

PRINCIPLES OF EUROPEAN
COOPERATIVE LAW

Principles, Commentaries
and National Reports

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*This is an extract from the book, which contains only the principles without commentary or explanations of national law.

CHAPTER 1 DEFINITION AND OBJECTIVES OF COOPERATIVES

SECTION 1.1 DEFINITION AND OBJECTIVES OF COOPERATIVES

- (1) Cooperatives are legal persons governed by private law that carry on any economic activity without profit as the ultimate purpose and mainly in the interest of their members, as consumers, providers or workers of the cooperative enterprise.**
- (2) ‘Profit as the ultimate purpose’ means making profits mainly for the payment of interest, dividends or bonuses on money invested or deposited with, or lent to, the cooperative or any other person.**
- (3) For the purpose in paragraph (1), ‘cooperative enterprise’ may include an enterprise carried out by a subsidiary if this is necessary to satisfy the interests of the members and the members of the cooperative maintain the ultimate control of the subsidiary.**
- (4) Cooperatives may also be established to carry on an economic activity mainly in the general interest of the community (‘general interest cooperatives’).**
- (5) Cooperatives shall include in their registered name the word ‘cooperative’, ‘coop’, or similar. The words ‘cooperative’, ‘coop’, or similar, may not be included in the name of entities not formed and managed as cooperatives in accordance with cooperative law and universally recognised cooperative values and principles.**

Part I. Principles of European Cooperative Law and Commentaries

SECTION 1.2 LAW APPLICABLE AND COOPERATIVE STATUTES

- (1) Cooperatives regulated by special laws for their type of cooperative, including general interest cooperatives, are subject to the general cooperative law only to the extent that it is compatible with their particular nature.**
- (2) As autonomous organisations, cooperatives are free to govern themselves by their statutes within the limits of cooperative law. For this purpose, ‘statutes’ includes both the instrument of incorporation and statutes which are the subject of a separate document.**
- (3) In the case of matters not regulated or partly regulated by cooperative law and cooperative statutes, other laws, including company law, may apply to cooperatives only to the extent that they are compatible with their particular nature.**

SECTION 1.3 MEMBERSHIP REQUIREMENTS

- (1) The members of a cooperative may be cooperator members or non-cooperator members.**
- (2) Cooperator members are natural or legal persons who engage in cooperative transactions as consumers, providers or workers of the cooperative enterprise.**
- (3) Non-cooperator members are natural or legal persons, such as investors, volunteers, or public bodies, who do not engage in cooperative transactions but are interested in the pursuit of the cooperative objective.**
- (4) A cooperative shall always comprise no fewer than two cooperator members. A general interest cooperative shall always comprise no fewer than two members, regardless of whether they are cooperator or non-cooperator.**
- (5) Cooperatives may admit to membership non-cooperator members only if their statutes so provide.**
- (6) Cooperative statutes may make membership subject to reasonable conditions related to their particular type or objective, without gender, social, ethnic, racial, political or religious discrimination or artificial restriction of membership.**

SECTION 1.4 COOPERATIVE TRANSACTIONS

- (1) Cooperatives pursue their objective mainly through cooperative transactions with their cooperator members for the provision of goods, services or jobs. General interest cooperatives may also do so.**
- (2) In the conclusion and execution of cooperative transactions cooperatives shall observe the principle of equal treatment of cooperator members.**
- (3) Cooperative statutes shall include provisions about the participation of cooperator members in cooperative transactions, with particular regard to the minimum extent and/or level of such participation.**
- (4) Without prejudice to any other legal remedy, failure by the cooperator member or by the cooperative to engage in cooperative transactions is a justified condition respectively for member expulsion and for member withdrawal.**

SECTION 1.5
NON-MEMBER COOPERATIVE TRANSACTIONS

- (1) **‘Non-member cooperative transactions’ are transactions between cooperatives and non-members for the provision of goods, services or jobs of the same kind as those provided to cooperator members.**
- (2) **Without prejudice to section 1.4(1), cooperatives may engage in non-member cooperative transactions unless their statutes provide otherwise.**
- (3) **Cooperatives engaging in non-member cooperative transactions shall give those non-members an option to become cooperator members and inform them about it.**
- (4) **When cooperatives carry out non-member cooperative transactions they shall keep a separate account of such transactions. General interest cooperatives may also do so.**
- (5) **Profits from non-member cooperative transactions are allocated to indivisible reserves.**

CHAPTER 2 COOPERATIVE GOVERNANCE

SECTION 2.1
GENERAL PRINCIPLES OF COOPERATIVE GOVERNANCE

- (1) **Cooperatives are directed and controlled by or on behalf of their members, who have ultimate democratic control through their governance system.**
- (2) **Cooperative governance reflects their jointly-owned, democratically controlled and autonomous nature. It facilitates operation based on universally recognised cooperative values and principles, including cooperative social responsibility.**
- (3) **The governance organs of a cooperative are structured to pursue economic activities mainly in the interest of their cooperator members. In general interest cooperatives, they are structured to pursue such activities mainly in the general interest of the community.**
- (4) **Cooperative governance structures may vary according to:**
 - (a) **the size and type of cooperative enterprise;**
 - (b) **the sector in which it operates; and**
 - (c) **whether it is a general interest cooperative.**
- (5) **Cooperative governance structures must always ensure cooperative autonomy and member control.**

SECTION 2.2 OPEN MEMBERSHIP

- (1) Without prejudice to section 1.3, membership of a cooperative must be open to any person able and willing to accept the responsibilities of membership.**
- (2) Cooperative statutes shall ensure that:**
 - (a) membership applications are dealt with by a designated organ within a reasonable time;**
 - (b) reasons are given for refusal;**
 - (c) the applicant can appeal to the members' meeting if a different organ refused admission; and**
 - (d) the applicant has the right to be heard before a decision is made on the appeal.**
- (3) No one has a legally enforceable right to join a particular cooperative. The entity responsible for the registration and/or the auditing entity of section 4.3 must ensure that membership is open in accordance with paragraph (1).**
- (4) Cooperative statutes shall govern the grounds and procedure for termination by either party of cooperative membership. They shall deal, in particular, with:**
 - (a) the notice period required;**
 - (b) any adjustment of capital contribution or other financial arrangements; and**
 - (c) other consequences of such termination.**
- (5) Termination of membership by the cooperative shall be subject to:**
 - (a) the member having had the right to present their case before the decision was made;**
 - (b) the member's right to be informed of the reason for the decision against them; and**
 - (c) the member's right to appeal to the members' meeting against an adverse decision and to exercise any other legal remedy.**

SECTION 2.3 MEMBERS' OBLIGATIONS AND RIGHTS

- (1) The obligations of cooperator members include:**
 - (a) participation in cooperative transactions to a minimum extent and/ or level, when applicable under section 1.4(3);**
 - (b) the contribution of capital, when applicable in accordance with sections 3.2(1) and 3.2(2);**
 - (c) a minimum level of participation in the governance of the cooperative;**
 - (d) participation in education and training provided for members; and**
 - (e) other obligations imposed by law or cooperative statutes which may, in**

some cases, include an obligation to bear a proportion of the cooperative's liabilities or losses.

(2) The obligations of investor members include the provision of the capital subscribed but do not include participation in governance. Investor members must respect the limits of their role and the need for cooperator members to control the cooperative.

(3) The statutes of a general interest cooperative shall state the obligations and rights of cooperator and non-cooperator members, including the different roles of different groups in the pursuit of the general interest of the community.

(4) Cooperator members have the following individual rights:

(a) to engage with education and training appropriate to their role in the cooperative;

(b) to participate in the governance of their cooperative, in principle by attending and fully participating in meetings in person, but by proxy if necessary;

(c) to vote in elections for members of the organs or on any issue decided by direct member vote (at a meeting, electronically, or by post);

(d) to stand for election;

(e) to request and receive financial and other relevant information as laid down by law or cooperative statutes;

(f) to receive any compensation on their shares decided under cooperative statutes; and

(g) when applicable, to engage in cooperative transactions and to receive any cooperative refund under cooperative statutes or the law after it is determined by the competent organ.

(5) Together with the number of other members that is laid down by law or cooperative statutes, members have a collective right:

(a) to receive or request any information needed to perform the member's role in their cooperative;

(b) to propose candidates for election as directors or delegates to another organ or meeting;

(c) to require a members' meeting to be called;

(d) to propose resolutions or add matters to the agenda of a members' meeting;

(e) to demand an audit of the cooperative by the auditing entity of section 4.3;

(f) in accordance with procedures laid down by law or cooperative statutes, to amend cooperative statutes and restructure or dissolve the cooperative.

SECTION 2.4

COOPERATIVE GOVERNANCE STRUCTURES: DIRECT MEMBER CONTROL

(1) Cooperative governance structures must ensure that members democratically control the cooperative and can actively participate in policy making

and major decisions, in principle on a one member one vote basis.

(2) Unless cooperative statutes provide otherwise,

(a) in small cooperatives all members participate directly in making every decision, and

(b) in other cooperatives, governance is divided between a structure or organ giving members ultimate control of the organisation (the ‘members’ meeting’) and one or more boards or committees, responsible for day to day management and accountable to the members.

(3) The powers of the decision-making organs of a cooperative are either:

(a) fixed by law or cooperative statutes, or

(b) can be delegated by the members’ meeting on a basis of revocable delegation.

(4) The members’ meeting may be organised as one meeting or several separate meetings. In cooperatives with a large or widely dispersed membership or in cooperatives with different categories of members, cooperative statutes may provide for sectorial meetings instead of the general meeting, with members represented by proxies or delegates. Meetings may be actual or virtual.

(5) The members’ meeting has power to appoint and remove directors. The members’ meeting must have power to make fundamental decisions. Fundamental decisions are decisions about restructuring or dissolving the cooperative, amending its statutes, participating in legal entities or groups, or establishing subsidiaries.

(6) The members’ meeting:

(a) receives and considers financial and other information about the economic and cooperative performance of the cooperative, and the activity and the results of companies or other entities in which the cooperative participate, including structures of cooperation with other cooperatives;

(b) appoints and removes financial auditors;

(c) elects and removes members of an elected board or committee; and

(d) exercises any other powers conferred by law or cooperative statutes.

(7) Voting in a members’ meeting is in principle on the basis of one member one vote regardless of the capital held.

(8) When necessary for the better functioning of a cooperative, cooperative statutes may confer plural votes not related to capital contribution, and reflecting, for example,

(a) participation in cooperative transactions;

(b) the number of members in particular subdivisions; or

(c) the balanced representation of different member groups.

(9) When cooperative statutes exercise the option in paragraph (8), they must

in any case ensure that investor members or a minority of cooperator members do not control the cooperative.

(10) Total plural votes held by any cooperator member can never exceed a certain percentage of all members' votes cast at any members' meeting at which they vote, as defined by the law. However, investor members may have plural votes according to capital limited to a total of a certain percentage of votes cast at the members' meeting at which they vote, as defined by the law.

(11) Adequate notice of the agenda to be considered, the time and the place of meetings ensures that members have the opportunity to attend. Quorum requirements ensure that decisions are not unrepresentative of the membership.

(12) Decisions are made by simple majority of the votes cast but special majorities are required for the fundamental decisions defined in paragraph (5), which are always made on the basis of one member one vote.

(13) Cooperatives must hold annual members' meetings. The designated organ can also convene extraordinary members' meetings between the annual meetings. It must do so if a certain number or proportion of members or an organ so empowered by law or cooperative statutes or the auditing entity of section 4.3 requires it to do so.

(14) In cooperatives with a large or widely dispersed membership a smaller elected body may perform the role of supervising and monitoring the board in a one tier system.

SECTION 2.5

COOPERATIVE GOVERNANCE STRUCTURES: MANAGEMENT AND INTERNAL CONTROL

(1) The functions of cooperative boards (if any) include executive management, representation and supervision. The three functions may be performed by one administrative board ('one tier system') or divided between a supervisory board and a management board ('two tier system'). The distribution of powers will be laid down by law and cooperative statutes.

(2) Executive management powers are all those not reserved to another organ. Representation means the authority to represent the cooperative in dealings with third parties and in legal proceedings.

(3) The powers of representation and executive management of the cooperative are allocated to:

- (a) the administrative board in the one tier system or**
- (b) the management board in the two tier system, or**
- (c) one or more directors or managers.**

These powers may be delegated by those on whom they are conferred except to the extent that cooperative statutes provide otherwise.

(4) Supervision is concerned with the economic and social performance of a

cooperative. That function involves the internal oversight and monitoring of executive directors or managers. In the two tier system, the supervision and executive functions are carried out by different boards. In the one tier system, subcommittees of the administrative board or of the members' meeting may be used for supervisory purposes. The designated organ will liaise with external auditors as provided in section 4.

(5) Board composition, especially in general interest cooperatives, shall take into account the composition of the cooperative membership, including, for example, by geographical constituency or category of member. Where substitutes have not been elected in advance, the board may have power to co-opt members to fill casual vacancies pending an election.

(6) The majority of members of administrative and supervisory boards shall be cooperator members. The statutes of a general interest cooperative may also provide so.

(7) Law or cooperative statutes lay down:

- (a) the maximum and minimum number of members for each board;
- (b) the term of office and any limits on the number of terms that may be served;
- (c) any requirement for gender balance;
- (d) appointment or election procedures; and
- (e) the qualifications for board membership which, separately or in combination, must not unduly limit the democratic right of the members to elect, or be elected as, board members. Law or cooperative statutes may also provide grounds for disqualification.

(8) The duties of cooperative board members and managers include an obligation to adhere to the defining values, principles and practices of cooperatives in addition to their obligation to comply with law and cooperative statutes and their duties of honesty, loyalty, good faith, care and skill.

SECTION 2.6 INFORMATION RIGHTS OF MEMBERS AND TRANSPARENCY REQUIREMENTS

(1) Board members and managers shall ensure that the cooperative operates with a high level of transparency and shall give members sufficient clear information to enable them to control the cooperative.

(2) In particular, they shall ensure that full annual accounts and, if appropriate, consolidated accounts are drawn up, audited, and published to members with an annual report and cooperative and financial audit reports as required by law. Such documents shall be available to the public at the cooperative's registered office at a price not exceeding their administrative cost.

(3) Members and applicants for membership have a right to information on

their obligations and rights.

CHAPTER 3 COOPERATIVE FINANCIAL STRUCTURE

SECTION 3.1

GENERAL PRINCIPLES OF COOPERATIVE FINANCIAL STRUCTURE

- (1) As private legal persons that carry on an economic activity without profits as the ultimate purpose, cooperatives have a specific financial structure aimed at the success of their objectives, with respect to universally recognised cooperative values and principles.
- (2) As business organisations, cooperatives can use shares, reserves, loans and other financial instruments as sources of capital, providing they are compatible with their cooperative nature.

SECTION 3.2 COOPERATIVE SHARE CAPITAL

- (1) Cooperatives are established without minimum capital, unless the law or cooperative statutes provide otherwise.
- (2) Cooperative statutes may fix a minimum share capital and the minimum amount and nature of the contribution of each member, with respect to the principle of open membership as laid down in sections 1.3(6) and 2.2.
- (3) In any case, the share capital is variable, which means that variations in the amount of the capital, due notably to increased or reduced membership, do not require amendments of the cooperative statutes nor disclosures.
- (4) Reduction of the share capital below any minimum prescribed may be cause for cooperative dissolution.

SECTION 3.3

MEMBERS' CONTRIBUTIONS TO CAPITAL

- (1) Membership is acquired in accordance with section 2.2. The sole acquisition of shares does not confer the status of member.
- (2) Cooperator members contribute equally to cooperative capital unless cooperative statutes provide for another criterion, such as in proportion to participation in cooperative transactions.
- (3) The law may allow cooperative statutes to require new members to contribute more capital or a higher contribution than the minimum, to adjust to new conditions in a reasonable manner.
- (4) No member may hold a percentage of the share capital higher than the maximum defined by law or cooperative statutes.

(5) The paid-up capital may be paid interest if cooperative statutes so provide and the members' meeting decides to do so. The interest rate may differ according to the nature of the contribution, whether mandatory or optional, and of the category of members providing it, whether cooperator members or other types of members. In any case, the interest rate cannot be higher than a reasonable rate, necessary to obtain and retain enough capital to run the business.

(6) Cooperative shares may be transferred only among members or candidates for membership. The transfer of member shares is always subject to approval by the designated organ as well as to any other conditions laid down in cooperative statutes. Shares subscribed by investor members are not transferable without permission from an organ of the cooperative. Member shares cannot be attached by the personal creditors of the members.

(7) The member who leaves the cooperative may be reimbursed for the nominal value of their shares and their portion of divisible reserves, as provided in the cooperative statutes, which may subject the reimbursement to reasonable conditions. The amount repayable to the member may also take into consideration any outstanding interest or cooperative refunds due to the member and any debts due from the member to the cooperative.

SECTION 3.4 RESERVES

(1) In cooperatives there are mandatory reserves and voluntary reserves.

(2) Mandatory reserves include the legal reserve and other reserves required by law or cooperative statutes, such as the reserve for cooperative education, training and information.

(3) The legal reserve and the reserve for cooperative education, training and information are indivisible, even in the event of cooperative dissolution.

(4) The legal reserve is established by:

(a) a percentage of the net annual cooperative surplus, subject, in principle, to a cap set by law or cooperative statutes;

(b) a percentage of net annual profits, as provided in the cooperative statutes;

(c) and a percentage of other resources, as provided in the cooperative statutes.

(5) The legal reserve can only be used to cover a balance sheet loss that is not covered by other reserves or otherwise, and cannot be used to increase the share capital.

(6) Voluntary reserves are reserves that depend on the collective will of the cooperator members, embodied in a resolution of the members' meeting which determines the mode of their constitution, implementation and liquidation, and in particular their indivisible or divisible nature, also on the basis of individual accounts.

(7) The reserve for cooperative education, training and information is established by:

- (a) a percentage of the annual net cooperative surplus;**
- (b) the part of profits not allocated to the legal reserve;**
- (c) other resources as provided in the cooperative statutes.**

(8) The reserve for cooperative education, training and information is used for the technical and cultural education and training of members, members of the organs, managers and employees of the cooperative, and the provision of information about cooperatives to the general public.

(9) The reserve for cooperative education, training and information can be treated as a separate patrimony if the law so provides.

SECTION 3.5 MEMBER LIMITED LIABILITY

(1) Cooperatives have legal personality and enjoy patrimonial autonomy.

(2) No member shall be liable for the debts of the cooperative for more than the amount they have subscribed, unless cooperative statutes provide for the liability of the member by guarantee subject to a cap.

SECTION 3.6

ECONOMIC RESULTS FROM COOPERATIVE TRANSACTIONS WITH MEMBERS

(1) The economic results from cooperative transactions with members are ‘cooperative surplus’ or losses in member cooperative transactions.

(2) Cooperative surplus is the excess of revenues over costs of the cooperative transactions.

(3) By resolution of the members’ meeting, the cooperative surplus may be:

- (a) distribute to the cooperator members as cooperative refunds in proportion to the quantity and/or quality of their participation in cooperative transactions, either cash or by shares or other financial instruments, or**
- (b) between indivisible reserves and divisible reserves**

(4) Losses in member cooperative transactions are the excess of costs over revenues of cooperative transactions with cooperator members.

(5) By resolution of the members’ meeting, losses in member cooperative transactions may be covered:

- (a) using the reserves of the cooperative, beginning with the voluntary reserves;**
- (b) by the cooperator members in proportion to the quantity and/or**

quality of their participation in cooperative transactions within the limit of the value of the goods and services received.

(6) General interest cooperatives may not distribute cooperative surpluses to their members.

SECTION 3.7 PROFITS AND OTHER LOSSES

(1) Cooperatives may also have other results, including results from non-member cooperative transactions and results from ownership of company shares or other assets. Whatever their origin, these results are allocated to indivisible reserves.

(2) Losses from non-member cooperative transactions and other sources are covered by reserves beginning with voluntary reserves.

SECTION 3.8 LIQUIDATION

(1) In case of liquidation of a cooperative and once paid the cooperative debts, members shall be entitled only to recover the nominal value of their shares and their portion of divisible reserves as provided in the cooperative statutes. The amount repayable to the member should take into consideration, in addition to the nominal value of their shares, any outstanding interest and any other amount due to the member according to cooperative statutes.

(2) Residual net assets shall be distributed in accordance with the principle of disinterested distribution.

(3) In the event of the cooperative losing its legal form through conversion, merger, splitting, or any other restructuring, paragraph (2) applies to assets to the value of the indivisible reserves on the date of this event, unless the new legal entity is subject to the rule in paragraph (2) about the distribution of assets on liquidation.

CHAPTER 4 COOPERATIVE AUDIT

SECTION 4.1

GENERAL PRINCIPLES OF COOPERATIVE AUDIT

(1) Cooperatives are obligated and entitled to be audited.

(2) The specific aim of cooperative audit is to verify that cooperatives pursue their objectives as defined by the law and their statutes in accordance with section 1.1, and that their structure and activity are consistent with their identity as cooperatives.

(3) Cooperative audit must be conducted by specifically qualified and

independent auditors in forms that ensure the autonomy of cooperatives and are consistent with their specific features.

(4) Cooperatives are also obligated and entitled to be financially audited as prescribed by law, according to the nature and scale of their activities, their size, and the need to protect creditors, and other stakeholders in addition to the members and the pursuit of the cooperative objective.

SECTION 4.2 SCOPE AND FORMS OF COOPERATIVE AUDIT

(1) Cooperative audit includes, but is not limited to, the volume of cooperative transactions with members and with non-members; the use and results of subsidiaries; member participation in cooperative governance; member democratic control of the cooperative; the composition of assets; the origin and allocation of the economic results; the amount of the indivisible and divisible reserves; the economic sustainability of the enterprise; the existence of practices of cooperation among cooperatives and of cooperative social responsibility; the level of engagement in cooperative education and training; the manner in which the general interest has been pursued and the stakeholder involvement in general interest cooperatives.

(2) Cooperative audit is conducted through the analysis of books, accounts, balance sheets, reports and other relevant documents, of the cooperative and its subsidiaries, as well as by other means, such as the access of the auditor to the cooperative premises, the interview of cooperative members and members of cooperative organs, and also following a checklist provided by the auditing entity of section 4.3.

(3) Cooperative audit may be ordinary, extraordinary, or special.

(4) Ordinary cooperative audit is carried out at regular intervals as defined by the law taking into account the size and the type of the cooperative, or by the cooperative statutes if they provide for more stringent intervals.

(5) Extraordinary cooperative audit is carried out whenever requested by a number of members as defined by the law or by cooperative statutes, the union or federation of which the cooperative is a member, the competent public authority, or the cooperative competent organ, by specifying the reasons.

(6) Special cooperative audit is carried out in the event of the cooperative losing its legal form through conversion, merger, splitting, or any other restructuring.

(7) The costs of cooperative audit are born by the cooperative. The costs of extraordinary cooperative audit are borne by those requesting it when no irregularities are found.

SECTION 4.3
AUDITING ENTITY AND AUDITORS

- (1) The auditing entity is the entity in charge of the cooperative audit, which conducts it through independent auditors specifically qualified for cooperative audit according to minimum standards established by the law.
- (2) Auditing entity may be the state, another public authority, unions or federations of cooperatives or other private entities recognised by the state according to minimum requirements established by the law.
- (3) The auditing entity ensures:

 - (a) continued training of the auditors and provision of a list of them;
 - (b) compliance with the standards in paragraph (1);
 - (c) that the costs of audit are reasonable taking into account the activity performed by the auditor, as well as the activity, size and financial capacity of the audited cooperative.
- (4) The state ensures compliance with the requirements in paragraph (2) and the obligations in paragraph (3). Any violation may be sanctioned as provided for by the law.

SECTION 4.4 CONCLUSION OF COOPERATIVE AUDIT
AND EFFECTS

- (1) Upon completion of the cooperative audit, the auditor issues an auditing report.
- (2) The auditing report, which includes a summary, testifies the auditing activities and findings and may also contain advice on how to deal with deficiencies discovered.
- (3) The auditor communicates the auditing report to the cooperative boards. The auditor also communicates the summary of the auditing report to the competent public authority.
- (4) The cooperative communicates the summary of the auditing report to all its members and informs them that they may have access to the auditing report provided the member agrees to be legally bound to maintain confidentiality, unless the law provides for its public disclosure.
- (5) The auditing report is discussed at the next members' meeting. The cooperative adopts adequate measures to deal with the audit findings.
- (6) When irregularities are found, the competent public authority adopts the measures provided for by the law.

CHAPTER 5 COOPERATION AMONG COOPERATIVES

SECTION 5.1

GENERAL PRINCIPLES OF COOPERATION AMONG COOPERATIVES

- (1) Cooperatives cooperate among themselves to further their objectives and to support, promote, and develop other cooperatives, cooperation among cooperatives, and the cooperative business model.**
- (2) The purpose of cooperation is either economic or socio-political or a combination of the two.**
- (3) Cooperatives cooperate in forms and structures that safeguard their autonomy, are consistent with their specific features, and are guided by the principles of equality, solidarity and subsidiarity.**
- (4) The law may promote economic and socio-political cooperation among cooperatives as well as with other entities of the social economy.**
- (5) Cooperatives may not participate in structures of cooperation which prejudice their autonomy and the members' ultimate control of the cooperative.**

SECTION 5.2

FORMS OF ECONOMIC COOPERATION

- (1) Forms of economic cooperation among cooperatives include the establishment of:**
 - (a) contractual relationships for the exchange of goods or services;**
 - (b) a secondary (or higher-level) cooperative; or**
 - (c) a cooperative group.**
- (2) The law may provide for specific treatment of the contractual relationships between cooperatives, including specific tax treatment, in order to promote their establishment.**
- (3) Two or more cooperatives may establish a secondary (or higher-level) cooperative to conduct an economic activity in the interest of its member cooperatives.**
- (4) A secondary (or higher-level) cooperative's statutes may provide that each member has a number of votes in the members' meeting in proportion to:**
 - (a) the number of its members;**
 - (b) participation in cooperative transactions with the secondary cooperative; or**
 - (c) according to other criteria but not the amount of capital contributed.**

In any event, no member may have more than the maximum amount or percentage of the total number of votes cast in each members' meeting, as defined by the law.

(5) **Cooperative transactions between a secondary (or higher-level) cooperative and the members of its member cooperatives are cooperative transactions with members within the meaning of section 1.4.**

(6) **Two or more cooperatives may establish another type of business organisation to conduct an economic activity in the interest of their member cooperatives, provided that their autonomy and cooperative identity are protected.**

(7) **Two or more cooperatives may establish a cooperative group to delegate to one of them, to a secondary cooperative, or to another legal economic activity, provided that in any case the members' meetings of the member cooperatives retain the power to make fundamental decisions as defined in section 2.4(5). Any member must have the right to withdraw from the group whenever its permanence seems likely to prejudice its objectives or the interests of its members.**

(8) **Non-cooperative entities may participate in any form of economic cooperation among cooperatives, provided that the cooperatives retain the control of the structure.**

SECTION 5.3 FORMS OF SOCIO-POLITICAL COOPERATION

(1) **Two or more cooperatives may establish an association or an entity of another legal type to promote their socio-political interests as cooperatives.**

(2) **These entities pursue their objectives through activities such as representation; assistance and protection; education and training; advisory services; financial, legal and technical assistance; audit; dispute settlement; support for the creation of new cooperatives or the development of existing cooperatives; and the promotion of the cooperative business model.**