



## FAQs - Governance Related

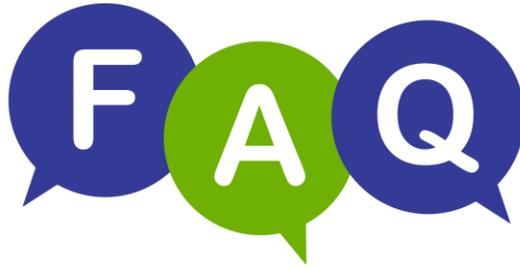
### **What's the democratic governance structure of a co-operative/community benefit society?**

In a co-operative or a community benefit society only members elect and can be elected to a Management Committee (or Board). The serving time on a Management Committee can be usually between one to three years. Elections regularly occurs at AGMs when the elected members (or Directors), at the end of their serving period, need to relinquish their power and stand down. Some members may wish to stand for re-election and they can do so for an agreed set number of times but not indefinitely. Any member can stand for elections and the process to submit their nomination is usually in the governing document. Any member who has been co-opted to the Management Committee from the membership during the year, must also stand down at the AGM and go through an election process, if they want to continue serving on the Management Committee. All these elements make the governance of a co-operative, democratic and

protect the integrity of voting. This is quite distinct from governing bodies where majority of the directors are appointed by the Board itself, often from outside the membership, and elections do not take place.

### **What is the relationship between Directors and members?**

Elected members (also called directors) usually work together in a Board or a Management Committee and manage the daily business in accordance with the objectives of the society. However, crucial decisions are brought to the attention of the whole membership and the members have the final say via a vote. For instance, a motion on a new share offer to be launched or a substantial loan to be taken out can be taken to the membership for approval. The members are the ultimate owners of the co-operative and members who serves as directors work for the success of the co-operative, uphold standards of best practice, act in good faith, and comply with any relevant law (aka directors' duties). Co-operatives are members owned businesses



and this place an additional burden on co-operative directors: to have regard for the needs of the members. Therefore, business decisions by directors are not only based on what it is profitable but also on what the needs of the members are and manage potential conflicts.

### **What are collectives?**

When memberships consist of a few individuals, it is possible to involve all the members in the running of business, for instance in a worker co-operative or in housing co-operative, all workers and tenants respectively can be involved in managing the co-op. In these cases, ownership and management are truly not separated. These are governance structures often referred as collectives.

### **How are decisions taken in a co-operative?**

Co-operatives may integrate consensus-decision making with majoritarian voting methods. Consensus is often the preferred

option, but not the only one, in Management Committee (Boards). While members at AGMs will pass motions if the majority agrees with them. The Rules will indicate the level of majority required for different type of motions. However, in recent years, sociocracy, an emerging governance system based on consent rather than consensus or majority voting, has been adopted by some emerging co-operatives.

### **How frequently is the General Meeting required to convene?**

Members come together at least once per year, at the Annual General Meeting (AGM). During an AGM, members hear about the progress made by the business and approve the final annual accounts. Members can also be called to attend more frequent general meetings and Extraordinary General Meeting (EGMs) if urgent decisions are required during the year.

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