

**Confidential**

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# **SAOS Ltd**

## **Board and Council Charter**

**The Policies and Practices of the Board of Directors  
and Council of SAOS Ltd**

Compiled 2005



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## Introduction

The contents of this Charter are an important component in the governance of SAOS. They provide information on the practises and policies of the Board of Directors and Council, and define their respective roles and responsibilities, and those of individual Directors and Council members. All Directors and Council members should ensure they are familiar with the contents. The Charter was compiled with reference to the Combined Code on Corporate Governance, which provides guidance on good practice. The policies, practices and roles contained in the Charter will evolve according to changing circumstances and needs, and the Charter will be regularly reviewed.

## Council

SAOS is a member owned and controlled society that delivers services both to members, and to the broader community of rural businesses and enterprises in Scotland, promoting and developing co-operation. Council is the representative forum of member businesses and other key stakeholders, including NFU Scotland and the Scottish Association of Young Farmers' Clubs. Council provides the means of convening representatives of the diverse range of interests encompassed by SAOS's membership and activities, to debate their circumstances and needs, and identify action that SAOS should take in response.

The legal status of Council is not equivalent to that of a Board of Directors, and it does not carry the obligations and liabilities that, in law, attach to a Board of Directors. However, Council is the electoral college from which the Board of Directors is elected and it has several important roles that are described here-in.

## Membership of Council

The composition of the Council is prescribed in the Rules, which can be amended only by a resolution passed by members of SAOS in general meeting. The Rules stipulate that the Council is composed of:-

- **Elected Members** (a maximum of 16), elected by the members at the annual general meeting, and comprising of directors or managers of member businesses.
- **Co-opted Members** (a maximum of 3), appointed by the Council for a period until the next AGM, after which the co-options may be renewed by Council. Co-options may comprise of directors or managers of member businesses.
- **External Co-opted Members** (a maximum of 7) appointed by Council for a period until the next AGM, after which the co-options may be renewed by Council. External co-options may comprise of representatives of other stakeholders that in the opinion of Council would assist it to discharge its responsibilities. NFU Scotland and the Scottish Association of Young Farmers' Clubs would be invited to provide representatives for co-option. Other organisations be may be invited similarly in future.
- The **Chief Executive** and one further **member of SAOS staff**.

## **Council's Roles and Responsibilities**

Council provides an important source of communication and consultation, acting as an interface between members and other stakeholders, and the Board of Directors. An effective Council enables the Board to discharge its responsibilities more effectively. Council's status in this respect is reflected in the Rules of the society and detailed in this Charter.

### **Duties**

The duties of Council are to:

1. Communicate and debate current and changing needs and circumstances of member businesses, their directors, their producer members, and the interests of other stakeholders, providing guidance on strategy with valuable and up to date information for the Board of Directors.
2. Review and debate proposed objectives and plans for SAOS prepared by the Board of Directors, providing critical and constructive feedback and advice, assisting the Board to formulate a relevant business plan.
3. Receive reports from the Board of Directors and provide constructive and critical feedback on the performance of SAOS against its objectives and strategies as contained in the current business plan.
4. Assist SAOS to communicate its role, encouraging members to make full use of its services, and raising the awareness of other stakeholders and potential stakeholders of SAOS.
5. Elect and remove Directors to and from the Board of Management, and consider the succession of directors for election to the Board.
6. Approve the remuneration of Chairman, Vice Chairman, Elected Directors and Co-opted Directors (those co-opted from amongst the members of Council).
7. Approve resolutions to be made to members in general meeting concerning changes to the Rules, the level of affiliation fees payable by members, and the appointment of the auditor (and any other resolutions required by law to be considered by members in general meeting).
8. Consider any changes proposed in the governance of SAOS, as adopted in this Board and Council Charter.

## **Proceedings of the Council**

The procedures for Council meetings are contained in the Rules. The main provisions are as follows:

1. The chairman of the Council shall be the current Chairman of SAOS (who is appointed by the Board of Directors), or in his absence, the Vice Chairman.
2. The secretary of Council shall be the company secretary of SAOS (appointed by the Board of Directors) and is usually the Chief Executive.

3. The Council shall meet at least twice in every year. The secretary is required to convene a meeting when a request is made by at least 5 Council Members.
4. The quorum for the transaction of business is 8 Council Members, at least 4 of whom must be Elected Members.
5. Council Members are required to sign and abide by a confidentiality agreement in relation to the business of the Council.
6. Matters put to a vote at Council meetings are decided by majority. In the event of an equality of votes, the chairman has a second, casting vote.
7. Minutes must be kept of all Council meetings. Minutes signed by the chairman shall be regarded as a true record of business transacted.

## Roles and Responsibilities of Council Members

The role of Council Members is to participate fully in the functioning of the Council, advising, supporting and challenging as appropriate. A full description of their roles and responsibilities is set out in Appendix 1.

## The Board of Directors

The Board of Directors carries the legal responsibilities for governing SAOS, and its members carry the responsibilities in law of company directors. As such, the Board has the powers and authorities that are consistent with this status.

The intention of the society is to ensure that the Board of Directors is composed of the most effective and appropriately qualified and experienced persons to direct SAOS, taking into account the purpose of SAOS, and its development plans and potential.

## Membership of the Board of Directors

The composition of the Board of Directors is prescribed in the Rules, which can be amended only by a resolution passed by members of SAOS in general meeting. The Rules stipulate that the Board of Directors is composed of:-

- **Elected Directors** (a maximum of 6) appointed by, and from amongst, the elected members of Council. This may include, but does not by right include, the immediate Past Chairman. Elected Directors comprise the majority of the Board.
- **Non-Executive, Outside Directors** (a maximum of 2) appointed by the Board.
- **The Chief Executive** of the society, who is usually also the company secretary.
- **Co-opted Directors** (a maximum of 2) appointed by the Board from amongst the elected members of Council. Co-options endure only until the next AGM, after which they may be renewed by the Board.

At least two of the Elected Directors will retire by rotation each year, but will be eligible for re-election.

## The Board of Directors' Roles and Responsibilities

The role of the Board is to ensure that SAOS has appropriate objectives and strategies that will enable it to fulfil its purpose, and that it is effectively and efficiently managed and controlled. In such a way that it will:

- Direct SAOS on behalf of members so that it strengthens the profitability, competitiveness and sustainability of Scotland's farming, food and related industries through the development of co-operation and joint activity.
- Report to members (by way of an annual report) on progress towards achieving objectives and strategies contained in the business plan.
- Uphold the values and principles of co-operative business as defined by the International Co-operative Alliance.
- Be supportive of management and staff in their performance in their duties.

### Duties

The duties of the Board of Directors are to:

1. Consult Council regarding SAOS's objectives and plans, and take into account so far as is practicable Council's suggestions and concerns. Provide a copy of the current business plan to members of Council.
2. Regularly report to Council on the progress of the society against its objectives and plans, and update Council on SAOS's products and services.
3. Provide a forum at which Council can regularly update the Board of Directors on current and changing needs and circumstances of member businesses, their directors, and their producer members.
4. Determine and approve SAOS's medium and longer term objectives and strategic direction (which may be contained in a business plan and other documents).
5. Approve operating plans and budgets for all parts of SAOS's activities and monitor their implementation.
6. Deal with all business in relation to 'Matters Reserved for the Board', as defined in Appendix 2.
7. Review regularly SAOS's financial and management reporting systems (agreeing delegation of certain tasks to an Audit Committee if one is convened).
8. Review regularly SAOS's systems of internal controls, including the scope of the external audit, and SAOS's risk management systems (agreeing delegation of certain tasks to an Audit Committee if one is convened).
9. Monitor SAOS's standards of business and ethical behaviour and its compliance with legal and regulatory requirements.
10. Review regularly SAOS's communications with members, other stakeholders and relevant opinion formers.
11. Appoint Committees as appropriate and for each, adopt clearly defined terms of reference and delegations of authority from the Board to Board Committees (if any are established) and review their effectiveness.

12. Appoint, appraise and when necessary replace, the Chief Executive and approve his job description and authorities.
13. Approve formal processes for the induction of Directors and review regularly the effectiveness of individual directors and the Board itself.
14. Appoint Non Executive, Outside Directors to the Board, and co-opt Directors to the Board from Council as required.

## **Proceedings of the Board**

The procedures for Board meetings are contained in the Rules. The main provisions are as follows:

1. The Board shall meet at least once in every three months. The secretary is required to convene a meeting when a request is made by at least 2 Directors.
2. The quorum for the transaction of business is at least half the Directors, at least half of whom must be Elected Directors.
3. Directors are required to sign and abide by a confidentiality agreement in relation to the business of the Board.
4. Matters put to a vote at Board meetings are decided by majority. In the event of an equality of votes, the Chairman has a second, casting vote. Any decisions so made shall be accepted as a collective decision of the Board.
5. A resolution signed by all Directors shall have the same effect as if it had been passed by a meeting of the Board.
6. A meeting of the Board, or of a Board committee, may take place by conference telephone, or by video-conference.
7. Minutes must be kept of all Board and Board Committee meetings. Minutes signed by the Chairman shall be regarded as a true record of business transacted.
8. An indicative annual schedule of items of Board business is contained in Appendix 3.

## **Chairman and Vice Chairman**

The Board may appoint and remove from amongst the Directors, a Chairman, who shall be chairman of the Board of Directors and Council, and a Vice Chairman, who shall be vice chairman of the Board of Directors and Council. The role of the Chairman is to ensure that the Board and Council function effectively in dealing with all their respective matters of business, and all other business that arises. The Chairman is the Board's and Council's principal spokesperson, and acts also as chairman of General Meetings of members. The role of the Vice Chairman is to support and assist the Chairman and stand in for the Chairman in his absence.

### **Chairman's Role in Respect of the Board**

The Chairman is pivotal in creating the conditions for overall Board effectiveness, both inside and outside the boardroom. Specifically, it is the responsibility of the Chairman to:

1. Ensure that the members of the Board receive accurate, timely and clear information (usually compiled by the Chief Executive) on SAOS's activities in preparation for Board meetings. This will include:
  - a. Notices of Board meetings detailing business items for discussion, accompanied by minutes of the previous Board meeting.
  - b. Proposals and supporting information regarding items of business drawn from the annual schedule of Board business (see Appendix 3) or from the list of Matters Reserved for the Board (see Appendix 2), or in relation to other business.
  - c. A report from the Chief Executive on relevant developments and progress against business plan objectives and action.
  - d. Management accounts indicating progress against budgets.
2. Manage the Board to ensure that appropriate time is allowed for consideration of business and issues.
3. Ensure that the Board deals with all business reserved for its attention and decisions. The list of matters reserved for the Board is set out in Appendix 2.
4. Ensure effective communication with the Council and Members and ensure that all Directors develop a broad understanding of the range of members' business activities, and the kinds of benefits they generate for their producer members.
5. Ensure that there is in place a comprehensive induction programme for new Directors that is facilitated by the Chief Executive.
6. Take the lead in identifying and meeting the development needs of individual Directors, with the Chief Executive having a key role in facilitating development provision. It is the responsibility of the Chairman to address the development needs of the Board as a whole with a view to enhancing its overall effectiveness as a team.
7. Ensure that the performance of Directors and of the Board as a whole and its committees is evaluated at least once a year. Deal with any contravention by Directors of their confidentiality obligations and ensure appropriate Directors' conduct.
8. Encourage active engagement by all the members of the Board.

## **Elected and Co-opted Non-Executive Directors**

The role of the elected and co-opted non-executive directors is to participate fully in the functioning of the Board, advising, supporting and challenging management as appropriate. A full description of their roles and responsibilities is set out in Appendix 4.

## **Senior Independent Director**

The Board shall appoint an Outside, Non-Executive Director as the Senior Independent Director. He is available to other Directors if they have concerns which

contact through the normal channels of Chairman or Vice Chairman has failed to resolve, or for which such contact is inappropriate, and has the power to call meetings of the Elected and Co-opted Directors should he consider it necessary.

The Senior Independent Director shall, at least annually, lead a review of the performance of the Chairman, which may include a meeting of directors at which the Chairman is not present.

## **Chief Executive**

The Chief Executive is an executive Director and has executive responsibilities, duties and authorities in the management of SAOS as specified by his job description. The Chief Executive manages SAOS's business on a day-to-day basis subject to a list of matters reserved for the Board, and he assists the Board in carrying out its role by providing advice and recommendations consistent with the agreed corporate objectives and financial, operational, risk management and general good practice. The list of matters reserved for the Board is set out in Appendix 2. In his capacity as a member of the Board of Directors, the Chief Executive, along with all other directors, is required to:

1. Provide leadership of SAOS within a framework of prudent and effective controls which enable risk to be assessed and managed.
2. Determine SAOS's strategic priorities, ensure that the necessary financial and human resources are in place for SAOS to achieve its objectives, and review performance.
3. Ensure that SAOS's obligations to its members and other stakeholders are understood and discharged as effectively as possible.
4. Bring unfettered judgement to bear on the issues of strategy, performance, resources, key appointments and standards of conduct.
5. Attend meetings of the Board, any relevant Board Committees, and any general meetings of members of SAOS.
6. In addition to the above, the Chief Executive is expected to be the author of SAOS's business plan and to submit to the Board an annual operating budget, and provide a quarterly update report to Council members.

## **Board Committees**

The Board may establish an Audit, Remuneration and Personnel, and any other Committees it deems necessary. The function of each Committee is to carry out the work delegated to it by the Board, and to report to, and make recommendations to, the Board as appropriate. Terms of Reference for the Committees are set out in the Appendices.

## **Access to Advisers**

Directors may seek, at the reasonable expense of SAOS, appropriate professional advice when they consider this necessary to discharge their responsibilities as directors. In particular they have access at all times to the external auditors. Directors are required to secure the permission (which shall not unreasonably be withheld) of the Chairman, the Chief Executive or the Senior Independent Director prior to engaging professional advice.

## Appendix 1

# Roles & Responsibilities of Members of Council

### Responsibilities

All Council Members are required to:

1. Contribute to the development of SAOS within the framework set by this Board Charter.
2. Help determine SAOS's strategic aims, through actively communicating members' circumstances and needs.
3. Support SAOS, and help communicate SAOS's roles, products and services to members, their directors, and other stakeholders.
4. Bring unfettered judgement to bear on the issues of strategy, performance and standards of conduct.
5. Attend meetings of the Council, general meetings of members of SAOS, and related meetings or events of SAOS.

### Standards and Effectiveness

Council Members are responsible for maintaining high standards of integrity and performance in their conduct. They must:

1. Uphold the highest ethical standards of integrity and probity.
2. Maintain strict confidentiality of the business of Council, and respect the commercial sensitivity of information provided.
3. Support the Board of Directors in their leadership of the business while monitoring their effectiveness.
4. Question intelligently, debate constructively, challenge rigorously and decide dispassionately.
5. Listen sensitively to the views of others, inside and outside the Board.
6. Gain the trust and respect of other Council members.
7. Ensure they are well informed about SAOS and the external environment in which it operates and SAOS's operations, and are fully prepared in advance of Council meetings.
8. Be aware of their own performance and constantly strive to improve their effectiveness as a Council Member.
9. Disclose all their other interests that are directly or indirectly relevant to their position and responsibilities as a Council member of SAOS.

## Appendix 2

### Matters Reserved for the Board

#### General

1. Determine the objectives and strategies of SAOS, after consulting Council.
2. Make recommendations to Council and members on significant changes to SAOS's capital structure or corporate structure.
3. Consider and approve any resolution to members in respect of proposed changes to affiliation fees.
4. Approve any significant changes in SAOS's management or control structures.
5. Review SAOS's corporate governance arrangements and propose for Council approval any changes in these.

#### Management

6. Approval of the business plan and annual operating budgets.
7. Approval of changes to SAOS development activities, and to member services and member communications.
8. Approval of SAOS's risk management policies and review of their implementation (via an Audit Committee if one has been convened).
9. Review of SAOS's systems of internal control (via an Audit Committee if one has been convened).
10. Monitoring of SAOS's compliance with all legal and health and safety requirements.
11. Approval of the personnel structures and job positions in SAOS.
12. Approval of SAOS's personnel development policies, practices, and achievements and conformance to the Investors in People Standards.
13. Approval of the appointment and dismissal of staff, and provision of assistance in the recruitment of new staff as appropriate in each case.
14. Appointment and appraisal of the Chief Executive (via a Remuneration and Personnel Committee if one has been convened).
15. Agreement of communications concerning major Board decisions.

#### Financial

16. Responsibility for the preparation of SAOS's final financial statements for approval by members.
17. Approval of SAOS's overdraft arrangements and terms, and any substantive change to banking arrangements.
18. Approval of significant changes in accounting policies or practices.
19. Deal with all matters concerning SAOS's investment in SARDC Ltd including sale and purchase of shares therein.
20. Review and respond as necessary to any comment or advice provided by SAOS's auditor.
21. Preparation of any resolution for consideration by members in general meeting to appoint or remove auditors.

#### Procedural

22. Approval of applications for membership and expulsions from membership.
23. Preparation of resolutions to be considered at General Meetings.
24. Appointment and removal of Non-Executive, Outside Directors, and determining their remuneration.

25. Approval and review of the appointment and terms of any staff appointments as directors of member businesses.
26. Approval of the membership and terms of reference of board committees.
27. Preparation of resolutions to Council regarding changes to the Board and Council policies contained in the Board Charter.
28. Preparation of recommendations to members for consideration at the annual general meeting concerning Elected Directors and Co-opted Directors' remuneration.
29. Appointment or removal of the company secretary (if the position should be separate from the Chief Executive).

**Miscellaneous**

30. Approval of any donations made by SAOS.
31. Arrangement of Directors' and Officers' liability insurance.

## **Appendix 3**

### **Annual Schedule of Board Business**

*(To be compiled by the Board)*

## Appendix 4

### Roles & Responsibilities of Elected and Co-opted Directors

#### Responsibilities

All directors are required as members of the Board to:

1. Provide leadership of SAOS within a framework of prudent and effective controls which enable risk to be assessed and managed.
2. Determine SAOS's strategic aims, ensure that the necessary financial and human resources are in place for SAOS to achieve its objectives, and review performance.
3. Ensure that SAOS's obligations to its members and other stakeholders are understood and discharged as effectively as possible.
4. Bring unfettered judgement to bear on the issues of strategy, performance, resources, key appointments and standards of conduct.
5. Attend meetings of the Board, Council and any relevant Board Committees, and any general meetings of members of SAOS.

#### Tasks

In addition, the roles of the Elected and Co-opted directors have the following key elements:

1. **Strategy:** directors should constructively challenge and contribute to the development of strategy and plans.
2. **Performance:** directors should scrutinise the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance.
3. **Risks:** directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible.
4. **People:** directors are responsible for determining appropriate personnel policies and may have a role in appointing, and where necessary removing, senior management, and in succession planning.

#### Standards and Effectiveness

Directors are responsible for maintaining high standards of integrity and performance in their conduct. They must:

1. Uphold the highest ethical standards of integrity and probity. Report any conflicts of interest, or potential conflicts of interest, to the President or Chief Executive.
2. Maintain strict confidentiality of the business of the Board, and respect the commercial sensitivity of information provided to directors.
3. Support executives in their leadership of the business while monitoring their effectiveness.

4. Question intelligently, debate constructively, challenge rigorously and decide dispassionately.
5. Listen sensitively to the views of others, inside and outside the Board.
6. Gain the trust and respect of other Board members.
7. Ensure they are well informed about SAOS and the external environment in which it operates and SAOS's operations, and are fully prepared in advance of Board meetings.
8. Promote the highest standards of corporate governance and seek appropriate compliance with the provisions of the Board Charter.
9. Be aware of their own performance and constantly strive to improve their effectiveness as a Director.
10. Disclose all their other interests that are directly or indirectly relevant to their position and responsibilities as a Director of SAOS.

## **Appendix 5**

### **Audit Committee Terms of Reference**

#### **Membership**

The committee will be appointed from time to time by the Board of Directors from amongst its members and shall consist of not less than two members. A quorum shall be two members. At least 7 days notice of all meetings of the Committee will be given, including the agenda. The Financial Manager will report to, and assist, the committee as required. The society's auditor may be requested to participate if required.

#### **Frequency of Meetings**

Meetings shall be held at least once a year.

#### **Authority to Take Independent Advice**

The committee, having consulted with the Chairman, is authorised by the Board to obtain appropriate independent professional or legal advice if necessary.

#### **Duties**

The duties of the committee shall be:

1. To make recommendations to the Board about the appointment of the external auditor, the audit fee and any questions of resignation or dismissal. And to review the independence of the external auditors and review any non-audit work placed with them by the society.
2. To discuss with the external auditor the nature and scope of the audit, and its findings and recommendations.
3. To review the annual financial statements focusing particularly on:
  - any changes in accounting policies and practices
  - major judgmental areas
  - significant adjustments resulting from the audit
  - the going concern assumption
  - compliance with accounting standards
  - compliance with regulatory and legal requirements.
4. To keep under review the effectiveness of internal control and risk management systems.
5. To consider other topics as defined by the Board.

## **Appendix 6**

### **Remuneration and Personnel Committee Terms of Reference**

#### **Membership**

The committee will be appointed from time to time by the Board from amongst its members and shall consist of at least two members, excluding the Chief Executive. A quorum shall be two members. Members of the committee will be given at least 7 days notice of all meetings of the Committee, including the agenda. The Chief Executive will report to, and assist, the committee as required.

#### **Frequency of Meetings**

Meetings shall be held at least once a year.

#### **Authority to Take Independent Advice**

The committee, having consulted with the Chairman, is authorised by the Board to obtain appropriate independent professional or legal advice if necessary.

#### **Duties**

The duties of the committee shall be:

1. To review the society's policy on general staff remuneration and terms of employment, and make any recommendations to the Board.
2. To review and approve specific remuneration packages for each member of staff, taking into account their contribution to SAOS's work and annual appraisal.
3. To appraise the performance of the Chief Executive and determine his remuneration and terms.
4. To review SAOS's systems for maintaining compliance with Investors in People accreditation standards for personnel development.
5. To review SAOS's systems for compliance with Health and Safety regulations, and report to the Board.
6. To make recommendations to the Council on levels of remuneration for the Chairman, Vice Chairman and Directors.