirectly and whether as officer or shareholder or otherwise howsoever provided that he/she is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Rule to be a material interest in all circumstances) and for the purpose of calculating the

said percentage there shall be disregarded any shares held by the Council Member as a bare or custodian trustee and in which he/she has no beneficial interest and any shares comprised in any authorised unit trust scheme in which the Council Member is interested only as a unit holder;

50.3.5 the resolution relates in any way to any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme from which he/she may benefit and which has been approved by or is subject to and conditional upon approval by HM Revenue & Customs for taxation purposes;

50.3.6 the resolution concerns any scheme or arrangement for the benefit of employees of the Society or any of its subsidiaries under which the Council Member benefits in a similar manner to such employees and does not accord to any Council Member any privilege or advantage not generally accorded to the employees to which such scheme or arrangement relates; and

50.3.7 the resolution relates to any proposal concerning any insurance which the Society is empowered to purchase and/or maintain for or for the benefit of any Council Members of the Society or for persons who include Council Members of the Society provided that for the purposes of this Rule "insurance" means only insurance against liability incurred by a Council Member in respect of any act or omission by him as is referred to in Rule 82 or any other insurance which the Society is empowered to purchase and/or maintain for or for the benefit of any groups of persons consisting of or including Council Members

50.4 For the purposes of Rules 50.1 and 50.2:

50.4.1 an interest of a person who is an associate of a Council Member or the chair of the Council shall be treated as an interest of the Council Member or the chair of the Council (as is the case);

50.4.2 a general notice given to the Council that a Council Member or the chair of the Council is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Council Member or the chair of the Council (as is the case) has an interest in any such transaction of the nature and extent so specified; and

50.4.3 an interest of which a Council Member or the chair of the Council has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

PART 11 – THE BOARD OF DIRECTORS

51 POWERS OF THE BOARD OF DIRECTORS

51.1 Subject to the provisions of the Acts and these Rules, the business of the Society shall be conducted by the Board of Directors which shall act in all things

for and in the name of the Society and which may exercise all such powers of the Society as are not by statute or by these Rules required to be exercised by the Society in General Meeting or by the Council. No alteration of these Rules shall invalidate any prior act of the Board of Directors which would have been valid if such alterations had not been made. The general powers given by this Rule shall not be restricted or limited by any special authority or power given to the Board of Directors by any other Rule.

- 51.2 In exercising its powers and responsibilities, the Board must take account of and give effect to the powers and responsibilities of the Council and the Executive as set out in the Rules.
- 51.3 Without limiting its powers and responsibilities referred to in Rule 51.1, and subject to the powers of the Council set out in Rule 42 the Board shall be responsible for:
- 51.3.1 determining a strategy for the Society, consistent with the objects of the Society set out in Schedule 1;
 - 51.3.2 making recommendations for strategic acquisitions and disposals for decisions to be made in accordance with Rule 51.4 above (including decisions by the Board itself);
 - 51.3.3 overseeing the business of the Society in accordance with the strategy;
 - 51.3.4 motivating and retaining an Executive qualified to deliver the strategy;
 - 51.3.5 holding the Executive to account in the performance of its duties;
 - 51.3.6 appointing, and where necessary replacing, Directors in accordance with these Rules and ensuring adequate succession planning at Board, Council and Executive level;
 - 51.3.7 overseeing a risk and internal audit framework designed to provide adequate assurance as to the protection of the Society's assets; the health, safety and welfare of staff and members of the public; quality; standards of business and ethical behaviour; compliance with all relevant law and regulations and the maintenance of the reputation of the Society;
 - 51.3.8 setting the milk prices paid by the Society to its Members;
 - 51.3.9 setting the Capital Target for Members and making all other decisions with regard to Member Capital that are reserved for the Board in terms of these Rules; and
 - 51.3.10 approving the business for the Annual General Meeting.
- 51.4 The Board may not exercise the powers conferred upon it in Rule 51.1 and 51.3 so as to acquire or dispose of the whole or any part of any business, goodwill, property and assets:

- 51.4.1 where the consideration (which will include the undertaking or disposal of all or any of the liabilities of such business) is less than or equal to £[25] million without the consent of the Council;
 - 51.4.2 exceeds £[25] million but is less than or equal to £[100] million without the consent of an ordinary resolution of its Members; and
 - 51.4.3 exceeds £[100] million without the consent of a special resolution of its Members.
- 51.5 The Board of Directors may from time to time by power of attorney appoint any employee, whether nominated by the Board of Directors or by a committee of the Board of Directors to be the attorney of the Society for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Board of Directors under these Rules and not extending to any such power to make rules (including, without limitation, rules to regulate the proceedings of the Board) or power to conduct the whole business of the Society (but be limited for a particular part only of the business)) and for such period and subject to such conditions as it may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with any such attorney as the Board of Directors may think fit. The Board of Directors may revoke or vary any such appointment but no person dealing in good faith and without notice of such revocation or variation shall be affected by it.

52 **DELEGATION OF POWERS OF THE BOARD OF DIRECTORS**

52.1 The Board may delegate specific powers, duties, discretions and authorities relating to the business of the Society to:

- 52.1.1 one or more Directors;
- 52.1.2 committees consisting of such Director or Directors, Council Members, other officer or officers and/or employee or employees as it thinks;
- 52.1.3 one or more officers or employees, including the Chief Executive and the Executive; and
- 52.1.4 any subsidiary

(in each case including the power to delegate further) provided that the Board will always remain subject to its fiduciary duties and where the powers of the Board are delegated to a committee pursuant to (b) above, the Board may make, vary or revoke without notice the terms of the delegation, including the committee powers, membership and the conduct of its meetings (including but not limited to the quorum).

52.2 Without prejudice to the generality of this Rule 52, the Board shall establish and maintain the following committees, and such other committees:

- 52.2.1 an Audit, Finance and Risk Committee, whose role is, amongst other things: (a) to oversee the adequacy of the Society's internal system and controls relating to risk management, disclosure and

financial reporting; (b) to ensure the effectiveness of the internal audit function; (c) to oversee the integrity of the Society's financial statements including processes for accounting and financial reporting; (d) to ensure compliance with legal and regulatory requirements and the independence and performance of the external auditors; and (e) to monitor and review the Society's participation in defined benefit pension schemes;

52.2.2 a Nomination and Remuneration Committee whose role is, amongst other things: (a) to determine the remuneration policy for the Society, oversee its implementation and set appropriate and supportable levels of reward for the Executive, aligned to the Society's purpose and strategy; (b) to consider Board, Council and staff succession/capability and planning, and the balance of skills, knowledge and experience required by the Board on a regular basis (and at least annually) including without limitation making recommendations to the Council from time to time regarding Board Eligibility Criteria; (c) to be responsible for running development programmes periodically; and (d) to take action to ensure that suitably qualified Members are identified and encouraged to participate in development programmes and to put themselves forward for election to the Council; and

52.2.3 a Sustainability Committee, whose role is, amongst other things, to monitor and review the Society's compliance with legal requirements on safety, health and environment (SHE) matters, to ensure that a monthly SHE report is submitted to the Board and that SHE issues are raised with the Board as appropriate.

53 **COMPOSITION OF THE BOARD**

53.1 The Board shall comprise not less than 7 Directors consisting of Independent Non-executive Directors, up to two Executive Directors and two Farmer Non-executive Directors.

53.2 The Board shall decide the appropriate number of Directors from time to time. It is expected that the Board will only exceed 7 Directors in circumstances where the Board, in consultation with the Council, considers that there are good reasons for this (for example to facilitate succession planning or to address the need for particular skills).

53.3 No Member may hold the office of Council Member and Director simultaneously.

53.4 Subject to Rule 53.5 the term of office of Non-executive Directors shall be two years and no Non-executive Director may hold office for more than three consecutive terms. If a Non-executive Director holds office for three consecutive terms he/she shall not be eligible for election to the Board again for a period of at least 12 months from the date on which he/she ceased to hold office at the end of such third consecutive term.

53.5 The Board shall have the power from time to time to permit up to one half of the then-serving Non-executive Directors to serve a term of office greater than

two years (but not longer than three years) in order to ensure the orderly rotation and transition of Non-executive Directors.

54 **APPOINTMENT OF DIRECTORS**

54.1 No person shall be eligible to be appointed, elected or re-elected as a Director unless:

54.1.1 he/she is over 16 years of age; and

54.1.2 he/she satisfies the eligibility criteria set by the Council from time to time, in consultation with the Board (the "Board Eligibility Criteria"); and

54.1.3 he/she has not been disqualified to act as a Director pursuant to Rule 56.1; and

54.1.4 in the case of a Farmer Non-executive Director, he/she is a Member of the Society or a partner of a partnership that is a Member of the society or a director of a legal entity that is a Member of the society.

54.2 Subject to satisfaction of the Board Eligibility Criteria, a person may be elected as a Director by Members of the Society at a General Meeting. Every resolution of a General Meeting for the election of a Director shall relate to one named person and a single resolution for the election of two persons shall be void.

54.3 In the case of any vacancy on the Board not occasioned by the retirement of any Director by rotation, the Board may from time to time, appoint a Director to fill such a vacancy subject to such person satisfying the Eligibility Criteria. In such a case:

54.3.1 an Independent Non-executive Director shall be replaced by an Independent Non-executive Director;

54.3.2 a Farmer Non-executive Director shall be replaced by a Farmer Non-executive Director;

54.3.3 an Executive Director shall be replaced by an Executive Director

54.4 In the case of a vacancy on the Board occasioned by a decision of the Board to enlarge the Board in terms of Rule 53.2, the Board may from time to time, appoint a director to fill such a vacancy subject to such person satisfying the Board Eligibility Criteria.

54.5 A Director appointed under Rule 54.3 or Rule 54.4 above shall hold office until the conclusion of the Annual General Meeting next following such appointment.

54.6 No Director shall be entitled to appoint any other Director or any other person to be an alternate Director to act in his/her place.

54.7 Every Director shall within seven days of his/her election or appointment as a Director sign and lodge with the Secretary of the Society a declaration in the form prescribed from time to time by the Board of Directors relating to

confidentiality and the improper disclosure of information obtained by him/her as a Director.

55 RETIREMENT AND RE-ELECTION OF DIRECTORS

55.1 In addition to any Director retiring pursuant to Rule 55.3 and any Director choosing to retire and stand for re-election, each Director shall retire from office at each second Annual General Meeting following his/her election/re-election, subject to the Board and Council having the right to agree otherwise in order to avoid a situation where more than half of the Directors would be retiring from office at the Annual General meeting in a particular year.

55.2 A Director retiring under this Rule shall retain office until the conclusion of the meeting and shall be eligible for re-election subject to Rule 55.4.

55.3 Subject to Rule 53.5, a Non-executive Director who would not otherwise be required to retire must also retire if he/she has been in office for a continuous period of six years or more at the date of the Annual General Meeting. A Non-executive Director who retires in this way is not eligible for re-election.

55.4 No Director shall be elected or re-elected as a Director at any General Meeting unless:

55.4.1 he/she is recommended by the Board, or in the case of the chair or vice-chair, the Council;

55.4.2 in the view of the Board, or in the case of the chair or vice-chair, the Council, he/she satisfies the Board Eligibility Criteria; and

55.4.3 the Members decide by ordinary resolution at the relevant General Meeting to approve such election or re-election.

56 DISQUALIFICATION AND REMOVAL AS A DIRECTOR

56.1 A Director shall cease to hold office if:

56.1.1 he/she delivers to the Board of Directors a written resignation of his office, and such resignation has taken effect according to its terms;

56.1.2 a registered medical practitioner who is treating that person gives a written opinion to the Society stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months;

56.1.3 by reason of that person's mental health, a court or tribunal makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;

56.1.4 he/she becomes bankrupt or makes any arrangement or composition with his or her creditors;

56.1.5 that person has been absent from more than three consecutive meetings of the Board or, in any year, in excess of one half of the

- meetings of the Board held during that period, without permission of the Board, and a majority of the Board resolves that his/her office be vacated;
- 56.1.6 that person becomes a director, other officer or an employee of any entity trading in competition with the Society;
 - 56.1.7 his/her office as a Director is vacated pursuant to his/her not being re-elected or ceasing in the opinion of the Board to fulfil the Board Eligibility Criteria;
 - 56.1.8 that person is prohibited from being a director by law;
 - 56.1.9 where the Director is a Farmer Director, he/she ceases to be a Member or submits a notice to terminate his or her membership of the Society (or the membership of a legal entity of which he or she is a partner or director ceases to be a Member or submits a resignation notice);
 - 56.1.10 the Board resolves that that person has acted in a manner which is prejudicial to the interests of the Society or is in material breach of his or her duties or contractual obligations as a Director; and
 - 56.1.11 he or she is elected as a Council Member
- 56.2 The Members may by an ordinary resolution remove any Director from office (notwithstanding any provision of the Rules or of any agreement between the Society and such Director, but without prejudice to any claim he/she may have for damages for breach of any such agreement).
 - 56.3 The Council may by a resolution passed by a simple majority of the votes cast by Council Members at a properly convened meeting of the Council remove any Director from office (notwithstanding any provision of the Rules or of any agreement between the Society and such Director, but without prejudice to any claim he/she may have for damages for breach of any such agreement).
 - 56.4 The Board may propose that the Members elect another person in place of a Director removed from office in accordance with Rules 56.2 or 56.3.
 - 56.5 The Board of Directors is entitled to be heard at any meeting convened under Rule 56.2 or 56.3 on any resolution to remove a Director from office and may make representations in writing with respect to such a resolution to the Secretary and request their notification to the members or the Council as the case may be. The Secretary shall, unless the representations are received by him too late for him or her to do so, send a copy of such representations to the members or the Council, as the case may be.
 - 56.6 Where a process to remove a Director from office under the Rules has commenced, the Board may temporarily suspend that Director from office pending the outcome of the process. No Director proposed to be suspended in accordance with this Rule has any special right to protest against his/her suspension but the terms of his/her service contract or letter of appointment shall not be affected. Any Director so suspended shall not be entitled during

the time of his/her suspension from the Board to attend, speak or vote at any meeting of the Board (or any of its committees).

57 BOARD INDUCTION, TRAINING AND EVALUATION

57.1 Before accepting a position as a Director an individual must agree to undertake training during his/her first year of office and otherwise as deemed appropriate by the chair. This training will include information on the roles and responsibilities of being a Director of a co-operative society. The Board shall ensure that such training is provided to each Director.

57.2 Newly elected Directors will receive a comprehensive and timely induction when they join the Board designed to help them contribute within an appropriately short timeframe to the Board, and to maximise the quality of their contributions. This induction will be tailored to each new Director's existing knowledge, experience and needs, as determined by the chair and the new Director and will include, in particular, training on the Society's business, its financial structure, the markets in which it operates, the business strategy, the particular expectations for a new Director and the Society's governance structure.

57.3 The chair shall ensure that a formal and rigorous evaluation of the Board's performance annually, including the performance of individual Directors, (the "Annual Board Evaluation"), which shall include the following:

57.3.1 a description of how the evaluation was conducted;

57.3.2 a focus on the regular working practices of the Board;

57.3.3 a review of the reporting of information to the Board to ensure that the Board is receiving sufficient information in an appropriate format to carry out its duties;

57.3.4 a review of the Board's challenging of the Executive to ensure that the Executive is exercising its proper stewardship of the day-to-day management of the Society;

57.3.5 a review of the Board's interaction with the Council; and

57.3.6 recommendations to address any developmental requirements arising out of the evaluation.

57.4 The Annual Board Evaluation may be conducted externally if the Board, in consultation with the Council, considers it appropriate to do so.

57.5 The Annual Board Evaluation shall be discussed by the Board and the Board shall also discuss it with the Council.

57.6 The chair shall be responsible for ensuring that appropriate remedial action or otherwise is taken as a result of recommendations arising from the Annual Board Evaluation.

58 **BOARD REMUNERATION AND EXPENSES**

- 58.1 Directors (excluding Executive Directors) shall be paid such fees for their roles as members of the Board and for any additional roles they may perform from time to time as set out in their respective letters of appointment and which shall be disclosed in the Directors' Remuneration Report, which shall be voted on by Members at the Annual General Meeting.
- 58.2 Fees for Independent Non-executive Directors and Farmer Non-executive Directors shall be determined by the Council, acting on the recommendations of the Nominations and Remuneration Committee.
- 58.3 A Director shall be paid out of the funds of the Society all travelling hotel and other expenses properly incurred by him/her in and about the discharge of his/her duties, including his/her expenses of travelling to and from board meetings, committee meetings and general meetings in accordance with the Society's expenses policy in force from time to time.

59 **EXECUTIVE DIRECTORS**

- 59.1 The Board shall determine the terms and conditions of employment of the Executive Directors.
- 59.2 Subject to provisions of the Act, the day to day business and affairs of the Society shall be managed by the Executive Directors.

60 **CHAIR AND VICE CHAIR**

- 60.1 From time to time the Board shall appoint from the Directors a chair and, if the Board so determines, a vice chair on such terms and conditions as it thinks fit provided that the vice chair shall always be a Farmer Non-executive Director. The Board may remove the chair or the vice chair from office, notwithstanding the provisions of these Rules or the provisions of the terms and conditions of their appointments (but without prejudice to any liability of the Society to pay compensation or damages to the chair or vice chair (as the case may be) in respect of such removal).
- 60.2 Unless he is unwilling to do so, the chair shall preside at every meeting of the Board at which he is present. But if there is no chair appointed, or if the chair is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the vice chair shall be chairman of the meeting. But if there is no vice chair appointed, or if the vice chair is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be chair of the meeting.

PART 12 - PROCEEDINGS OF DIRECTORS

61 **NOTICE**

The Board shall meet at least once in every three months and more frequently if it thinks fit. The Secretary may, and on the request of two or more Directors shall, convene a meeting of the Board by reasonable notice to all Directors (but no notice shall be required to be given to any Director who is for the time being absent from the United Kingdom). In the event that the Secretary does not

convene a meeting which has been so requested by two or more Directors, any Director may convene a meeting. Any Director may waive notice of a meeting and any such waiver may be given retrospectively.

62 QUORUM

62.1 A meeting of the Board shall be quorate if at least four Directors are present.

62.2 The continuing Directors or a sole continuing Director may act notwithstanding any vacancies in their number, but, if the number of Directors is less than the number fixed as the quorum, the continuing Directors or Director may act only for the purpose of filling the vacancies or of calling a General Meeting.

63 VOTING

Questions arising at any meeting of the Board shall be decided by a majority of votes of the Directors present and in the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

64 VALIDITY OF ACTS

64.1 All acts done by a meeting of the Board, or of a committee of the Board, or by a person acting as a Director shall, notwithstanding that it be afterwards discovered that there was a defect in the election or appointment of any Director or any member of the committee or that person or that any of them were or that person was disqualified from holding office, or had vacated office, or were or was not entitled to vote, be as valid as if every such person or that person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote.

65 WRITTEN RESOLUTIONS

65.1 A resolution in writing signed by all the Directors entitled to receive notice of a meeting of the Board, or of a duly constituted committee of the Board, shall be as valid and effectual as if it had been passed at a meeting of the Board or (as the case may be) a committee of the Board duly convened and held; and for this purpose a resolution may consist of several documents to the same effect (including documents received by facsimile transmission) each signed by one or more Directors.

65.2 For the purpose of this Rule 65, a resolution can be validly constituted in writing by an email sent to the Secretary by each Director and in such a case, the Secretary's certification of the same shall be as valid and effectual as if it had been duly passed at a meeting of the Board or (as the case may be) a committee of the Board duly convened and held.

66 MEETING BY TELEPHONE

Without prejudice to the provisions of Rule 62, a meeting of the Board or of a committee of the Board may consist of a conference between Directors who are not all in one place, but of whom each is able (directly or by telephonic communication or audio-visual links or otherwise) to speak to each of the others, and to be heard by each of the others simultaneously. A Director taking part in such a conference shall be deemed to be present in person at the

meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating in the conference is assembled, or, if there is no such group, where the chairman of the meeting then is. The word “**meeting**” in these Rules shall be construed accordingly.

67 **DUTY TO MEDIATE DISPUTES BETWEEN THE BOARD AND COUNCIL**

67.1 In the event of a dispute or difference arising between the Board and the Council in connection with the exercise of the powers of either of them, they shall attempt to resolve such dispute or difference in good faith and in the best interests of the Society and its Members. If the Board and Council are not able to settle such a dispute or difference themselves, they shall endeavour to jointly refer the matter to mediation.

68 **DIRECTORS’ INTERESTS**

68.1 Directors shall disclose to the Board of Directors any interest which they may have or any office they may hold in any business profession, trade body or organisation which may give rise to a conflict of interest with the Society.

68.2 Provided that he has disclosed to the Board of Directors the nature and extent of any material interest of his, a Director notwithstanding his office:

68.2.1 may be a party or otherwise directly or indirectly interested in any transaction or arrangement with the Society or in which the Society is otherwise interested;

68.2.2 may be or become a member or Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Society or in which the Society is otherwise interested;

68.2.3 shall not, by reason of his office, be accountable to the Society for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and

68.2.4 may act by himself or his firm in a professional capacity for the Society (otherwise than as Auditors) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director of the Society.

68.3 Save as otherwise provided by these Rules, a Director shall not vote at a meeting of the Board or of a committee of the Board on any resolution concerning a matter in which he has, directly or indirectly, an interest (other than by virtue of his membership of the Society) which is material or a duty which conflicts or may conflict with the interests of the Society unless his interest or duty arises only because one of the following Rules applies (in which case he may vote and be counted in the quorum):

- 68.3.1 the resolution relates to the giving to him of a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Society or any of its subsidiaries;
- 68.3.2 the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Society or any of its subsidiaries for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- 68.3.3 his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares, debentures, or other securities by any of the subsidiaries of the Society for subscription, purchase or exchange;
- 68.3.4 the resolution relates to any proposal concerning any company in which he is interested, directly or indirectly and whether as officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Rule to be a material interest in all circumstances) and for the purpose of calculating the said percentage there shall be disregarded any shares held by the Director as a bare or custodian trustee and in which he has no beneficial interest and any shares comprised in any authorised unit trust scheme in which the Director is interested only as a unit holder;
- 68.3.5 the resolution relates in any way to any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme from which he may benefit and which has been approved by or is subject to and conditional upon approval by HM Revenue & Customs for taxation purposes;
- 68.3.6 the resolution concerns any scheme or arrangement for the benefit of employees of the Society or any of its subsidiaries under which the Director benefits in a similar manner to such employees and does not accord to any Director any privilege or advantage not generally accorded to the employees to which such scheme or arrangement relates; and
- 68.3.7 the resolution relates to any proposal concerning any insurance which the Society is empowered to purchase and/or maintain for or for the benefit of any Directors of the Society or for persons who include Directors of the Society provided that for the purposes of this Rule "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him as is referred to in Rule 71 or any other insurance which the Society is empowered to purchase and/or maintain for or for the benefit of any groups of persons consisting of or including Directors.

68.4 For the purposes of Rules 68.1 and 68.2:

- 68.4.1 an interest of a person who is an associate of a Director shall be treated as an interest of the Director;
- 68.4.2 a general notice given to the Board of Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified;
- 68.4.3 an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

PART 13 - MINUTES

69 MINUTES

- 69.1 The Board shall cause minutes of all meetings of the society, the Board and any committees of the Board to be kept and entered in books kept for that purpose.
- 69.2 The minutes of every meeting of the Society, every meeting of the Board and any of its committees, shall be read or taken as read at the next General Meeting or meeting of the Board, or any of its committees, respectively, and signed by the chairman of the meeting at which they are so read or taken as read. All minutes so signed shall, in the absence of evidence to the contrary, be taken as between the Society and every Member to be a true record of any statement therein contained.

PART 14 - BORROWING

70 BORROWING

- 70.1 The Board may from time to time obtain advances of money for the purposes of the Society from any person in accordance with the provisions of Schedule 1, provided always that the total amount owing in respect of all monies borrowed shall not at any time exceed £300 million. Persons making any such advances shall not be concerned to enquire whether, and shall not be affected if, such limit has been or will be exceeded.
- 70.2 The Board may exercise all the powers of the Society to borrow money and to mortgage or charge its undertaking, property and assets (present and future), whether outright or as collateral security, for any debt, liability or obligation of the Society or of any third party.
- 70.3 For the purposes of this Rule (and for the avoidance of doubt) monies borrowed shall not include the following:
 - 70.3.1 any money due to any Member in payment for milk sold to the Society under the terms of his Milk Contract;
 - 70.3.2 any money otherwise due to any Member which has been withheld by the Society in anticipation of any payment which may be due to

- any governmental or national or supranational body in respect of any levies or the milk quota system;
- 70.3.3 any money borrowed by the Society for the purpose of financing any contract up to an amount not exceeding those monies receivable under such contract which are guaranteed or insured by the Export Credit Guarantee Department or other institution or body carrying on a similar business;
- 70.3.4 any monies borrowed by any subsidiary of the Society at the time it becomes a subsidiary of the Society and for a period of six months thereafter and monies borrowed remaining secured on any asset acquired by the Society or a subsidiary of the Society at the time of such acquisition and or a period of six months thereafter;
- 70.3.5 any and all sums retained by the Society (or its agent or nominee) under the terms of any contract or other arrangement relating to the construction of capital projects where the retention is made for the purposes of securing satisfactory completion and entry into service of the project for so long as, and to the extent that, the Society is entitled to retain such sums under the relevant contract or arrangement;
- 70.3.6 any sums advanced or paid to the Society (or its agent or nominee) by customers of the Society, prepayments or progress payments or payments on account or by way of deposit or security in respect of any products or services or under any sales contracts or settlement systems;
- 70.3.7 any sums which otherwise would fall to be treated as borrowed monies of the Society which were treated with the concurrence of the Auditors and in accordance with any current Statement of Standard Accounting Practice or other accountancy principle or practice accepted for the time being in the United Kingdom in the latest audited balance sheet of the Society on which such consolidation was based as otherwise than borrowed monies of the Society;
- 70.3.8 any guarantee or indemnity given by the Society in respect of any amount or obligation deemed not to be monies borrowed under any of the provisions of this Rule 70;
- 70.3.9 any debenture or debenture stock arising on any conversion of Preference Shares; and
- 70.3.10 any sums held in any account (including a Member Capital Account and Capital Reserve Account).
- 70.4 When the aggregate amount of monies borrowed at any material time is being ascertained:
- 70.4.1 any particular borrowing then outstanding which is denominated or repayable in a currency other than sterling shall be translated for the purposes of calculating the sterling equivalent:

- (a) with the exception of Excepted Foreign Currency Borrowings (as hereinafter defined), at the rate of exchange prevailing at the material time in London provided that the monies comprising such borrowing shall be translated (if thereby such sterling amount would be less) at the option of the Board at the rate of exchange prevailing in London six months before such time; for the purposes of this sub-paragraph the rate of exchange shall be taken as the middle market rate as at the close of business in London on the relevant day or, if such day is not a business day, as supplied by such person or calculated on such basis as the Auditors may determine or approve; and
- (b) in the case of any Excepted Foreign Currency Borrowing, at the rate of exchange which would be applicable to the monies comprising such borrowing on their repayment to the extent that such rate of exchange is fixed under any Exchange Cover Scheme (as hereinafter defined) in connection with such monies borrowed provided that where it is not possible to determine the rate of exchange applicable at the time of repayment of any such monies borrowed they shall be translated into sterling under the terms of the applicable Exchange Cover Scheme on such basis as may be agreed with, or determined by, the Auditors, or, if this is agreed by the auditors not to be practicable, in accordance with the provisions of (a) above;

70.4.2 for the purposes of this Rule 70.4:

- (a) Excepted Foreign Currency Borrowings means monies borrowed denominated or repayable in a currency other than sterling which have the benefit of an Exchange Cover Scheme and Exchange Cover Scheme means any exchange cover scheme, forward currency contract, currency option, back to back loan, swap or other arrangement taken out or entered into to reduce the risks associated with fluctuations in exchange rates; and
- (b) where under the terms of any borrowing the amount of money which would be required to discharge the principal amount of monies borrowed in full if it fell to be repaid (whether at the option of the Society borrowing the same or by reason of default) at such material time is less than the amount which would otherwise be taken into account in respect of such monies borrowed for the purposes of this Rule 70 the amount of such monies borrowed to be taken into account shall be such lesser amount.

70.5 Without prejudice to Rules 12.8 to 12.10 (inclusive), the Board may subject to the remaining provisions of this Rule 70.5, at any time require Members to

make loans to the Society of such amount, or an amount determined in such a way and on such terms as the Board of Directors shall specify.

70.5.1 the Board may not exercise the right referred to in this Rule 70.5 to require Members to make loans to the Society without the consent of a special resolution:

70.5.2 the Board may not, without the consent of an ordinary resolution of its Members, require Members to make loans to the Society in respect of any Member for any year of account an amount which exceeds in aggregate 2¹/₂ per cent of the average price per litre paid by the Society to all Members in the 12 months immediately preceding the start of such year of account multiplied by the number of litres of milk sold by that Member to the Society in the 12 months immediately preceding the start of such year of account.

70.6 The Board may obtain any such loan or advance on such terms as to interest and the conditions and manner of repayment as it thinks fit including where the loan is made upon any conversion of Preference Shares into debentures or debenture stock.

PART 15 - OFFICERS

71 THE SECRETARY

The Board shall appoint a Secretary from time to time (and may appoint an assistant secretary or secretaries ("**Assistant Secretary**")) and may, without prejudice to any liability of the Society to pay compensation or damages to the Secretary or Assistant Secretary in respect of any such removal, remove such person from office, fix his remuneration and determine his duties. The Board may at any time appoint a person to act temporarily as a substitute for the Secretary or Assistant Secretary for the time being of the Society and any person so appointed shall be taken to be the Secretary or Assistant Secretary (as the case may be) for all purposes while so acting.

PART 16 - AUDIT AND ACCOUNTS

72 AUDIT

72.1 Subject to Rule 72.2, the Society in General Meeting shall appoint for each accounting year an auditor as provided in Section 83 of the 2014 Act to audit the Society's Annual Account and balance sheets for that year. The Auditor shall be a person who is a qualified auditor under Section 91 of the 2014 Act and is not prohibited by Section 92 thereof from being appointed Auditor of the Society.

72.2 The first Auditor shall be appointed by the Board within three months of the registration of the Society if no General Meeting of the Society is held during that period. The Board may appoint an Auditor to fill any casual vacancy occurring between General Meetings.

72.3 The re-appointment of, or the appointment of an Auditor in place of, an Auditor appointed to audit the Annual Accounts of the Society for an immediately

preceding year shall be carried out in accordance with Sections 93 and 94 of the 2014 Act.

72.4 The Auditor shall, in accordance with Section 87 of the 2014 Act, make a report to the Society on the Annual Accounts examined by him and on the revenue account or accounts and the balance sheet of the Society for the year of account in respect of which he will be appointed and shall have such rights as are provided by the said Act.

72.5 The Auditor shall in accordance with Section 98 of the 2014 Act make a report to the Society on the Group Accounts for the year of account in respect of which he is appointed.

72.6 The Board shall cause the Annual Accounts of the Society and, as the case may be, the Group Accounts to be submitted at least once in every year to the Auditor for audit.

73 **ACCOUNTS**

73.1 The Board shall cause to be kept proper books of account with respect to the transactions of the Society, its assets and liabilities, and establish and maintain a satisfactory system of control of its books of account, its cash holdings and all receipts and remittances in accordance with Sections 75 and 76 of the 2014 Act.

73.2 The Board shall in respect of each year of account:

73.2.1 cause to be prepared a revenue account or revenue accounts which singly or altogether deal(s) with the affairs of the Society as a whole for that year and which give a true and fair view of the income and expenditure of the Society for that year;

73.2.2 cause to be prepared a balance sheet giving a true and fair view as at the date thereof of the state of affairs of the Society; and

73.2.3 except where Section 99 of the 2014 Act applies, in any case where at the end of a year of account the Society has a subsidiary or subsidiaries, cause to be prepared Group Accounts for that year.

73.3 The Board shall have power to prepare in addition a revenue account or revenue accounts for less than one year of account and a balance sheet at the end of the period covered by such revenue account or revenue accounts.

74 **PUBLICATION OF ACCOUNTS AND BALANCE SHEETS**

74.1 The Board shall not cause to be published any revenue account or balance sheet unless it has previously been audited by the Auditor and it incorporates a report by the Auditor that it gives a true and fair view of the income and expenditure, or the state of the affairs of the Society, as the case may be. Every audited revenue account and balance sheet published shall be signed by two Directors acting on behalf of the Board, and by the Secretary.

74.2 A copy of each balance sheet published during the period included in any annual return shall be sent by the Secretary to the Registrar together with the

annual return, and such copy shall incorporate the report made thereon by the Auditor.

- 74.3 The Society shall keep a copy of the last balance sheet for the time being, together with the report of the Auditor thereon, displayed at all times in a conspicuous place at its registered office.

PART 17 - ANNUAL RETURN

75 SUBMISSION OF ANNUAL RETURN

The Secretary shall send to the Registrar in the form and at the time prescribed by him or by law a return (the “**Return**”), relating to the affairs of the Society for the last accounting period, together with a copy of the report of the Auditor on the Society’s Annual Accounts and any Group Accounts for such period.

76 CONTENTS

76.1 The Return shall:

- 76.1.1 contain the revenue account(s) for the year to which the Return relates and a balance sheet as at the end of that year;
- 76.1.2 be accompanied by any Group Accounts for the year to which the Return relates;
- 76.1.3 not contain any other account which has not been audited; and
- 76.1.4 be made up for the period beginning with the date of the Society's registration or with the date to which the Society's last return was made up, whichever is the later, and ending on such date in the relevant year as is prescribed by law or permitted by the Registrar.

PART 18 - MEMBERS’ INFORMATION

77 COPIES

77.1 The Secretary shall supply copies of the Return and Rules as follows:

- 77.1.1 gratuitously on application a copy of the latest Return of the Society to every Member; and
- 77.1.2 on payment of such amount as may be prescribed in the law applicable to Co-operative and Community Benefit Societies for the time being in force to any person applying thereof a copy of these Rules.

77.2 In supplying a copy of a Return as aforesaid, the Society shall also supply a copy of the report of the Auditor on the Annual Accounts and balance sheet and any Group Accounts contained in the Returns.

78 INSPECTION

Any Member or person having an interest in the funds of the Society may inspect his own account and the particulars mentioned in Rule 29 at all reasonable hours at the registered office or at any place where the same are kept, subject to such regulations as to time and manner of such inspection as may be made from time to time by the meetings of the Society.

PART 19 - NOTICE

79 NOTICE

79.1 Any notice to be given to or by any person pursuant to these Rules shall be in writing (which, for the purpose of these Rules, includes transmission by electronic means) except that a notice convening a meeting of the Board or of a committee of the Board need not be in writing.

79.2 Any requirement contained in these Rules or in the Act or otherwise to the effect that a document is to be sent or served on a Member shall be deemed to have been complied with if the document is given to the Member personally or is sent by electronic means or is sent by post (with the postage prepaid) to the Member at his address in the Register of Members or by leaving it at that address or is served by transmission by facsimile or, in the event of a postal strike, if the contents of the document are notified to Members by a notice placed in at least two national daily newspapers. In the case of joint Members, all notices shall be given to the joint holder who is first named in the Register of Members, all notices so given shall be sufficient notice to all the joint holders. Any notice to be given to a Member may be given by reference to the Register of Members as it stands at any time within the period of 15 days before the notice is given and no change in the Register of Members after that time shall invalidate the giving of the notice.

79.3 Proof that an envelope containing a document was properly addressed, prepaid and posted shall be conclusive evidence that the document was served. A document shall be deemed to be served at the expiration of twenty four hours after the envelope containing it was posted or, in the case of transmission by facsimile, twelve hours after the time of despatch. Any notice given by advertisement shall be deemed to have been served at noon on the day on which the advertisement appears.

79.4 Subject to Rule 68.3 any Member whose address in the Register of Members is not within the United Kingdom but who gives to the Society an address within the United Kingdom at which notices may be served upon him shall be entitled to have notices served upon him at such address; but, otherwise, no Member other than a Member whose address in the Register of Members is within the United Kingdom shall be entitled to receive any notice from the Society.

79.5 Any notice or document, if served, sent or supplied by electronic means shall be deemed to have been received on the day on which the electronic communication was sent by or on behalf of the Society.

PART 20 - ARBITRATION

80 ARBITRATION PROCEDURE

80.1 Any dispute or difference between the Society or any of its officers or employees and:

80.1.1 a Member; or

80.1.2 a person who has ceased to be a Member not more than six months previously; or

80.1.3 a person claiming through a Member or a person who has ceased to be a Member not more than six months previously; or

80.1.4 any other person claiming under the Rules of the Society,

shall be resolved amicably if possible, but if not shall be referred to and finally determined by arbitration in accordance with the following provisions of this Rule 80. For the avoidance of doubt, Rule 80 shall not apply in respect of any matter which falls to be dealt with pursuant to Rule 22. Any arbitration pursuant to this Rule 80 and any dispute shall be governed by English law.

80.2 Any party wishing to commence an arbitration (the “**Claimant**”) shall deliver to the other party a written request for arbitration (the “**Request for Arbitration**”) which shall include a description of the dispute, any documents or other evidence relied upon, a description of the relief sought, proposals for resolving the dispute as well as proposals as to the identity of the arbitrator.

80.3 The party receiving the Request for Arbitration (the “**Respondent**”) shall within 14 days of receipt, deliver his written answer (the “**Answer**”) to the Claimant, which shall include a summary of his defence to the matters set out in the Request for Arbitration, any documentary or other evidence upon which he relies, any counterclaim which he wishes to bring, his proposals for resolving the dispute and his proposals as to the identity of the arbitrator.

80.4 The matter to be referred to arbitration shall be referred to a sole arbitrator to be agreed between the parties and, failing agreement within 28 days of the delivery of the Request for Arbitration, shall be, at the option of either party, nominated by the President or acting officer of the Law Society of England and Wales where the Claimant is resident (or, in the case of a body corporate, registered) in England and Wales and by the President or acting officer of the Law Society of Scotland where the Claimant is resident (or, in the case of a body corporate, registered) in Scotland.

80.5 In the event of the arbitrator dying, resigning, refusing to act or otherwise becoming incapable of performing his functions, a replacement arbitrator shall be appointed in the manner provided in Rule 80.4.

80.6 The arbitrator shall have full power to determine the procedure of the arbitration and to give such directions to the parties as to procedure and hearings as he shall see fit.

- 80.7 All awards made by the arbitrator shall be final and binding on the parties and the arbitrator shall provide reasons for his award. The provision of Section 3 of the Administration of Justice (Scotland) Act 1972 and Section 69 of the Arbitration Act 1996 are hereby excluded.
- 80.8 The arbitrator shall in his absolute discretion determine the question of payment of any costs arising from the arbitration procedures.
- 80.9 Where by these Rules any disputes or differences are to be referred to arbitration, the making of an award shall be a condition precedent to any right of action by any party to whom the Rules apply.
- 80.10 Any notices in writing required under this Rule 80 may also be sent by facsimile.

PART 21 - ALTERATION OF RULES

81 REQUISITE RESOLUTION

- 81.1 Rules 3 (Name of the Society), 9 (Objects), 10 (Powers), 11 (Net Income Allocation), 12 (Member Accounts), 13 (Share Capital), 14 (Preference Shares), 15 (A Preference Shares - Additional Provisions), 18 (Transfer/Cancellation/Redemption/Assignment of Member Reserves/ New Preference Shares/A Preference Shares), 30 - 40 (General meetings), 42 (Roles, powers and responsibilities) 72 - 74 (Audit and Accounts), 75 and 76 (Annual Return), 77 and 78 (Members' Information), this Rule 81.1 and Rules 83 and 84 (Amalgamation, transfer of engagements, conversion into a company and dissolution) shall be amended only on the passing of a resolution to that effect by a two-thirds majority of the votes cast at a General Meeting of which notice has been given in accordance with Rule 32, specifying the intention to propose that resolution, and otherwise in accordance with the Act.
- 81.2 Amendments to the Rules not referred to in Rule 81.1 may be amended:
- 81.2.1 by the passing of a resolution to that effect by a two-thirds majority of the votes cast by Council Members at a meeting of Council of which 21 clear days' notice has been given to each Council Member in accordance with Rule 79 specifying the intention to propose that resolution; and
- 81.2.2 at the discretion of the Board, in consultation with the Council, by by a two-thirds majority of the votes cast at a General Meeting of which notice has been given in accordance with Rule 32 specifying the intention to propose that resolution, and otherwise in accordance with the Act.

PART 22 - INDEMNITY AND INSURANCE

82 INDEMNITY AND INSURANCE

- 82.1 Every Director or other officer of the Society (including every Executive Director and Council Member) shall be entitled to be indemnified out of the assets of the Society against all losses or liabilities which he may sustain or incur in the proper and lawful execution of the duties of his office or otherwise in relation thereto, and no Director or other such officer shall be liable for any loss,

damage or misfortune which may happen to or be incurred by the Society in the execution of the duties of his office or in relation thereto.

- 82.2 The Board shall have the power to purchase and maintain insurance for or for the protection of any persons who are or were at any time Directors, officers (including Council Members and Executive Directors), employees or auditors of the Society, or of any subsidiary of the Society or in which such subsidiary has an interest whether directly or indirectly or which is in any way allied to or associated with the Society or who were at the time trustees of any pension fund in which the employees of the Society or of any other such company or body are interested including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission or the actual or purported exercise and/or discharge of their duties and/or in the exercise or purported exercise of their powers and otherwise in relation to their duties, powers or offices in relation to the Society and/or any such other company or pension fund.

PART 23 - AMALGAMATION, TRANSFER OF ENGAGEMENTS, CONVERSION INTO A COMPANY AND DISSOLUTION

83 AMALGAMATION, TRANSFER OF ENGAGEMENTS AND CONVERSION

The Society may, by special resolution passed in accordance with the requirements of these Rules and in the manner prescribed by the Act, amalgamate with or transfer its engagements to any other society or company, or convert itself into a company registered under the Companies Act 1985 or, as the case may be, the Companies Act 2006. Subject to the requirements of these Rules and the Act, the Society may also accept a transfer of engagements and assets.

84 DISSOLUTION

84.1 The Society may at any time be dissolved:

84.1.1 by the consent of two-thirds of the Members, testified by their signatures to any instrument of dissolution in the form prescribed by law or regulation, and otherwise in accordance with the requirements of these Rules and the Act; or

84.1.2 by winding-up in a manner provided by the Act.

84.2 Upon the dissolution or winding-up of the Society, any surplus remaining after the satisfaction of all its debts and liabilities, repayment of all credit balances on any accounts (including Member Capital Accounts and Capital Reserve Accounts) and repayment of the paid-up share capital shall be divided among the persons who during the twelve month period immediately preceding the date of the instrument of dissolution or the date of commencement of winding up, as the case may be, were Members of the Society in proportion to the volume of milk sold by them to the Society during such period (“**Members’ litrage entitlement**”). Each Member shall be entitled to an amount of any such surplus equal to the proportion of such surplus which his Members’ litrage entitlement bears to the aggregate total of all Members’ litrage entitlement.

PART 24 - MISCELLANEOUS

85 COMPLIANCE

85.1 The Board may require from any Member at any time such information and evidence as the Board may reasonably think fit for the purposes of ensuring that these Rules are being complied with.

86 WITHHOLDING/TAX

86.1 The Board may make deductions for or on account of taxation in respect of any payment of principal, interest on B Preference Shares, any Interest, Dividends and/or other monies in any case where it is not satisfied that the payment may be made without any such deduction. For this purpose the Society may require the Member/former Member to make such declarations (as to his usual place of residence or otherwise) and to produce such evidence as the Board sees fit.

SCHEDULE 1

OBJECTS

- (a) to assist its Members in the carrying on of the business of dairy farming on land occupied by them, including the activities of marketing and preparation for market of milk produced by its Members on land occupied by them and used for agriculture, and the production or supply of milk;
- (b) to carry on directly or indirectly for the benefit of its Members, whether by itself or through subsidiaries, associated or allied companies, firms or bodies of persons in the United Kingdom or elsewhere, in all or any of their branches, any or all of the businesses of purchasers, wholesalers, retailers, producers, manufacturers, processors, importers and exporters, brokers of and agents and dealers in milk and dairy products, agricultural produce and products and commodities generally, including (without limitation) the business of producing from milk cream, butter, buttermilk, cultured milk, evaporated and semi-evaporated buttermilk or cultured milk, milk-sugar (lactose), cheese, whey preparations, milk powder, condensed whole or separated milk, casein, ice-cream, margarine and any other commodities of which milk is an ingredient, and the business of selling, grading, packing, storing, adapting for sale, insuring and advertising milk or commodities produced therefrom, and the business of haulage and transport contractors, the business of transporting milk and dairy products, any or all of the businesses of hirers and lessees and dealers in motor and other vehicles, craft, plant, machinery, tools and equipment of all kinds, examiners, inspectors and testers of milk and dairy products, agricultural produce and products and commodities generally, chemists, druggists and chemical manufacturers, farmers, farm management consultants and business consultants and advisers generally, graziers, hay, straw and fodder merchants, including establishing centres for the artificial drying of grass and forage crops and operating and maintaining those centres, the business of veterinary surgeons, the business of animal marking, animal husbandry, the business of milk recording and genetic evaluation in relation to cows, sheep, goats and horses and the business of researching and developing, testing, operating, selling and marketing artificial insemination processes, embryo production and genetic engineering in relation to cows, sheep, goats and horses;
- (c) to carry out such operations and to manufacture or deal with such goods and to purchase, take assignments and enter into novations or otherwise acquire, take options over, construct, lease, hold, manage, maintain, alter, develop, exchange or deal with such property, rights or privileges (including the whole or part of the business, property or liabilities of any other person or company) as may seem to the Board directly or indirectly to advance the interests of the Society;
- (d) to carry on, either in connection with any of the business aforesaid or independently thereof any other trade or business whatever which, in the opinion of the Board, is or may be advantageously carried on in connection with or ancillary to any of the above mentioned businesses or is calculated directly or indirectly to enhance the value of or render profitable any of the property, undertaking, rights or privileges of the Society or to further the objects of the Society;

- (e) to establish or acquire subsidiaries and/or associate companies to carry on, and generally to acquire, undertake and carry on the whole or any part of the business, goodwill, property and assets of any person, firm, or company carrying on or proposing to carry on, any of the businesses which the Society is for the time being authorised or permitted to carry on and as part of the consideration for such acquisition to undertake all or any of the liabilities of any such subsidiary or associate company or person;
- (f) to acquire an interest in, amalgamate with or enter into partnership or any other form of arrangement for co-operation, joint venture, mutual assistance or otherwise with any person;
- (g) to enter into such commercial or other transactions in connection with any trade or business of the Society as may seem desirable to the Board for the purpose of the Society's affairs;
- (h) to apply for, register, purchase or otherwise acquire, protect, maintain and renew, whether in the United Kingdom or elsewhere, any patents, patent rights, trade marks, designs, licences and other intellectual property rights of all kinds or any secret or other information as to any invention and to use, exercise, develop or grant licences in respect of, or otherwise turn to account the property, rights or information so acquired, and to experiment with any such rights which the Society may acquire or propose to acquire;
- (i) to invest and deal with the monies of the Society not immediately required in such manner as may from time to time be determined by the Board of Directors and hold and deal with any investment so made;
- (j) to pay or to provide or to make such arrangements for providing such gratuities, annuities, superannuation and other allowances, pensions, benefits, share option and acquisition schemes, loans and other matters and to establish, support, subsidise and subscribe to any institutions, associations, clubs, schemes, funds or trusts (whether to or for the benefit of present or past Directors or employees of the Society or any subsidiary of the Society or predecessors in business of the Society or of any company which is a subsidiary company of the Society or is allied to or associated with the Society or with any such subsidiary company or to or for the benefit of persons who are or were related to or connected with or dependents of any such Directors or employees) as may seem to the Board directly or indirectly to advance the interests of the Society; to make payments towards, purchase and maintain insurance including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Society or any such other company or pension fund and to such extent as may be permitted by law otherwise to indemnify or to exempt any such person against or from any such liability for any persons who are or were at any time Directors, officers or employees of the Society or any subsidiary of the Society or any company or body in which the Society or such subsidiary has any interest, direct or indirect, or which is in any way allied to or associated with the Society or who are or were at any time trustees of any pension funds in which any employees of the Society or of any such subsidiary or other company or body are interested and to set up, establish, support and maintain superannuation and other funds or

schemes (whether contributory or non-contributory) for the benefit of any of such persons and of their wives, widows, children and other relatives and dependants;

- (k) to act as agents, brokers or trustees for any person, firm or company, and to undertake and perform sub-contracts;
- (l) to enter into such arrangements (whether by way of amalgamation, partnership, profit sharing, union of interests, co-operation, joint venture or otherwise) with other persons or companies as may seem to the Board to advance the interests of the Society including the acquisition of all or any part of the business, property and liabilities of any person, body or company and to vest any property of the Society in any person or company on behalf of the Society and with or without any declaration of trust in favour of the Society;
- (m) to apply for, promote and obtain any Act of Parliament, legislation, charter, privilege, concession, licence or authorisation of any government, state, municipality or supranational body, or any other department or authority, or enter into arrangements with any such body, for enabling the Society to carry any of its objects into effect or for extending any of the powers of the Society or for effecting any modification of the constitution of the Society or for any other purpose which may seem to the Board to be expedient, and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the interests of the Society;
- (n) to sell, lease, dispose of, grant rights over or otherwise deal with the undertaking, property or assets of the Society or any part thereof on such terms as the Board may decide, and to distribute any property or assets of the Society of whatever kind in specie among the Members or otherwise among persons who would be entitled to an interest in any surplus of the Society upon a dissolution or winding-up;
- (o) to pay for any rights or property acquired by the Society and to remunerate any person or company, whether by cash payment or by any other method the Board thinks fit;
- (p) to establish or promote or concur or participate in establishing or promoting companies and to place or guarantee the placing of, underwrite, subscribe for, purchase, or otherwise acquire, hold, dispose of and deal with, and guarantee the payment of interest, dividends and capital on, all or any of the shares, stock, debentures, debenture stock, mortgages or other securities or obligations of any company, association, corporation, government, public body or authority or undertaking of whatever nature and wherever constituted or carrying on a business and to pay or provide for brokerage, commission and underwriting in respect of any such issue upon such terms as the Board may decide;
- (q) to co-ordinate, finance and manage all or any part of the operations of any company which is a subsidiary company or otherwise under the control of the Society and generally to carry on the business of a holding company;
- (r) to carry on by means or through the agency of any subsidiary or associated company or companies any activities which the Society is authorised to carry on and to make any arrangements whatsoever with such company (including any arrangements for taking the profits or bearing the losses of any such

activities) or for the financing of any such subsidiary company as the Board may think fit;

- (s) to draw, make, accept, endorse, discount, negotiate, execute and issue promissory notes, bills of exchange, bills of lading, warrants, debentures and debenture stock and other negotiable and transferable instruments;
- (t) to borrow or raise money in such manner as the Board may think fit and in particular by the issue (whether at par or at a premium or discount and for such consideration as the Society may think fit) of bonds, debentures or debenture stock (payable to bearer or otherwise), mortgages or charges, shares or other securities, perpetual or otherwise, and, if the Board thinks fit charged upon all or any of the Society's property (both present and future) and undertaking and further, if so thought fit, convertible into any stock or shares or securities of the Society or any other company, and collaterally or further to secure any obligations of the Society by a trust deed or other assurance or pledge;
- (u) to guarantee or otherwise support or secure, either with or without the Society receiving any consideration or advantage and whether by personal covenant or by mortgaging or charging all or part of the undertaking, property, assets and rights present and future of the Society or by both such methods or by any other means whatsoever, the liabilities and obligations of and the payment of any moneys whatsoever (including but not limited to capital, principal, premiums, interest, dividends costs and expenses on any stocks shares or securities) by any person, firm or company whatsoever including but not limited to any company which is for the time being a subsidiary of the Society or is controlled by the same person or persons as control the Society or is otherwise associated with the Society in its business;
- (v) to make loans or donations, either of cash or of other assets whatsoever, or give credit, to or enter into any arrangements whatsoever for the benefit of such persons and in such cases as the Society may think directly or indirectly conducive to any of its objects or otherwise expedient (including without prejudice to the generality of the foregoing any subsidiary or associate company of the Society or any other subsidiary of such subsidiary);
- (w) to undertake interest rate swaps, options (including traded options), swap option contracts, forward exchange contracts, futures contracts or other financial instruments including hedging agreements of any kind all or any of which may be on a fixed and/or floating rate basis and/or in respect of Sterling (and any other currencies or basket of currencies including but not limited to the European currency units (as the same may from time to time be designated or constituted)) or commodities of any kind and in the case of such swaps, option, swap option contracts, forward exchange contracts, futures contracts or other financial instruments including hedging agreements of any kind that maybe undertaken by the Society on a speculative basis or otherwise;
- (x) to pay or agree to pay all or any of the promotion, formation and registration expenses of the Society;
- (y) to encourage, promote or conduct agricultural co-operation among producers of milk and research and education in connection with the production and marketing of milk and dairy products and breeding techniques in relation to cows;

- (z) to make payments to any persons in respect of the performance by them of such functions in relation to milk as in the opinion of the Board assist or may assist in the efficient distribution or use of milk or any commodity produced from milk, and to enter into agreements with any such persons as to the terms and conditions on which such payments shall be made;
- (aa) to contribute to or support any public, general, political, charitable, benevolent or useful object, which it may seem to the Board to be in the interests of the Society or its Members to contribute to or support;
- (bb) to insure the life of any person or to insure against any accident to any person who may, in the opinion of the Board of Directors, be of value to the Society as having or holding for the Society interests, goodwill or influence or other assets and to pay the premiums on such insurance;
- (cc) to procure the Society to be registered or recognised in any part of the world and to do all or any of the things or matters aforesaid in any part of the world either as principals, agents, contractors or otherwise, and by or through agents, brokers, sub-contractors or otherwise and either alone or in conjunction with others;
- (dd) to do all or any of the above things in any part of the world whether as principals, agents, trustees or otherwise and either alone or jointly with others and either by or through agents, subcontractors, trustees or otherwise;
- (ee) to do all such other things as may be considered by the Board to further the interests of the Society or to be incidental or conducive to the attainment of the above objects or any of them and the exercise of the powers (whether express or implied) of the Society.

And it is hereby declared that (a) the objects set forth in each sub-clause of this Rule shall not be restrictively construed but the widest interpretation shall be given thereto, and (b) the word **company** in this Rule, except where used in reference to the Society, shall be deemed to include any partnership or other body of persons, whether corporate or unincorporated and whether domiciled in the United Kingdom or elsewhere, and (c) except where the context expressly so requires, none of the several paragraphs of this Rule, or the objects therein specified, or the powers thereby conferred shall be limited by, or be deemed merely subsidiary or auxiliary to, any other paragraph of this Rule, or the objects in such other paragraph specified, or the powers thereby conferred.

SCHEDULE 2

COUNCIL ELECTION RULES

1. Election of Council Members

- 1.2 The Board shall procure that elections for such number of Council Members as the Board shall specify shall take place on a date to be specified in each calendar year (“**Election Dates**”). Half of the Council Members then in office shall be deemed to retire each year, and if the number of such Council Members is not evenly divided by two then in such other proportion as the Board may determine. The Board shall determine which of the Council Members shall retire on each election date.
- 1.3 Subject to the terms of paragraphs 1.12, 2.8 and Rules 44 and 47, Council Members shall serve for a term of two years, when they shall retire.
- 1.4 Any retiring Council Member is eligible for re-election, subject to the provisions of Part 10 of the Rules.
- 1.5 Nothing in this paragraph shall prevent the Board from arranging at its discretion an election at any time upon a Council Member ceasing to be a Council Member if the Board determines that an election is in the best interests of Members.
- 1.6 Subject to the provisions of Paragraph 1.13, not later than the fifteenth day before an Election Date, the Secretary shall send to every Member entitled to vote in the election a voting paper stating the name of the duly nominated candidates, the address to which the voting paper is to be sent, and the date (being not less than seven days after the voting papers are sent to the Members as aforesaid) by which the voting paper is to be received by the Society. The accidental omission to send any Members a voting paper or the non-receipt of such voting paper by any Member shall not invalidate the election.
- 1.7 The Board shall, from time to time, fix (a) the date by which completed voting papers must be received at the said address, and a voting paper shall not be counted unless it is received at the said address by 3pm on the date by which it is to be received, sufficiently completed and signed, and (b) (if applicable) the date by which members must vote by electronic means.
- 1.8 A voting paper shall not be deemed to be sufficiently completed if it is not signed by the Member or his or her agent (being an agent whose signature the Board have previously been authorised by the Member in writing to accept); provided that the voting paper of a Member being a corporation must be signed by a member of the board of directors or other governing body of the corporation or by its secretary or other permanent officer and the voting paper of a Member being a partnership must be signed by one of the partners. A director, secretary, permanent officer or partner must indicate his or her status and authority in writing.
- 1.9 If any question shall arise as to whether any voting paper is sufficiently completed and signed or was received by post (or otherwise) at the proper address and/or required time the decision of the Secretary shall be final and binding.

- 1.10 The board may require that members rank candidates in order of preference. The Board shall cause the votes to be counted, and (subject to the requirements of Paragraph 1.15):
- 1.10.1 The Secretary shall declare to be elected the candidates who receive the most votes;
- 1.10.2 In the case of an equality of votes between two or more candidates, the candidate who receives the most first preference votes shall be elected;
- 1.10.3 In the event of an equality of first preference votes, the candidate who receives the most second preference votes shall be elected, and so on;
- 1.10.4 In the event of an equality of all preference votes (or if the board has not required the ranking of candidates), the election shall be decided by lot administered by the Secretary, whose certificate as to the result of the election shall be final and binding.
- 1.11 Where a person who has been elected dies before taking office or declines to take office for any reason, the candidate with the next highest number of votes shall be elected, failing which there shall be a new election as soon as practicable under the same Rules as set out above.
- 1.12 Each Member shall be entitled to one vote in each election for each Council Member vacancy.
- 1.13 Any Council Member who is appointed as a Farmer Non-executive Director shall cease to be a Council Member upon such appointment.
- 1.14 Notwithstanding the terms of this schedule, the election of a Council Member may be carried out by electronic means, or by a combination of paper voting and electronic means, if the Board, in consultation with the Council, considers it in the best interests of the Society to do so.
- 1.15 In order to ensure that the Council reflects the composition of the membership, the Council must comprise:
- 1.15.1 One Council Member from each of England, Scotland and Wales; and
- 1.15.2 Four Council Members from anywhere in Great Britain.

2. Nomination of Candidates for the Office of Council Member

- 2.1 Before each Election Date, there shall be published notice of the Election Date, the address at which nominations are to be received and the last date on which the returning officer is prepared to receive nominations.
- 2.2 Candidates for the office of Council Member shall, subject to their agreement to stand in writing, be nominated by ten Members entitled to vote in the relevant election. Each Member may sign only one such nomination in respect of each Council Member vacancy in any particular election. A Member may not nominate him or herself.
- 2.3 Each nomination must be signed by each nominating Member or his or her agent (being an agent whose signature the Board have previously been authorised by the Member in writing to accept); provided that a nomination by a Member being

a corporation must be signed by a member of the board of directors or other governing body of the corporation, or its secretary or other permanent officer and a nomination by a Member being a partnership must be signed by one of the partners. A director, secretary, permanent officer or partner must indicate his or her status and authority in writing when signing.

- 2.4 A candidate shall not be required to make a deposit.
- 2.5 The Secretary shall act as returning officer.
- 2.6 Written nominations (including facsimile or electronic copies thereof) produced in accordance with this Schedule shall be delivered to the returning officer by 3pm on the closing date for nominations either (a) by post at the address specified in the notice referred to in paragraph 2.1., (b) by facsimile or (c) electronically. The board, with the consent of the Council, may authorise the Secretary to extend the date the date for nominations.
- 2.7 The Board may require each candidate (including candidates who are the only person nominated prior to a particular Election Date) to undergo an assessment in a manner to be prescribed by the Board prior to the Election Date relative to the election in which they have been nominated in order to satisfy the Council that he or she meets the Council Eligibility Criteria.
- 2.8 A candidate may withdraw from candidature.
- 2.9 If at the end of the seventh day after the closing date for nominations there is no duly nominated candidate for any vacancy, the Board shall, in consultation with the Council, nominate a candidate for that vacancy.
- 2.10 Subject to the provisions of Paragraph 2.7, where the same number of candidates as the number of vacancies are duly nominated as Council Members, the Secretary shall declare him, her or them duly elected.
- 2.11 If a Council Members dies or ceases to hold office under the provisions of Rule 47 during the first year of his or her term, an election will be held in accordance with previous paragraphs of this Schedule and the elected candidate shall hold office for so long as his or her predecessor would have held office. If a Council Member dies or ceases to hold office under the provisions of Rule 47 more than a year after the commencement of his or her term the Board may co-opt a person in his or her place and the person co-opted shall hold office for so long as his or her predecessor would have held office.