

## Chapter 4

# Defining a co-operative society

## 4.3 Defining 'bona fide co-operative society'

**4.3.1** **G** The condition for registration of a co-operative society is that the society is a bona fide co-operative society. The Act sets out in s2(3) (see above) what is not included as a 'bona fide co-operative society', but does not go on to say what is included as a bona fide co-operative society. We generally consider something to be a bona fide co-operative society where it is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

**4.3.2** **G** We think this description sufficiently sets out the minimum features of a bona fide co-operative society. It is also used by the International Labour Organisation (ILO) in Recommendation 193, and in the International Co-operative Alliance (ICA) Statement of Co-operative Identity.

[Note: [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILI\\_code:R193](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILI_code:R193) and <https://www.ica.coop/en/whats-co-op/co-operative-identity-values-principles>]

**4.3.3** **G** Reflecting the ICA Statement of Co-operative Identity, we consider it an indicator that the condition for registration is met where the society puts the values below into practice through the principles quoted below.

### Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

### Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

#### 1. Voluntary and open membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

#### 2. Democratic member control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one

member, one vote) and co-operatives at other levels are also organised in a democratic manner.

**3. Member economic participation**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

**4. Autonomy and independence**

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

**5. Education, training and information**

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

**6. Co-operation among co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

**7. Concern for community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.

**4.3.4** **G** There is a limit to the extent we can verify and validate the presence of the indicators set out above. We generally expect to be able to verify and validate whether principles 1 to 4 (quoted above) have been met through the rules and governance arrangements of a co-operative society, along with the society’s statements of intent about how it will operate.

**4.3.5** **G** We do not necessarily expect to be able to verify or validate principles 5 to 7 as indicators that the condition for registration is met; however evidence of compliance with those principles would be treated as a positive indicator.

**4.3.6** **G** In applying the guidance above we take into account the diverse nature of co-operative enterprise, in particular through considering the guidance in light of the associative characteristics of the co-operative society. For instance, we know that the relationship between members (as co-owners and users of the co-operative) and their co-operative is different in a consumer co-operative from a worker co-operative or a producer co-operative. Likewise the relationship between members and their society may differ between primary co-operatives (where members are individuals), secondary co-operatives (where members are primary co-operatives), and tertiary co-operatives (where members are secondary co-operatives). Similarly

a co-operative made up of a single group of stakeholders will have different relationships from a co-operative with multiple stakeholder groups as members.

**4.3.7**

**G** This guidance is not exhaustive. We recognise the flexibility in the principles which are themselves intended as guidelines. There may well be other indicators that a society is a bona fide co-operative society.