

# Rules of Development Co-operative Limited

Registered under the Co-operatives and Community Benefit Societies Act 2014 as a Somerset Rules 2020 Multistakeholder Co-operative

X – All previous rules rescinded.

## I. Open and voluntary membership of the co-operative

- 1.1. The name of the co-operative is: Development Co-operative Limited.
- 1.2. The registered office of the co-operative is at: 10 East Reach, Taunton, Somerset, TA1 3EW.
- 1.3. The objects of the co-operative are to carry on any industry, business or trade in accordance with co-operative principles in order to: carry on any industry, business or trade in accordance with cooperative principles in order to develop, advise and aid co-operative and mutual businesses that would not otherwise receive sustained specialist support, especially those that practice co-operative development; and co-ordinate action to grow the co-operative economy across the UK; in addition to the general co-operative aims described in 1.4, 2.1, 3.1, 4.1, 5.1, 6.1 and 7.1 below.
- 1.4. The co-operative has the aim of building membership within its stakeholder groups, and ensuring that its membership fully reflects the diversity of those groups and of the wider community.
- 1.5. **Classes of membership**
  - a) The membership of the co-operative will be made up of persons drawn from one or more categories of stakeholder, corresponding to the different type of involvement those stakeholders have with the co-operative.
  - b) User members, who are the main beneficiaries of the co-operative's services, play the principal role in the direction of the co-operative. User members benefit principally from those services and not from investments, which are limited in 3.2 below. Non-user members do not have such direct involvement, though they may be investors or otherwise interested parties. They are subject to limits on their powers, as specified in 2.8 and 2.9 below.
  - c) Each class of share will be available to particular stakeholders and may have distinct rights and powers.
  - d) A person or organisation that has membership under more than one class will be requested to withdraw, cancel or convert shares such that they have membership in one class only. If after three months this has not been done, the secretary may cancel the minimum number of shares necessary in order to ensure compliance.
  - e) Each class has a unique number, and where a person would be eligible to join in more than one class, membership will be allocated to the lowest numbered class that they are eligible for, unless the board of directors rules otherwise.
  - f) The user membership classes are as follows:

	Class number:
Common ownership bodies with a membership	1
Other co-operative development bodies and workers	2
  - g) The non-user membership classes are as follows:

Supporters	3
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- 1.6. **Applications for membership**
  - a) The co-operative is open to applications for membership in the appropriate class without discrimination, subject to a membership policy agreed by the board. This policy will be made available to current and prospective members, and will specify:
    - i. the responsibilities of membership that members are expected to comply with,
    - ii. the application procedure, which may include a reasonable probationary period
    - iii. the minimum shareholding for membership in each class, which for user members must be set at between 1 and 50 shares (the application procedure may allow deferred or staged purchase of the minimum shareholding, provided at least one share is fully paid up).
    - iv. the transactions with the co-operative that qualify an applicant for membership in each class.
  - b) All user members must be aged sixteen or over. The board has the right to refuse membership where it believes there is good reason to do so.
- 1.7. **Shares held by members**

- a) The maximum shareholding for any member that is not a Registered Society is £100,000; if shares are to be issued that would cause a member's shareholding to exceed £50,000, this must be specifically authorised by a board resolution.
- b) Within any class, shares can be issued for a special purpose and treated as separate from the main funds of the co-operative. They may have different conditions, and may attract a different rate of interest, to other shares in that class. Members may hold both special purpose and ordinary shares, with no distinction being made for the purposes of qualification, voting and limits on total shareholding.
- c) Shares are par shares priced at £1, and may be transferred only in the event of the death, bankruptcy or legal incapacity of a shareholder who is a natural person; in the event of merger or acquisition if the shareholder is a body corporate; and to an alternate nominee if the shareholder is a partnership or unincorporated association. Their value can be reduced by the board only in the event that independent accountants certify that the society's liabilities, plus issued withdrawable share capital, have become more than the value of its assets. Where shares have been issued for a special purpose, the liabilities and assets will be calculated for that purpose only.
- d) Shares may be converted between classes on request at the discretion of the board, provided that
  - i. the holder of shares has completed any process specified in the membership policy (referred to in 1.6 a) for the class to which they are transferring, and
  - ii. there is no resulting increase in the value of the shareholding, and
  - iii. the conditions of any special purpose shares permit it.
- e) All share issues are subject to the limits and regulations imposed by law; the board will obtain appropriate advice before issuing shares in order to raise capital.
- f) In the event that any member has a debt owing to the co-operative, the co-operative may set off any sum standing to the member's credit including any loan money, interest, dividends. It may also retain shares, preventing withdrawal or transfer, until the debt has been settled.

#### **1.8. Cancellation of membership**

- a) Membership of the co-operative will be cancelled under the following circumstances:
  - i. at the discretion of the board, if the member is unable to provide evidence that they conduct (or intend to conduct within a reasonable timeframe) the transactions with the co-operative (referred to in rule 1.6 a above) that originally qualified them for membership;
  - ii. on receipt of a written request by a member with 50 or fewer shares for the cancellation of their own membership;
  - iii. if, over a period of two years, reasonable attempts to communicate with the member (including a written warning that membership may be cancelled if no response is received) elicit no response;
  - iv. if the member is a corporate body, and has been wound up, has gone into liquidation or has otherwise ceased to function according to its own rules; or
  - v. if the member is expelled. The member in question must be given written warning, and sufficient time to prepare an appeal to a general meeting. An expulsion requires a 75% vote at a general meeting, in which neither the member in question nor any member of their family may vote. Following such a vote, the expelled member may not be readmitted to any class of membership without a further resolution at a general meeting.
  - vi. if the member dies.
- b) When a person's membership is cancelled, share capital with a total value of £50 or less will be immediately repaid at par value. If the sum is larger and withdrawal according to 1.10 below is not possible, the board may transfer the shares to another class on a one for one basis provided that
  - i. the membership policy (referred to in 1.6 a) and cancellation policy (1.8 a) would allow that person to become a member in that class; and
  - ii. there will be no resulting increase in the value of the shareholding; and
  - iii. the conditions of any special purpose shares permit it.

Otherwise, or if the board so chooses, they will convert the shares at par value into loan stock with a closing date no more than two years from the date of cancellation equivalent in value to the value of the shares at the date of the cancellation of membership.

- c) Members may in accordance with the law nominate an individual or individuals to whom the full value of their property in the co-operative should be transferred in the event of the co-operative receiving proof of the member's death. If there is no nominee, then all property held by a deceased member shall be transferred to their personal representative upon request. The co-operative will also transfer property

in the co-operative held by a bankrupt member to their trustee in bankruptcy upon receipt of a valid claim.

#### **1.9. Register of members**

- a) A register of members is kept at the registered office, and will include:
  - i. the name of every member;
  - ii. the address and other contact details, and whether electronic communications are to be used;
  - iii. the number and class of shares held by each member;
  - iv. any loans or other property held by members;
  - v. the date on which the member's name was entered on the register, and the date on which they ceased to be members;
  - vi. the names of directors and officers of the co-operative, the positions held by them, and the dates on which those appointments began and ended.
- b) While a member shall be allowed on reasonable notice to inspect extracts from the register, names in (i) and financial data in (iii) and (iv) will only be linked to other data in accordance with privacy law and best practice.

#### **1.10. Withdrawal of shares**

- a) Shares carry no absolute rights of withdrawal. The board may at its sole discretion:
  - i. repay a fixed proportion (less than 100%, unless memberships are cancelled in accordance with 1.8 above) of all shares in a class;
  - ii. allow the withdrawal of shares in one or more classes on request, subject to whatever limits or period of notice the board may think prudent;
  - iii. permit no withdrawals (other than small sums on cancellation, as described in 1.8 c) for a fixed period of time or disallow withdrawals indefinitely.

If a member wishes to withdraw their share capital, they should notify the co-operative in writing that they would like it to purchase its shares from them, enclosing the appropriate share certificates.

- b) Where withdrawals are permitted, they must take place in the order that the requests were received (allowing for any period of notice) and all members must be treated impartially.
- c) Shares may be issued with conditions that further restrict withdrawal, but may not offer terms that are not permitted under these rules.

## 2. Democracy

- 2.1. The co-operative has a general aim of consulting with, empowering and serving its membership.
- 2.2. The sovereign body of the co-operative is the general meeting, which will appoint a board of directors to manage the co-operative, and may convene a Commonwealth Council to provide wider input and oversight in accordance with rule 6.7. Within each class of membership, voting at general meetings is on the basis of one member, one vote.
- 2.3. Where a member is an organisation (incorporated or unincorporated), its rights will be exercised by a person who is nominated by that organisation in accordance with their rules. That person will cease to do so if for any reason that nomination is no longer sustained by the member organisation.
- 2.4. The co-operative will have a secretary and a treasurer. They may be appointed or replaced by a general meeting. If a general meeting does not appoint them, the board of directors will do so.

### 2.5. Standing Orders

- a) The business of the general meeting and board may be governed by standing orders (that is, those policies and secondary rules that directly address the method by which the registered rules are implemented). These may be adopted from time to time by the board or by a general meeting and will remain in force until they are amended or repealed by a general meeting (or by the board, providing that no general meeting has previously adopted or amended them). Such standing orders may not contradict these rules on any matter, and are void insofar as they do so.
- b) Standing orders may or may not provide for additional means by which members can raise concerns within the society and contribute to resolving them, including but not limited to:
  - i. local or specialist groups of members both elected and appointed,
  - ii. consultative procedures and discussion forums open to some or all members
  - iii. opportunities within meetings for ordinary members present to contribute spontaneously
  - iv. appeal and investigatory procedures to address grievances, injustices and complaints
- c) Standing orders should ensure that when an issue has been raised at a board or general meeting by a voting member seeking a decision, that decision should take place within a short enough period of time that no otherwise available options are timed out. Subject to that constraint, standing orders may be adopted that require or enable consensus building and inclusive development of proposals prior to the point of decision, and these may or may not include:
  - i. procedures for testing consensus or measuring levels of agreement
  - ii. development and evaluation of alternative, contingent or qualified proposals
  - iii. wider consultation and impact assessments
  - iv. preparatory meetings with a range of stakeholders and/or disputants
  - v. extended and structured discussion of proposals within meetings

### 2.6. General meetings

- a) General meetings will be convened by the board of directors as follows:
  - i. Annual General Meetings, held within six months of the close of the society's financial year, which must include the following items on their agendas:
    - presentation of accounts and reports specified in 5.5 below
    - appointment of auditors, or disapplication of audit requirements, as required by 5.5 below
    - election of a board of directors as required by 2.9 below
    - ratification of any key decisions in 4.7 below
  - ii. at the request of the Commonwealth Council;
  - iii. at the request in writing of 5 or more members, provided that they amount to at least 15% of the membership (rounded up), or 30% of the membership in any one class (rounded up);
  - iv. in the event of the number of elected directors falling below three, or in the event that more than 25% of the directors are not user members;
  - v. in the event that the board fails to secure the appointment of a secretary and a treasurer;
  - vi. at any other time deemed appropriate by the board.
- b) All members, and any auditor or accountants appointed by the society, will be notified in writing to

their registered address or (where the member has supplied suitable contact details) by electronic communication, no less than fourteen days before the date of the meeting. The notice must inform members:

- i. the reason for the meeting, being one of the causes listed in (a) i above
- ii. the time and place of the meeting
- iii. the means by which participation through a live electronic link will be enabled, if any
- iv. how to propose resolutions
- v. how to stand for election to the board (unless circulated previously, in which case nominations received should be included)
- vi. what accounts or reports are to be presented
- vii. the content of resolutions received by the secretary or proposed by the board.
- viii. Advice on how to obtain information specified in 5.4 (b)

## 2.7. Resolutions at general meetings

- a) All members have the right to propose resolutions. If a resolution is proposed that includes any of the actions listed in 2.7 c and d below, its content must be provided to the secretary in time for inclusion in the notice of the general meeting. Otherwise resolutions may be proposed in the course of the meeting, in accordance with any standing orders that are in force.
- b) Votes will be conducted on a show of hands, and the secretary shall declare a provisional result on the basis of whether they judge that the vote would pass if it was counted; at any point during the general meeting, any member may request that the result of any vote be verified with a count. When the meeting is closed, any provisional result is recorded in the minutes as final.
- c) Resolutions require a clear majority of the vote at the general meeting to be in favour to pass, except the following resolutions require more than 75% support:
  - i. resolutions to change the conditions attached to shares;
  - ii. amendments to these rules;
  - iii. resolutions to wind up or dissolve the society (on which only user members may vote);
  - iv. expulsion of a member in accordance with 1.8 (a) v. above;
  - v. dissolution of the Commonwealth Council.
- d) The following proposals are special resolutions that must be passed and confirmed in accordance with the law:
  - i. amalgamation with, or transfer of engagements to, another society requires a two thirds majority of the members present and voting. This must be confirmed at a second meeting held between 15 and 30 days after, at which the same vote will require only a simple majority.
  - ii. amalgamation with, or transfer of engagements to, or conversion to a company; which requires two meetings as in i above but in which the first threshold is three quarters rather than two thirds; and in addition 50% of all members in all classes with any voting rights must have cast a vote
  - iii. a resolution to disapply the audit requirement is treated like resolutions in (c) above, except
    - there is an 80% threshold rather than the usual 75%;
    - less than 10% of the total number of members (irrespective of class) should have voted against
    - the conditions in 5.5 (e) below should also be met
  - iv. a resolution for winding up due to insolvency is resolved using a Companies Act special resolution and 2.8 below does not apply – the Secretary should secure legal advice prior to the meeting
- e) Certain proposals may, even if they fail to achieve a majority, nonetheless constitute a petition that the co-operative must comply with if they achieve the support of one third of the voting strength in a general meeting. They are:
  - i. the board to publish its policies regarding social investment of liquid assets, equal opportunities, health and safety and/or corporate social responsibility;
  - ii. the board to begin the process of convening a commonwealth council, in accordance with rule 6.7.

## 2.8. Voting by classes

- a) If any member requests that a vote be counted rather than taken on a show of hands, the votes cast by each class will be weighted (that is, treated as being a greater or lesser amount) to ensure that the final proportions of votes cast by each class of membership are fixed as follows:

**[Ensure that the total of voting strengths is 100%; that no user member class has less than 25% of voting strength; and all non-user member classes combined do not exceed 25%. For compliance with the Community Shares Standard Mark, user member classes should be combined, e.g. Class number: 1+2, % Share: 100%]**

Class number	% share of voting strength (totaling 100%)
1	50
2	25
3	25

Votes for each class shall be counted separately. Before combining them, the votes cast for or against (and abstentions) shall be established as proportions of the members of that class present. Then the percentage share of voting strength allotted to that class, as indicated above, shall be applied to each. The votes for and against, along with abstentions, shall be established by aggregating the figures for each in each class.

The following qualifications apply to this rule:

- i. if the effect of this rule would be to give a person more than 25% of the total voting strength in a meeting attended by four or more user members, then for the duration of that meeting only the voting share for the class to which they belong will be reduced, and the voting share of other user member classes increased pro rata.
  - ii. If a class has no members in attendance, the shares of the voting strength for other classes are unaffected.
  - iii. If the votes of non-user members are weighted, the strength of each vote should be no greater than that of any user member. This can be achieved by merging the non-user class with the user class having the lowest individual voting strength, for the duration of the meeting only.
  - iv. a motion to suspend weighted voting may be passed provided it has unanimous support. Following such a motion, votes will be on a simple one member, one vote basis, subject to the votes of non user members being capped at no more than 25% of the overall vote (applying, if necessary, the method described above to achieve this).
  - v. In a weighted vote on a special resolution that would transfer engagements to a company or demutualise the society (see 2.7 d ii) the votes of non-user members will not be counted.
- b) No amendment may be made to these rules that would allow non-user members to have more than 25% of total voting strength at any general meeting, or would cause any class of user members to have less than 25% of the total voting strength, or would change the meaning of this sentence.

## **2.9. Board of directors**

- a) The number of directors on the board (counting only those with voting rights) must be no more than twelve, and no less than three. The board may co-opt new directors to fill vacancies at any time. Any directors that have been co-opted to the board will resign or stand for election at the next available general meeting.
- b) All board decisions must have the support of a majority of board members. No non-user members may be elected or co-opted to the board if doing so would result in user members forming less than 75% of the board.
- c) Standing orders may allow the holders of up to three posts in the co-operative to automatically join the board as non-voting Executive Directors.
- d) For so long as the number of user members is less than ten, unless a general meeting resolves to hold elections all user members will be automatically appointed to the board (though they may decline to accept the appointment) and 2.9 (e) will not apply.
- e) The founders of the co-operative will be the first directors. At all subsequent annual general meetings a third of the board, being those who have served longest, will resign so that those wishing to continue must seek re-election. Resolutions to elect each candidate will be voted on in turn until there are no vacancies remaining. The order in which candidates are voted on may be determined by standing orders; if not, candidates that have served longest on the board will be first. If some candidates have served for an equal length of time, those that have been members longest will be first.
- f) Larger and more complex co-operatives may require directors with suitable skills and experience. Standing orders may allow the board to endorse or recommend some candidates but not others for election (provided the number of endorsements is either more, or less, than the number of vacancies); if that is the case, the board must convene a Commonwealth Council to supervise the process of qualification and nomination, rather than choose its own composition. The board can always report

objectively on the relevant qualifications of candidates, or on the extent of candidates' participation in any preparatory process that was open to all members to take part in.

- g) All members have the right to stand as candidates, subject to any reasonable nomination procedure specified in standing orders. No one can serve on the board if they:
  - i. have resigned in writing to the secretary;
  - ii. are not a member, or the nominated representative of a member organisation;
  - iii. are removed from office by a resolution passed by a general meeting;
  - iv. fail to attend three consecutive meetings without adequate explanation;
  - v. commit fraud, or any act of financial impropriety, or failed to disclose when standing for election any previous offence of this type, or contravene rule 4.5;
  - vi. are an undischarged bankrupt or otherwise prohibited by law from acting as a director of a company or society.
- h) The board may also appoint other officers in addition to the Secretary and Treasurer, and form subcommittees, as it sees fit, and in accordance with any standing orders. Officers shall have the powers and duties specified by law and by the board, and may be removed by the board. The board may also convene consultative committees composed of members of the co-operative, which may be elected or unelected, for any purpose.
- i) Directors and officers may be reimbursed for any expenses incurred in the course of carrying out their duties. Directors may receive an attendance allowance and may be paid wages, but only for services actually performed for the co-operative, and in accordance with a pay policy submitted to the next available general meeting for approval.

#### 2.10. **Quorum**

- a) No business will be transacted at any general meeting unless a quorum is present. A quorum is present if:
  - i. there are three or more user members present; and
  - ii. there are two members present from any user class in which there are more than ten members; and
  - iii. there are five members present from any user class, and two from any non-user class, in which there are more than fifty members.
- b) A quorum at a board meeting is three voting directors, or two thirds (rounded down) of the total number of voting directors, whichever is greater.
- c) If standing orders permit, a member may be considered present if they are participating through a live electronic link.

#### 2.11. **Member control**

No amendment may be made to these rules that would allow non-user members to have more than 25% of total voting strength at any general meeting, or would cause any class of user members to have less than 25% of the total voting strength, or would remove this clause.

### 3. Application of Profits

- 3.1. The co-operative has the general aims of creating common wealth, building an indivisible reserve and providing a return on investment no more than is necessary to attract and retain the capital it requires.
- 3.2. The co-operative may borrow up to a maximum of £10,000,000 and may issue debt securities provided that this does not amount to receiving money on deposit. Any interest paid on share capital held by user members, or on funds borrowed from user members will not exceed the highest rate for fixed term business lending published by ICOF Ltd (company no. 01109141). In keeping with co-operative accounting practice, interest on share capital is considered a business expense and is not included in profits.
- 3.3. The co-operative will not normally transfer assets for less than full consideration, except for the purposes specified in 3.4 below. This rule does not prevent the board
  - a) setting variable rates of interest payable on user and non-user share capital according to the trading performance of the co-operative, provided that this is consistent with 3.1 and 3.2 above;
  - b) paying bonuses, incentives and other rewards to members and employees, provided that this is in pursuit of the co-operative's objects in paragraph 1.3. Some interest and dividend payments will be 'key decisions' requiring the process specified in rule 4.7.

#### 3.4. Application of annual profits and restriction on use

Profits of the co-operative will be applied at the discretion of the committee, subject to any direction from a general meeting and the approval of annual accounts at the AGM. The co-operative will also follow these restrictions:

- a) co-operative dividend payments that are specified in contracts of employment will be paid to employees in proportion to working hours, and the clauses below relate to profits remaining after such payments;
- b) at least 10% of profits will be transferred to a general reserve for the continuation and development of the co-operative, or used to make payments for social or charitable purposes where it furthers the objects in paragraph 1.3 of these rules;
- c) at least 5% of profits, and 30% of social and charitable payments, will be used in such a way as to support new mutuals and grow the co-operative movement, in a manner consistent with the objects of the Co-operative, and in partnership with federal and specialist support bodies.
- d) the remainder will be used to pay co-operative dividends to user members. Co-operative dividends will be paid on the basis of an equitable policy that recognises each member's contribution to the co-operative's business during the period in which the profit was generated and which may make allowance for such relevant factors as length of membership;
- e) and of the total allocation of profits in this process, at least 50% must be made up of
  - i. transfers to the general reserve and payments for social and charitable purposes;
  - ii. support for the work of secondary co-operatives and federal bodies;
  - iii. dividend payments to user members (including to employees) having a positive social impact; defined as payments made to user members who either disproportionately experience disadvantage or social need themselves, or will be restricted to using the payment in ways that will bring about desirable social impact (having regard both to the objects in 1.3 above and to the co-operative's recent social impact reporting).
- f) Of the total payments for any period made by way of dividend, the limit for each user member class is:

Class 1	100%
Class 2	25%

#### 3.5 Division on dissolution

In the event of the winding up or dissolution of the society the assets of the society will first, according to law, be used to satisfy its debts and liabilities (including the payment of interest on share capital). In the event that any assets remain to be disposed of after its liabilities are satisfied, share capital will be repaid at par value if sufficient funds are available, and in proportion to the size of holding if not. The remaining assets will be transferred to a common ownership enterprise that has objects consistent with the objects of the society stated in 1.3 above, subject to any restrictions in 3.4 above, as may be nominated by the members at the time of or prior to the dissolution. If no such organisation is nominated, the assets will be transferred to **[ by default: Co-operatives UK (IP02783R).]** In the event that for whatever reason any residual assets cannot be transferred as described above, they will be given for charitable purposes. No amendment will be made that would reduce the amount given to social and charitable purposes, or remove this sentence.



## 4. **Autonomy and independence**

4.1. The co-operative has the general aims of maintaining its autonomy and independence and empowering members and other stakeholders at the most local level possible.

### 4.2. **Limitation on powers**

For the avoidance of doubt the society shall not engage in any activity by virtue of any of these rules that would require a permission from the Prudential Regulation Authority or Financial Conduct Authority (or any body that succeeds their functions) to carry on that activity without first having applied for and obtained such permission.

### 4.3. **Financial and contractual autonomy**

- a) Withdrawable shares or debt securities that would result in one natural person holding more than a quarter of all withdrawable share capital, or of all debts (or that would exceed the limits specified in 1.7a), require the board to agree measures that will ensure that the lender (or their assigns) cannot unduly influence the future management of the society.
- b) The board of directors will regularly review all contracts and undertakings to ensure that the co-operative continues to be controlled by its membership.

### 4.4. **Proxy voting**

Proxy voting at general meetings will be permitted on special resolutions and on other resolutions that have been given in full with the notice for the general meeting; or at any time by the representative(s) of an employee share trust.

### 4.5. **Outside interests on the board of directors**

- a) All directors will, on taking office, indicate in a register of interests any material interests they have, or positions that they hold in other organisations, that might cause conflict with the objects of the co-operative.
- b) All directors will declare any such conflict of interest that they have in respect of any business before the board and will withdraw from votes in respect of that matter unless
  - i. so many directors are conflicted on an issue that the board would not be quorate, or
  - ii. the Commonwealth Council determines that the interest will not lead to significant conflict.

### 4.6. **Subsidiarity**

- a) If the board is satisfied that a subset of members in one or more classes have a relationship with the co-operative that is distinct from that of other members, for example by living in a relatively isolated location, enjoying the benefits or impacts of some of the co-operative's activities and not others, or having distinctive requirements for communication with the co-operative, or in other ways, then it will implement an action plan to ensure that decision-making that disproportionately affects those members is more accessible and accountable to them.
- b) In the event of a petition by five members or 15% of those identified as having a distinctive interest (whichever is greater), the board must convene a consultative meeting of all such members; and either publish the action plan referred to in 4.6 a or seek independent and qualified advice as to whether a plan is needed.
- c) If an interest group meeting resolves by a majority vote that a current or proposed action plan is inadequate, then it can empower up to three named members of the co-operative to put an alternative proposal to the next general meeting (for example, convening a Commonwealth Council with interest group representation).

### 4.7. **Key decisions**

- a) The board of directors, on behalf of the co-operative, may make any contract, and carry on any activity, that is within the law and in the opinion of the board, may benefit the co-operative's objects, including the contracting of loans and debt securities and the investment of funds. However, the following issues are designated 'key decisions':
  - i. the sale, transfer or disposal of assets worth in excess of £100,000 to the same buyer;
  - ii. any conflicted decision relying on rule 4.5 b i above;
  - iii. a mortgage or charge on non-residential property that would have the effect of increasing the debt/shareholder funds ratio of the society to a level in excess of 2:1;
  - iv. issuing debt securities to private individuals, or with the option to transfer, with a value of more than £50,000

- v. investing in corporate bodies in which the society will have more than 50% of the value or voting strength of their share capital;
  - vi. remuneration of employees, where the pay differential within the society exceeds 4:1;
  - vii. remuneration of directors, and selection of candidates for the board;
  - viii. compulsory redundancies;
  - ix. the level of pay for workers who are not voluntary, but will not be legally entitled to the highest rate of statutory minimum wage (including outsourcing of work previously carried out by employees);
  - x. expenditure on legal advice with the purpose of avoiding compliance with statutory regulation or with contractual and legal obligations to other co-operatives;
  - xi. any payment of interest on share capital that is more than 3% above or below inflation (see also rule 3.2);
  - xii. a change to the rate at which interest is paid on shares, if it is lower than a figure given in an offer document on which members may have based their investment decision (see also rule 2.7 c iii).
- b) Key decisions can be authorised in the following ways:
- i. by a resolution at a general meeting;
  - ii. If a Commonwealth Council (see 6.7 below) has been convened, key decisions must be brought to its attention no less than two weeks before they come into effect; and if a majority of the Commonwealth Council request further consultation, the proposal may not be enacted until the board and the Commonwealth Council both have a majority in favour;
  - iii. If a Commonwealth Council has not been convened, or at its request, notice of the key decision will be brought to the attention of the membership by means of a public notice, electronic communication or other communication likely to be received by most members in sufficient time for a general meeting to be called or attended by the members (in accordance with 2.6 b) before the decision comes into effect;
  - iv. If the board does not include two members from each of two member classes, or in any case for decisions 4.7 a ii or vii, then paragraph 4.7 b iii above cannot be applied, and either 4.7 b i or b ii must be used instead. All authorisations will be recorded and reported to the next AGM (see 5.4 b).

#### 4.8. Approved nominees

- a) The board can designate an individual or incorporated organisation as an 'Approved Nominee' who can apply for membership on behalf of others as well as on their own behalf. When applying on behalf of others, the approved nominee must fully identify those persons and the value of the shares that they are applying for.

**[Rules 4.8 b – f do not have effect unless an approved nominee is appointed in accordance with 4.8 a. Any such appointment may prevent Community Shares Standard Mark approval]**

- b) *The board will consider all applications made through an approved nominee in the same way as specified in 1.6 above, and will not unreasonably refuse to accept them.*
- c) *The board can at any time withdraw the status of approved nominee if it is satisfied that the nominee is not behaving in an honest, transparent and responsible manner towards either the members they nominate or the co-operative. The nominee must inform prospective members that they intend to represent of any circumstances under which they might not act on the members' instructions; and how, if at all, they can end representation by the approved nominee.*
- d) *The register of members will record the name of the approved nominee alongside the details of any member they represent, and in general all communication, including communications required by these rules, will be conducted through the nominee.*
- e) *The first time that the board appoints an approved nominee, they must adopt standing orders for proxy votes at general meetings that allow the approved nominee to vote on behalf of the members they represent by default. However, members represented by an approved nominee can participate in person instead if they so choose. No one individual proxy for an approved nominee can control more than 25% of user member voting strength in a general meeting, unless the nominee is an employee share trust.*
- f) *Any payments that are due from the co-operative relating to shares associated with an approved nominee will be made to the approved nominee. Any communication from an approved nominee will be treated as if it were made by the holder of the shares to which it relates.*
- g) *In all other respects, members associated with an approved nominee will have the rights and obligations set out in these rules.*

## 5. Education and information

- 5.1. The co-operative has a general aim of educating its members and employees (particularly in principles of co-operation, managing the co-op and fulfilling their role in the co-op) and of supporting education in the wider community (particularly in the principles of co-operation).
- 5.2. **Public identity**
- a) If the trading name does not include the word 'co-op' then the co-operative will clearly identify itself as either a co-operative, democratic social enterprise, or community enterprise in all official publications.
  - b) At least once a year, the co-operative will provide at least one communication to its members that either lists the co-operative principles, profiles other co-operative bodies, or advises members how they can become more involved in one or more other co-operatives.
- 5.3. **Education Committee**
- a) Within six months of the AGM, the board will review the resources and personnel allocated to an Education Committee to ensure that they are adequate to enable the co-operative to best achieve its objects in rule 1.3. This may include the option of delivering its functions directly, without convening it as a separate body; or combining its functions with those of the Commonwealth Council.
  - b) The terms of reference for an education committee will include, but not be limited to:
    - i. facilitate the advancement of co-operative education at all levels through targeted programming specific to the seven principles of co-operation;
    - ii. promote and share co-operative educational advice and resources to advance members' educational objectives;
    - iii. contribute to the economic sustainability of the co-operative through educational programming and opportunities;
    - iv. work collaboratively within the co-operative movement to deliver educational opportunities for members and youth.
- 5.4. **Provision of information**
- a) A copy of these rules, and any amendments made to them, will be given free of charge to every member on admission or on request. The board will accommodate any reasonable request to explain or clarify the meaning of the rules, and justify its interpretation of them.
  - b) The following information will be advertised in the notice of all general meetings, with advice on how full copies may be obtained promptly and without charge:
    - i. standing orders relating to the meeting in question;
    - ii. a list of key decisions taken or consulted on since the last AGM, and how they were resolved;
    - iii. a guide to the rights and responsibilities of directors and the process for members to put themselves forward for election;
    - iv. details of other ways for members to participate in the governance of the co-operative;
    - v. a list of policy documents covering standards and procedures that apply to the full range of the society's activities, including any policies required by 2.7 (e) i;
    - vi. the most recent action plans or reports prepared in the last three years in line with 4.6 (b) or 5.3 (a);
  - c) The following information will be recorded, retained and made available at no charge to members
    - i. agendas, minutes and papers presented to general meetings;
    - ii. quarterly management accounts (unless the annual turnover of the co-operative is below £25,000);
    - iii. annual returns submitted to the FCA, HMRC and federal bodies;
    - iv. responses to statutory consultations made by the co-operative;
    - v. job descriptions and line management of any staff employed, and statistics relating to staff disputes and grievances, workplace injuries and staff retention.
  - d) No information will be provided to a member or any other person, or made available for general viewing, that would disclose details of the financial transactions of another member with the co-operative, other than with their permission. If the board refuses a request for information, it must explain what reason it has for withholding the information.
  - e) The board may redact portions of documents provided to members for reasons of commercial confidentiality or personal privacy provided it is clear and where this has been done.
- 5.5. **Presentation of accounts and reports**

- a) At each AGM the following reports must be presented:
  - i. Accounts for the previous financial period;
  - ii. A social impact report for the previous financial period (see 7.2).
- b) The following may be included in the above reports, but if published separately should also be available for members to discuss and vote on:
  - i. A report from the Commonwealth Council, if it is convened (see 6.7);
  - ii. A report relating to the Education Committee (see 5.3 a).
- c) During each financial year, the co-operative will normally appoint a person qualified to the standard required by law who is neither a member nor an employee of the co-operative to either audit the co-operative's accounts and balance sheet for the year or prepare an independent accountants report; and a social auditor if required to do so by 7.3 (b) below.
- d) The appointments will be confirmed at the next available general meeting, and at every annual general meeting subsequently unless and until the obligation is removed.
- e) If the law permits the co-operative to be eligible to disapply the obligation to appoint a qualified auditor, the board may put to a general meeting a resolution to disapply the audit requirement each year. Such a resolution will have effect if the voting threshold specified in 2.7 (d) is met, and additionally
  - i. the co-operative must have turnover and assets below the threshold specified in law;
  - ii. the co-operative must not have taken deposits (that would constitute a regulated activity) since the last period for which accounts have been filed;
  - iii. the co-operative must not be the parent of any subsidiary corporate body.
- f) If the reports in 5.5 (a) are not presented to an annual general meeting, or fail to win majority approval, another general meeting must be called within 28 days and directors must take all reasonable steps to ensure that reports are presented to that meeting that the membership can support. If other reports (including a review of support for an Education Committee (see rule 5.3 a), any report from the Commonwealth Council (see rule 6.7), a report of consultations on any key decisions (see rule 4.7), and the social impact report (see rule 7.2) are not accepted, the board (with the Commonwealth Council and Education Committee when appropriate) must publish an action plan to secure member support for future reports within two months; if any report is rejected in a second consecutive year, then a general meeting must be called within four months to consider an improved version.

## 5.6. Annual Return

Every year, and in accordance with the requirements of the law, the Secretary will send the annual return relating to the society's affairs for the required period to the Financial Conduct Authority (or any body that succeeds its function).

## 6. The wider co-operative movement

- 6.1. The co-operative has the general aim of supporting the development and growth of the co-operative movement.
- 6.2. In preparing contracts for the purchase of goods and services larger than £1,000, the board of directors should ensure that other co-operative enterprises are given a reasonable opportunity to bid alongside other potential suppliers.
- 6.3. If the liquid assets and investments of the co-operative exceed £10,000, the board of directors will prepare a policy on social investment, which includes a process for identifying and considering investment in other co-operatives, and ethical criteria for all investments relevant to the objects of the co-operative.
- 6.4. The board of directors has the power to make any investments it considers prudent, subject to any policy on investments that may be in force.
- 6.5. A designated person should have overall responsibility for relations with the wider co-operative movement, should attend meetings of the Education Committee (or other body serving its function – see rule 5.3) and should maintain contacts with national and regional co-operative organisations.
- 6.6. No agreement will be entered into with any enterprise, co-operative or otherwise, that would have the effect of exploiting a monopoly or other dominant market position to the detriment of members, customers or suppliers.

### 6.7. The Commonwealth Council

- a) The Commonwealth Council is an oversight body that does not operate immediately following incorporation, but which can be activated at a later date, for example if the co-operative has become larger and more complex; plays an important role in the co-operative sector locally; is facing divisive or controversial decisions; or wishes to offer an additional voice to minority groups or classes within the membership.
- b) The Commonwealth Council may be convened by the board of directors at any time, or by a resolution of the members at a general meeting, or following a petition of the members in accordance with clause 2.7 (e) ii. In the absence of a Commonwealth Council, functions that it might have carried out will remain the responsibility of the board.

#### **[Rules 6.7 b – f do not apply unless enabled in accordance with 6.7 a]**

- c) *The Commonwealth council will be free to consider any matter affecting the co-operative, may publish its views on any matter, and may summon any employee or officer of the co-operative to attend their meetings and answer questions relating to the business of the co-operative. It can be dissolved only by a resolution at a General Meeting carried with more than 75% of votes.*
- d) *The size and procedures of the Commonwealth Council will be determined by its standing orders, which will be prepared by the board of directors (other than matters specified by a general meeting). It must have no fewer than four members.*
- e) *If the Commonwealth Council has responsibility for qualification and nomination of directors in accordance with 2.9 (e), it will (in consultation with the board) establish objective requirements for qualification that can reasonably be met by at least some existing user members; and seek sufficient nominees meeting these criteria to ensure a contested election.*
- f) *Invitations to apply for membership will normally be publicised among the following stakeholders, unless they are specifically excluded by the board of directors:*
  - i. *Those eligible for membership under 1.5 (f) and 1.5 (g);*
  - ii. *Employees, volunteers, service users, local residents, significant suppliers and customers, and investors, that would not normally be eligible for membership;*
  - iii. *Anyone who was previously a member of the co-operative within the last five years; and*
  - iv. *Any co-operative that may be considered relevant due to geography, similarity, common membership or trading relationship;*
- g) *If at any time following such invitations fewer than eight people express willingness to serve on the Commonwealth Council, or if all but three candidates come from a single one of the categories listed in 6.7 (e), the board may suspend it until the next General Meeting due to lack of interest. Applications for membership will be considered according to the standing orders in force, subject to the requirements that*
  - i. *the process of selection for membership of the Commonwealth Council should be impartial, fair, transparent, and non-discriminatory; and*
  - ii. *members of any one of the four categories listed in 6.7 (e) should not comprise more than 75% of the*

*Council, and no more than one person may sit on both Council and Board.*

- h) *Members of the co-operative engaged in a dispute relating to the co-operative may request the Commonwealth Council to mediate between them and shall do so before elevating any such dispute to the board or to the membership as a whole.*

#### **6.8. Disputes and conflicts**

- a) Standing orders, or other procedures that have been adopted, may provide for members to refer disputes to the Commonwealth Council as part of grievance, disciplinary or complaints procedures (either as first recourse, or as part of an appeals process). If there is any evidence of a criminal act the police should be fully informed before any other action is taken.
- b) If the dispute cannot be resolved according to standing orders, by the Commonwealth Council or the board, whether because
  - i. one or both parties to the conflict sit on the body that would normally be responsible;
  - ii. the body in question does not feel it has the capability to manage the conflict;
  - iii. it is not covered by existing procedures, or concerns their adequacy;
  - iv. it is argued that it is a decision by the body in question that has created the conflict;then the parties should promptly agree to seek independent support from others in the co-operative movement locally, respected figures in the local community or from relevant federal bodies. If this cannot be done, an accredited mediator or arbitrator should be contracted.

## 7. Sustainable development

7.1. The co-operative has the general aim of evaluating its impact on the community and the environment in which it operates, and developing policies that reduce harmful impacts and increase positive impacts.

### 7.2. Social impacts

- a) The board of directors is responsible for preparing an annual social impact report. These will consist of quantitative and qualitative data for a set of indicators selected by the social impact reporting panel; which in turn should relate clearly to the objects in 1.3 above.
- b) Indicators should cover, and clearly distinguish between, outputs (what the co-operative has done), outcomes (what the direct effects of this have been) and impacts (what indirect changes can be reasonably attributed to the co-operative's activities in this and previous years).
- c) The indicators should allow where possible for comparison with other accounting periods. If an indicator used in a previous accounting period is to be withdrawn, the reason for its withdrawal should be stated alongside a final measurement.
- d) The report should identify areas where the findings suggest that performance can be improved, and may include directions to the board to develop new plans and policies addressing these areas, adopt or withdraw indicators (including suggested methods of data capture), review the aims and objects with a view to amendment, and/or report to members on progress. The report will not direct the board in ways that would otherwise impact on resource allocation or workloads.

### 7.3. Social impact reporting panel

- a) At least one month before being presented to the annual general meeting, the social impact report will be prepared or reviewed by a social accounting panel which will consider
  - i. to what extent the report is comprehensive;
  - ii. whether the information gathered is reliable and reasonably interpreted;
  - iii. whether the aspirations of members for steady improvements in social impact are sufficiently addressed;
  - iv. whether consequential actions have been identified and specified;  
before deciding whether to commend the report to the meeting, or refer it back for improvement.
- b) The panel should normally be chaired by an independent, qualified social auditor. However, a general meeting may choose to accept a current or subsequent year's report approved by a panel chaired by a member of the co-operative provided that they have not served as a board member in the previous two years (this requirement is waived if more than half the members are also board members).
- c) The panel will be made up of members of the co-operative approved by the board and commonwealth council (if it is active).

Signatures of founder members:



Full names in block capitals:

MARTIN STRUBE

JOHN MERRITT

JOSEF DAVIES-COATES

Secretary:



MARTIN STRUBE

Accepted as a model by the Financial Services Authority 2020

Somerset Co-operative Services CIC



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