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| **LINCOLNSHIRE HOUSING PARTNERSHIP LIMITED (the “Association”)**  **SHAREHOLDING MEMBERSHIP POLICY** |

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| **Adopted:** | Board 24th April 2018 |
| **Contact Officer:** | Company Secretary |
| **Last Amended/Reviewed:** | First version of policy |
| **Version/Reviewed by:** | V1 – 1st version (24th April 2018) by Board  Reviewed 30th April 2019 |
| **Next Formal Policy Review:** | April 2022 |
| **Formal Review of Policy by:** | The Board |
| **Policy Links:** | The Rules  Succession Policy  Appraisals Policy |

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| **Brief Policy Summary:** |
| This sets out Board’s policy and objectives for admitting new Shareholders to LHP and various connected matters set out in the Rules. |

**Contents**

1. Purpose
2. Objectives
3. Scope
4. The Role of the Shareholders
5. Admission to Shareholding Membership
6. Exclusions to Shareholding Membership
7. Ending of Shareholding Membership
8. Review Cycle
9. **P****urpose**
   1. There is a constitutional (and regulatory) requirement for the Association to agree and apply a policy on the admission of new Shareholders (Rule C11). The NHF Code of Governance (2015) states that ‘*organisations with Shareholders who elect the Board must review their policies for admission to shareholding membership on a regular basis and with a view to supporting compliance with this code*.’
   2. This policy also covers exclusions to Shareholding membership and the ending of Shareholding membership.
   3. In the event that there is any dispute or lack of clarity over the interpretation of the contents of this policy, the Rules will take precedence.

**2. Objectives**

* 1. To have in place a policy for admissions of Shareholders to comply with the Rules.
  2. To ensure that shareholding is appropriately appointed for the best interests of the Association.
  3. To ensure appropriate criteria and controls are in place.
  4. To ensure compliance with the NHF Code of Governance and relevant Regulatory Standards.

1. **Scope**
   1. Applies to the Association’s Shareholders only and governs admissions, exclusions, rights and obligations.
2. **The Role of the Shareholders**
   1. The Association’s Shareholders shall act at all times in the interests of the Association and for the benefit of the community, as guardians of the objects as set out in Rule A2 of the Association’s Rules.
   2. The Association’s Shareholders must agree to be bound by the obligations on them as set out in the Rules (Rule C1).
   3. The Association’s Shareholders also agree to act as ambassadors for the Association and promote its mission, objectives and achievements.
   4. All Shareholders must use their best endeavours to participate in general meetings and other events organised by the Association to which Shareholders are invited.
   5. All Shareholders must not conduct themselves (at any time and under any circumstances) in a manner which could reasonably be regarded as bringing their position as a Shareholder or the Association into disrepute.
   6. Shareholders are entitled to attend and vote at the annual general meeting (“**AGM**”). The following activities are to be conducted at the AGM:
      1. receiving the financial statements for the last accounting period;
      2. receiving the auditor's report on those financial statements;
      3. receiving the Board’s report on the affairs of the Association;
      4. electing Board members proposed by the Board, in line with its Board Membership Selection and Succession Policy, having been either:

* selected as a new Board Member candidate (who may or may not have served as a co-optee); or
* proposed by the Board for a further fixed term of office;
  + 1. noting the removal, resignation or disqualification of Board members; and
    2. the transaction of any other general business which requires the Association’s Shareholders’ approval proposed by the Board and included in the notice convening the meeting. Such business may include:
* any amendments to the Rules of the Association;
* noting the appointment of any Shareholders by the Board; and
* noting the resignation or disqualification of Shareholders.
  1. Shareholders are also entitled to attend and vote at a special general meeting (“**SGM**”). An SGM may be called for any purpose requiring a shareholder resolution.

1. **Admission to Shareholding Membership**
   1. The Association recognises the important role that Shareholders have to play in governance but wishes to ensure that numbers are manageable. A Shareholder is a guardian of the rules of the Association and must act at all times in the interests of the Association for whom they are a member and, for the benefit of the community.
   2. The Association intends to restrict admission to Shareholding Membership and the routes to admission are set out below.
   3. Under its Rules, the Association does not currently operate as a 'closed membership'. This would mean that only Shareholders of the Association can be Board Members and vice versa. Currently, only Shareholders are capable of being Board Members, but there are no provisions within the Rules that prevent Shareholders from being appointed without first being Board Members.
   4. As the Rules provide that only Shareholders can be Board Members (except for employees and co-optees) (Rule D3), only Shareholders who possess the attributes and skills set out below will be selected as Shareholders on merit to meet the Association’s obligations under the NHF Code of Governance and Regulatory Standards. Accordingly, the Association intends to restrict the register of Shareholders to between 5 -12 Shareholders at any point in time.
   5. The Association will also restrict the numbers of tenant residents (including leaseholders and shared owners) of the Association to a maximum of no more than 24% shareholding membership of the total at any time.
   6. All those applying to be a Shareholder must apply in writing using the Form agreed by the Secretary and sent to the Association at its registered office. The applicant must set out their reasons for applying and how they feel they meet the requirements of the role as set out in this policy (Rule C12). They must also pay the sum of £1, being the nominal value of each share (Rule C2), which will be returned if they are not appointed.
   7. All applications will be put to the Board who will make their decision on admissions based on this policy and taking account of the current skills matrix approved by Board and the appraisals of the current Board members. The Board have the absolute discretion to accept or reject any application in line with this policy (Rule C13). Applicants will be able to demonstrate the majority of the following criteria:
      1. Long term interest in the social housing sector;
      2. Appropriate skills, competency, technical knowledge and experience to make a positive contribution;
      3. Contribute to achieving a balanced mix of skills and experience both as a Board member and Shareholder; and
      4. An understanding of local communities.
   8. Shareholders may only be appointed after having been selected, and their appointment is conditional upon them being appointed to the Board as a Board Member, and for the duration of their membership of the Board.
   9. The names of those admitted will be entered into the Register of Shareholders, held by the Secretary, and each will be issued with a share (Rule C13). No Shareholder can hold more than one share (Rule C9).
   10. Existing Shareholders appointed prior to the date of this policy may retain their shareholding membership of the Association until such time as it is ended in line with the Rules.
   11. A corporate body will nominate a specific individual to exercise its rights, and may change that nomination at any time. The share will however be in the name of the corporate body. The corporate body must notify the Secretary in writing of the appointment or removal of its nominated individual (Rule C8).
   12. An unincorporated body, that has been invited and accepted into shareholding membership by the Board, must stipulate the name of a person to be the nominee. The share will be made out in the name of the nominee, and the Register of Shareholders will show the name and address of the nominee, followed by the name of the unincorporated body (Rule C7).
   13. Should the unincorporated body wish to transfer the share to a new nominee (Rule C3) for any reason, an application must be made in writing to the Secretary who will place it before the next meeting of the Board. The Board has the right to agree or reject the application for the transfer of the share to a new nominee and if agreed the new nominee’s details will be entered into the Register of Shareholders
2. **Exclusions to Shareholding Membership**
   1. The Board in considering applications must exclude from admission to shareholding membership the following persons (Rule C6):
      1. A minor i.e. those under the age of 18.
      2. Anyone previously expelled from being a Shareholder (unless authorised by special resolution by the Shareholders at a general meeting). In order for the special resolution to pass, it must be agreed by at least three quarters of the Association’s Shareholders.
      3. Current employees of the Association or any member of its Group.
      4. Anyone previously removed as a Board member in line with the Rules.
      5. A person that has become physically or mentally incapable of exercising their rights as a Shareholder and may remain so for more than three months (subject to the written opinion of a registered medical practitioner who is treating that person).
   2. The Board in considering applications has agreed that it will also exclude from admission to shareholding membership the following:
      1. Employees of a current contractor or consultant of the Association
      2. Close family members of Board members
      3. Close family members of employees
      4. Corporate or unincorporated bodies whose objectives and values are incompatible with those of the Association.
      5. Anyone who (were they to become a Shareholder) might otherwise be automatically disqualified or recommended for removal as set out in section 7 below.
   3. In determining whether a family member is a “close” for the purposes of clauses 6.2.2 and 6.2.3 above, the Board will consider, in each case, the circumstances of each application and the relationship of applicant to the Board Member and Employee in question. The Board have the absolute discretion to accept or reject any application in line with this policy.
3. **Ending of Shareholding Membership**
   1. Shareholding membership of the Association will cease automatically in the circumstances prescribed under Rule C14.
   2. Shareholding membership may also be ended by special resolution of the Shareholders at an SGM called by the Board (Rule C15).
   3. The Board must:
      1. give the Shareholder at least one month’s notice in writing of the SGM;
      2. explain the nature of the complaint or conduct that is deemed to be detrimental to the Association; and
      3. request that the Shareholder attend the SGM (although they do not need to attend for the meeting to proceed).
   4. The SGM will hear the evidence presented by the Board and any presented by the Shareholder. The resolution to expel the Shareholder must be passed by at least two thirds of the Shareholders voting in person or by proxy.
   5. The Board in determining the evidence outlined at 7.4 above may include circumstances such as the following:
      1. conduct of the Shareholder that is deemed to have brought the Association into disrepute.
      2. conduct of the Shareholder that is deemed to be incompatible with the position of Shareholder of the Association.
      3. The Shareholder has failed to respond to a notice within a specified period (not less than 3 months) asking whether they wish to retain their shareholding membership of the Association.
      4. The Board considers it is appropriate given the nature of the circumstances that their removal is deemed to be in the best interests of the Association.
4. **Review Cycle**
   1. This Policy will be reviewed on a 3 year cycle or in line with relevant changes in the law, regulatory standards, codes of practice, or the constitution, whichever is the sooner.
   2. Updates or recommendations for changes will be presented to the Board.