

# Model Articles of Association for a Workers' Co-operative Company Limited by Guarantee



These articles are for a Workers' Co-operative registering as a Company Limited by Guarantee. They are for a workers' co-operative which is:

- **Fully mutual** – only those employed by the co-op may be members, so the co-op is owned exclusively by the workers.
- **Using consensus decision making or voting** – choices are available to choose consensus decision making or voting. If voting is chosen it is on the basis of one member one vote.
- **In common ownership** – if the co-op is dissolved any assets left over may not be distributed to the members, but must be passed on to a similar organisation. This makes the articles suitable for a non-profit co-op.
- **Collectively managed** – all members are normally directors, but this can be easily changed to an elected board of directors by deleting article 17(2).

These articles are also:

- **Suitable for full membership of Radical Routes** (only if you choose the common ownership option). Only fully mutual co-operatives in common ownership are eligible for full membership of Radical Routes.
- **Suitable for adaptation for use by Co-operative Consortia.**
- **On the 'Approved Model List' of both the Co-operative Enterprise Hub and Co-operatives UK.** This means that both bodies will register your co-op with these Articles.



**These articles are provided without any representations or warranties, express or implied. Please check they are suitable for your needs and amend and adapt them as required.**

## How to use these articles

At the very least you should deal with everything in this section. We strongly recommend that at least one member or your co-op also reads through the explanations of each article so that someone in your co-op understands your articles!

### Objects

Insert your objects (i.e. aims, purpose) in 2(1)(a). Although it's not legally necessary for you to have objects we think it's a good idea to have them since they will provide a framework for your activities and provide a guide for future members. Additionally, many funders will expect you to have objects. See the notes below for more information.

### Consensus or Voting?

In articles 1,7, 10 and 32 you have choices between using consensus decision making and voting. If your co-op is to use **consensus** use **option A** in each case. If you intend to **vote** use **option B**. If you use consensus then make sure to define your process in your secondary rules. If you will use voting then decide on what majorities are required and change these in 10(1) and 32(3).

### Collective Management or Board of Directors?

Article 17(2) provides for all members of the co-op to be directors. If you'd prefer to elect a board of directors (i.e. not all members are on the management committee) then simply delete part 2 of Article 17. Although other articles refer to directors and the board of directors, they are written so that they work regardless of whether you have collective management or elected directors.

### “Secondary Rules” (bye-laws)

In addition to these articles it is essential that you draw up “secondary rules” or bye-laws which deal with some of the details that these articles leave out (secondary rules can be easily changed by the co-op whereas any change in the articles requires a signed resolution to be posted to Companies House). The secondary rules must include at least the following:

- Details of your **understanding and procedures of consensus** (if you are using that way of making decisions)(10(3) and 32(3)). (You can get information on this from [www.seedsforchange.org.uk](http://www.seedsforchange.org.uk));
- **Quoracy** for directors' (13(2)) and general meetings (28(2));
- The **minimum number of hours an employee must work** per month in order to be eligible for membership (22(b)).
- Any other **general rules** that the co-op might make for itself.

We've included sample Secondary Rules which cover the above points. You may wish to consider including details of the following as well:

- Principles of your co-op – statements of the purpose of your co-op and thoughts on how you wish to run it.
- Structure of your co-op – what committees, working groups or other sub-groupings your co-op usually has.
- Criteria for working for the co-op – minimum standards that employees should have, or aspire to in order to be a worker (and therefore be eligible for membership of the co-op).
- General guidelines on the probation period for new members.
- General working conditions, standard holiday allowance, working hours, allocation of work, e.g. whether all or most tasks will be rotated or kept within specific sub-groups etc.

### Co-operative Consortia

If you wish to adapt these rules for use by a Co-operative Consortium rather than a Workers' Co-op then see the note on how to do this at the end of the Explanations of the Articles (below).

### Registering your co-operative using these articles

It's easy to register your co-op as a company – full instructions are available in **How to Set Up A Workers' Co-op** handbook (download for free at [www.seedsforchange.org.uk](http://www.seedsforchange.org.uk) or order a copy from [www.radicalroutes.org.uk](http://www.radicalroutes.org.uk)).

If you'd prefer someone else to deal with the paperwork there are many Co-operative Development Bodies that will do it for you, including the Co-operative Enterprise Hub ([www.co-operative.coop/enterprisehub](http://www.co-operative.coop/enterprisehub)) and Co-operatives UK ([www.uk.coop](http://www.uk.coop)). Both will register using these articles if you wish (these articles are on Co-operatives UK's **Approved Model List**).

If you register your co-op using these articles with Companies House then you should make sure that you tick box A8 on the registration form to indicate that some articles are entrenched.

If you wish to use the word co-op or co-operative in your name then you should tick box A2 – Company names' restrictions.

## Co-operative Consortia

These articles can be easily adapted for use by Co-operative Consortia. The only change is to the membership requirements. In these articles membership is restricted to employees, whereas in a consortium the membership should rather be restricted to those who use the services provided by the co-op.

To achieve this simply replace Article 22 with the following:

- 22. (1)** The co-operative may admit to Membership any individual, unincorporated body, firm, partnership or corporate body that wishes to use the services of the Co-operative, who has completed the required probationary period as decided from time to time by a decision of the co-operative in general meeting.
- (2)** Any or all employees of the co-operative may be members, and employees shall be encouraged to become members. However:
- (a)** newly appointed employees may be excluded from membership during such reasonable probationary period as agreed by the co-operative in general meeting; The period of probation may be extended at the discretion of the co-operative in general meeting.
  - (b)** and employees working less than a prescribed number of hours per month may be excluded from membership provided that any prescribed number of hours worked are applied equally to all employees.
- (3)** This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

## Explanations of the articles

Not every article is explained in this section – we’ve just dealt with the ones that are a little more complex or not so easy to understand.

- 1** These articles use a loose description of consensus in the definitions, and a clearer definition of your co-op’s understanding and procedures should be included in the secondary rules. Although unanimity is not the same as consensus we use it in these articles because the interpretation of ‘unanimous’ in case law is looser than 100% unqualified agreement allowing abstentions (‘stand asides’) and qualified support (‘reservations’).
- 2(1)** The objects help to define what your co-op will do. In **(a)** you should list your specific objects, e.g. “To recycle and make available affordable bikes for the benefit of the local community”.
- You can have as many objects as you want, and it’s a good idea to put all the things you are planning to do in here so that you don’t have to update your articles later on.
- Don’t be too specific about your intentions, but do be clear because in future you may look back at this bit to see what the original intentions of the co-op were.
- (b)** to **(d)** are standard co-op clauses to ensure that your co-op follows the co-operative principles and values (which are in Annexe A).
- (e)** and **(f)** allow the co-op to do things not explicitly mentioned in your objects so long as they support them.
- 2(2)** This part ensures that the co-op’s money is only spent on the objects or to run the business.
- 2(3)** “Entrenching” the article is a way of ensuring that it doesn’t get changed without (in this case) all members agreeing.

This is a way of protecting important parts of your constitution from future change. It doesn't make it impossible to make changes, but makes sure that the changes only happen with the consent of all members at that time.

3 This article is a standard co-operative clause, and limits profits to being used for the good of the co-op, its members or similar organisations.

4 This puts the co-op in 'common ownership' – if it is wound up, anything left over is redistributed among other co-ops or good causes.

This can be changed so that in the case of the co-op being wound up anything left over is distributed among members and recent members. If your co-op does this it will no longer be defined as 'non-profit' or 'not for profit', potentially making it more difficult to get grants.

5 This makes your co-op a limited company, which means that if it is wound up members would normally only have to contribute £1 for any outstanding debts.

6 This gives the directors the power to run the company. See below for options on whether all or only some members are directors.

7 Even though the directors are responsible for running the co-op, members can tell the directors to do, or not do something. Choose whether your co-op will use consensus or a vote to make the decision of whether to tell the directors to do (or not do) something.

Obviously this is only useful if not all members of your co-op are also directors, but is worth keeping in just in case at some point not all members are directors (e.g. by a change in the articles or because a member can't be a director because they are too young or bankrupt).

8 This allows directors to delegate some of their authority, and explains who they can delegate to.

9 Although the directors are the only ones with the power to run the company, they may pass on these powers to others (whether individuals or committees) to take on tasks.

10 Choose one of the options to specify whether directors use consensus or vote in their meetings.

10(2) This allows directors to make decisions, even if they are not meeting in the same place at the same time so long as the decision is written down and signed by the directors.

10(1) Option B – voting: In a meeting a simple majority is enough to make a decision. If you prefer, you may choose a majority of, for example 75%. If directors are not all in one place at a meeting then decisions may still be made (e.g. by email) but must be unanimous according to 10(3).

11 This explains how directors' meetings are called. If a director doesn't feel the need to be told about meetings, they can just say this is the case (up to a week after the meeting took place) without it affecting whether the meeting is valid.

12 This explains that directors can be in a meeting, even if they're not all in the same place. For this to happen they need to be able to communicate with each other, and agree that they are in a meeting.

13 A directors' meeting can only go ahead if it is quorate. If not enough directors are there they can only propose another meeting.

Your co-op should state in their secondary rules how many directors are needed to have an official meeting that is allowed to make decisions (a quorum).

If there are less than two directors, then the only decision that can be made is to call a general meeting in order to appoint more directors.

14 The directors may choose any member to facilitate at their meetings. If someone is due to facilitate, but does not turn up within ten minutes of the start time the directors may choose another facilitator.

15 This is a standard clause for companies to provide guidance on what to do when a director has a conflict of interest.

Normally the director in question should not take part in the decision in which the conflict of interest arises, but if the directors decide that it's OK, or the conflict of interest is 'permitted', as defined in (4), then the director who has the conflict of interest is allowed to take part in the relevant decision.

(4) Lists the exceptions: guarantees from or to a director, subscribing for securities or providing benefits to directors or members past or present.

- 16 The co-op (through a decision at a general meeting) or the directors may make any rules for the co-op.
- 17 Directors are appointed by general meeting, and only members may be directors.
- 17(2) This article requires all members to be directors – so all members share the duties and responsibilities of the co-op. Because not everyone can be a director, for example if disqualified from holding a directorship (e.g. after bankruptcy), this article leaves the final decision to a general meeting to decide that person can continue to be a member of the co-operative even if they can't be a director.  
If your co-op is to be managed by a board of directors then delete 17(2).
- 18 This outlines how somebody stops being a director – most usually because they are no longer a member of the co-op or because the general meeting has decided to end their directorship.
- 19 This just says that directors can be paid for work they do for the co-op. (As directors they are also 'office holders' and not just employees, so they won't necessarily have a normal employment contract for their work as directors – this article means they can still be paid for the official duties they do).
- 20 Directors can claim reasonable expenses for meetings – this doesn't mean that this has to happen, nor that normal members can't also be paid.
- 21(3) Directors need to prepare accounts in accordance with the law. All members may inspect the accounts, thus contributing to transparency and accountability within the co-op.  
It is important to consider how to protect individuals' personal data (e.g. benefits payments) that might be in the accounts. The person responsible for the accounts should check whether any confidential data is included in the accounts and act accordingly.
- 22 Because this is a Workers' Co-op only people working for the co-op can be members of the co-op.  
If you work for the co-op you don't have to be a member since this would be against the co-operative principle of voluntary membership. On the other hand if you don't work for the co-op you can't be a member.  
The exceptions are during probation period and for those working less than a certain number of hours per month (the exact number of hours should be decided and put into your secondary rules). Workers falling into either (or both) of these categories may not be members.  
The criteria of a minimum number of hours work per month is a traditional way of defining which workers are eligible for membership of a workers' co-op. You could set the minimum number of hour worked per month as low as 1, although 16, 24 or 32 hours per week are common.
- 23 Members are expected to actively participate in the running of the co-op.
- 24 Membership can be ended by a decision at a general meeting. Although minimum standards for ending membership are stated here you should consider that ending membership means ending employment too – so any termination of membership should be done fairly so that there is no unfair dismissal.  
(c) says that the procedure is "subject to any disciplinary procedure" which means that if you have a disciplinary procedure (and you should!) then that takes precedence over what is written here.
- 25 There's no longer a requirement for small companies to hold Annual General Meetings, so we've put this article in so that if not everyone is a director you should have at least four general meetings a year. This is to make sure that the co-op remains democratic (you can change this to have more or less general meetings).

If all members are directors then you don't need to hold four general meetings (presumably you'll be meeting more often than that anyway).

This article gives a lot of powers of oversight to members if they decide at the general meeting to review the directors' activities and require them to report on both the business and ethical indicators.

- 26 General meetings may be called by the directors, or 10% of membership may call a meeting. The proportion of members required to call a meeting can't be changed as it is part of the Companies Act 2006.
- 27 Only co-op members may take part in decisions. They can do this even if they are not all in the same place (e.g. participating by phone).
- 28 This defines the number of members required to allow a meeting to go ahead (and make decisions). You can decide a higher number and put it in your secondary rules.
- 29 General meetings must choose a facilitator.
- 30 The general meeting can decide to allow a non-member to attend and speak.
- 31 If after half an hour there still aren't enough members present the meeting must be adjourned. Other ways of adjourning a meeting are also listed here.
- 32 Choose one of the options to specify whether the general meeting should use consensus or vote.
- 32(3) **Option B** – voting: change this number if you wish to have a higher or lower requirement. This must be at least 50%.
- 33 This article means that voting can be demanded by members, which obviously is in conflict with any desire to use consensus. The right to demand a poll (i.e. a counted vote) is in the 2006 Companies Act s.321 so you can't decide not to have it, but you can at least require a 100% vote.
- If you chose the consensus option above then a 100% vote is required in any poll. (You can change this in 32(4)).
- If you've chosen the voting options then the size of the majority needed at a poll is the same needed for other decisions, as set out in (32(3)).
- 34 The Companies Act 2006 requires companies to accept proxies. This and the next article explains how this works.
- 35(1) This means that even if you have appointed a proxy you are still allowed to attend a meeting and participate in decision making.
- 35(4) This means that if you haven't signed the proxy notice (e.g. because you did it by email) then you must provide a note to confirm that your proxy is acting on your behalf.
- 36 This says that the co-op can receive or send messages (e.g. notice of general meeting) and documents using electronic means – if this article isn't in here then each individual member would have to explicitly agree to receive messages and documents by email etc. Nevertheless it is still a good idea to get agreement from each member.

# Articles of Association of \_\_\_\_\_ Ltd

## being a co-operative company limited by guarantee

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## Defined terms

1. In the articles, unless the context requires otherwise

“**The act**” means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

“**articles**” means the company's articles of association;

“**bankruptcy**” includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

“**the board of directors**” or “**board**” means all those persons appointed or delegated to perform the duties of directors of the co-operative;

“**Companies Acts**” means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

“**consensus**” means a decision made to which all parties explicitly agree to being implemented.

“**the co-operative**” means the above named company;

“**The Co-operative Principles**” means the principles as defined from time to time by the International Co-operative Alliance and contained in their Statement of Co-operative Identity. These are reproduced in Annexe A;

“**The Co-operative Values**” means the values as defined from time to time by the International Co-operative Alliance and contained in their Statement of Co-operative Identity. These are reproduced in Annexe A;

“**director**” means a director of the co-operative;

“**facilitator**” has the meaning given in article 14 and article 30 respectively;

“**member**” has the meaning given in section 112 of the Companies Act 2006;

“**ordinary resolution**” has the meaning given in section 281 of the Companies Act 2006.

“**participate**”, in relation to a directors' meeting, has the meaning given in article 12;

“**proxy notice**” has the meaning given in article 35;

“**special resolution**” *choose either A or B (and delete the other):*

Option A – Consensus	Option B – Voting
<p>“<b>special resolution</b>” is a resolution passed at a meeting or as a written resolution and the notice of the meeting included the text of the resolution and specified the intention to propose the resolution as a special resolution, and requires the decision to be made by consensus.</p>	<p>“<b>special resolution</b>” is a resolution passed at a meeting or as a written resolution and the notice of the meeting included the text of the resolution and specified the intention to propose the resolution as a special resolution, and requires a 75% majority of those members present and eligible to vote. In any vote on a special resolution each member shall have one vote.</p>

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the co-operative.

## **Purpose of the co-operative and application of income and property of the co-operative**

2. (1) The objects for which the co-operative is established are:

(a) *insert your objects here...*

(b) To abide by and implement the co-operative values and the co-operative principles; support and encourage the growth of the co-operative movement; promote the co-operative principles, enterprises and activities. To encourage equality and democratic control over the workplace.

(c) To advance the education of its members in co-operative principles and practice, and to promote the physical, emotional and mental well-being of employees of the co-operative and its subsidiaries by providing employment which is satisfying, safe and useful.

(d) To have regard to promoting the physical emotional and mental well-being of the community generally, including those persons who, as customers or suppliers of the co-operative, as residents residing in the area where the co-operative is trading, or as employees in other enterprises engaged in similar trading, may be affected by the co-operative's activities.

(e) To carry on any trade or business whatever which can in the opinion of the directors of the co-operative be advantageously carried on in connection with or ancillary to any of the objects and activities of the co-operative.

(f) To do all such other activities, enterprises, projects or ventures which can, in the opinion of the directors of the co-operative, be deemed incidental or conducive (either directly or indirectly) to the attainment of the objects of the co-operative or any of them.

(2) The income and property of the co-operative however derived shall be applied solely towards the promotion of the objects of the co-operative as set out herein and no portion shall be paid or transferred directly or indirectly to the members of the co-operative except by way of payment in good faith to any member of the co-operative in return for services actually rendered to the co-operative, of reasonable wages, bonuses and repayments of expenses, interest on money lent or reasonable rent on premises demised or let to the co-operative. Interest paid by the co-operative on money borrowed from members shall not exceed such rate as is necessary to attract and retain the capital required to further the co-operative's objects.

(3) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

## **Profit of the co-operative**

3. (1) The profit of the co-op shall be applied as follows, in such proportion and in such manner as the General Meeting shall decide from time to time:

(a) To a general reserve for the continuation and development of the co-operative;

(b) To a bonus to all employees in proportion to the hours worked with the co-operative according to a formula to be applied equally to all members;

(c) To promote and assist the formation of new workers' co-operatives or common ownership enterprises by donation to such co-operatives or common ownership enterprises, or to common funds to be used exclusively for their benefit;

(d) To make payments for social, co-operative, community or charitable objects.

(2) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

## **Dissolution**

4. (1) In the event of wind up or dissolution of the co-operative the liquidator shall, according to the law, use the assets of the co-operative to satisfy its debts and liabilities. Any balance of assets remaining must not be distributed among the members of the co-operative but shall be transferred by the liquid-



ator to one or several of the following:

- (a) A co-operative or common ownership enterprise having aims similar or compatible to those of the co-operative, and which shall prohibit the distribution of its income among its membership to an extent at least as great as is imposed on the co-operative under Article 2;
- (b) A fund maintained for the benefit or promotion of common ownership enterprises;
- (c) A charity or charities having aims similar or compatible to those of the co-operative in such a manner as the members decide at or before the time of winding up or dissolution.

(2) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

## Liability of members

5. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the co-operative in the event of its being wound up while she or he is a member or within one year after she or he ceases to be a member, for:

- (a) payment of the co-operative's debts and liabilities contracted before she or he ceases to be a member,
- (b) payment of the costs, charges and expenses of winding up, and
- (c) adjustment of the rights of the contributories among themselves.

## Directors' general authority

6. Subject to the articles, the directors are responsible for the management of the co-operative's business, for which purpose they may exercise all the powers of the co-operative.

## Members' reserve power

<i>Choose either A or B (and delete the other):</i> <b>Option A – Consensus</b>	<b>Option B – Voting</b>
7. (1) The members may, by consensus decision at a general meeting direct the directors to take, or refrain from taking, specified action. (2) No such consensus decision invalidates anything which the directors have done before the passing of the resolution. (3) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.	7. (1) The members may, by special resolution at a general meeting direct the directors to take, or refrain from taking, specified action. (2) No such special resolution invalidates anything which the directors have done before the passing of the resolution. (3) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

## Directors may delegate

8. (1) Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles:

- (a) to such person or committee;
- (b) by such means (including by power of attorney);
- (c) to such an extent;
- (d) in relation to such matters or territories; and
- (e) on such terms and conditions;

as they think fit.

(2) If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.

(3) The directors may revoke any delegation in whole or part, or alter its terms and conditions.

## Committees

9. (1) Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

(2) The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

## Directors' decisions

<i>Choose either A or B (and delete the other):</i>	
<b>Option A – Consensus</b>	<b>Option B – Voting</b>
<p><b>Directors to take decisions by consensus</b></p> <p>10. (1) Any decision of the directors must be taken by consensus.</p> <p>(2) Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.</p> <p>(3) Exact procedures for reaching consensus shall be decided from time to time by the directors or by a decision of the co-operative in general meeting.</p> <p>(4) When deciding procedures for reaching consensus the directors may include an option of taking a vote in case of directors' inability to reach any decision by consensus.</p> <p>(5) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.</p>	<p><b>Directors to take decisions collectively</b></p> <p>10. (1) The general rule about decision making by directors is that any decision of the directors must be either a majority decision at a meeting with each director having one vote each or a decision taken unanimously according to section (3) in this article.</p> <p>(2) Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing.</p> <p>(3) A decision of the directors is taken unanimously when all eligible directors indicate to each other by any means that they share a common view on a matter.</p>

## Calling a directors' meeting

11. (1) Any director may call a directors' meeting by giving notice of the meeting to the directors.

(2) Notice of any directors' meeting must indicate:

(a) its proposed date and time;

(b) where it is to take place; and

(c) if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

(3) Notice of a directors' meeting must be given to each director, but need not be in writing.

(4) Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the co-operative not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

## **Participation in directors' meetings**

12. (1) Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when:

- (a) the meeting has been called and takes place in accordance with the articles, and
  - (b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- (2) In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- (3) If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

## **Quorum for directors' meetings**

13. (1) At a directors' meeting, unless a quorum is participating, no proposal is to be decided on, except a proposal to call another meeting.

(2) The quorum for directors' meetings may be fixed from time to time by a decision of the co-operative in general meeting, but it must never be less than 50% of the directors or two, whichever is greater.

(3) If the total number of directors for the time being is less than the two, the directors must not take any decision other than a decision to call a general meeting so as to enable the members to appoint further directors.

## **Facilitation of directors' meetings**

14. (1) The directors may appoint a member to facilitate their meetings.

(2) The person so appointed for the time being is known as the facilitator.

(3) The directors may terminate the facilitator's appointment at any time.

(4) If the facilitator is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors may appoint one of themselves to facilitate it.

## **Conflicts of interest**

15. (1) If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the co-operative in which a director is interested, that director is not to be counted as participating in that part of the meeting for quorum or decision making purposes.

(2) But if paragraph (3) applies, a director who is interested in an actual or proposed transaction or arrangement with the co-operative is to be counted as participating in the decision making process for quorum and decision making purposes.

(3) This paragraph applies when

- (a) the board decides to disapply the provision of the articles which would otherwise prevent a director from being counted as participating in the decision making process;
- (b) the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
- (c) the director's conflict of interest arises from a permitted cause.

(4) For the purposes of this article, the following are permitted causes

- (a) a guarantee given, or to be given, by or to a director in respect of an obligation incurred by or on behalf of the co-operative or any of its subsidiaries;
- (b) subscription, or an agreement to subscribe, for securities of the co-operative or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such securities; and

(c) arrangements pursuant to which benefits are made available to employees and directors or former employees and directors of the co-operative or any of its subsidiaries which do not provide special benefits for directors or former directors.

(5) For the purposes of this article, references to proposed decisions and decision making processes include any directors' meeting or part of a directors' meeting.

(6) If a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for decision making or quorum purposes, the question may, before the conclusion of the meeting, be decided upon by the board.

## **Directors' discretion to make further rules**

16. Subject to the articles, the co-operative in general meeting or the board of directors may make any rule which they think fit about the running of the co-operative.

## **Methods of appointing directors**

17. (1) Only Members of the co-operative who are permitted by law to do so may be appointed to be a director. Directors shall be appointed by decision of a general meeting of members of the co-operative.

*Optional: This clause makes the co-op collectively managed, delete this if your co-op is to elect a board of directors (and then renumber (3) to (2)).*

(2) Subject to any decision of the co-operative in general meeting, all members of the co-operative shall also be directors. Upon becoming a member of the co-operative a person shall be appointed to the board of directors and if a person ceases to hold office as a director they will also cease to be a member of the co-operative.

(3) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

## **Termination of director's appointment**

18. A person ceases to be a director as soon as

- (a) that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;
- (b) a composition is made with that person's creditors generally in satisfaction of that person's debts;
- (c) a registered medical practitioner who is treating that person gives a written opinion to the co-operative stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- (d) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
- (e) notification is received by the co-operative from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;
- (f) that person ceases to be a member of the co-operative;
- (g) that person is removed from office by an ordinary resolution of the co-operative in general meeting in accordance with these articles and the Companies Acts.

## **Directors' remuneration**

19. (1) Directors may undertake any services for the co-operative that the board decides.

(2) Directors are entitled to such remuneration as the directors determine

- (a) for their services to the co-operative as directors, and

(b) for any other service which they undertake for the co-operative.

(3) Subject to the articles, a director's remuneration may

(a) take any form, and

(b) include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.

## **Directors' expenses**

20. The co-operative may pay any reasonable expenses which the directors properly incur in connection with their attendance at

(a) meetings of directors or committees of directors,

(b) general meetings, or

(c) separate meetings of the holders of debentures of the co-operative, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the co-operative.

## **Accounts**

21. (1) The Directors must prepare for each financial year accounts as required by the Act. The accounts must be prepared to show a true and fair view

(2) The Directors must keep accounting records as required by the Act.

(3) Accounts shall always be open to the inspection of all members and other persons authorised by the co-operative in a general meeting.

## **Membership**

22. (1) Only employees of the co-operative may be members, but any or all employees may be members of the co-operative, and employees shall be encouraged to become members. However:

(a) newly appointed employees may be excluded from membership during such reasonable probationary period as agreed by the co-operative in general meeting; The period of probation may be extended at the discretion of the co-operative in general meeting.

(b) and employees working less than a prescribed number of hours per month may be excluded from membership provided that any prescribed number of hours worked are applied equally to all employees.

(2) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

23. (1) Members agree to take an active interest in the running of the co-operative, including but not limited to attendance at general meetings.

(2) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

24. (1) A person ceases to be a member as soon as:

(a) the member ceases to be in employment of the co-operative; or

(b) notification is received by the co-operative from the member that the member is resigning;  
or

(c) subject to any disciplinary procedure adopted by the co-operative that person's membership is terminated by a resolution of the co-operative in general meeting provided that the concerned member shall be given not less than twenty-eight days notice of the date, time and place of the meeting and the alleged conduct notifying the member of his/her or its rights to attend the meeting and to make representations to it; or

(d) that person dies.

(2) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.

## **General Meetings**

25. (1) In the case that not all members are directors of the co-operative, there shall be held at least four general meetings annually.

(2) Members in general meeting may require directors to prepare and present to the members such regular financial reports, results and cash flow predictions showing the current financial position of the co-operative.

(3) Members in general meeting may require directors to prepare and present to the members such accounts of the co-operatives activities as to measure the social, co-operative, environmental and ethical impact of the co-operative's activities.

(4) All members in general meeting shall have the opportunity to review the management of the business and the general meeting shall ensure that the co-operative is functioning in accordance with the co-operative values and principles.

## **Calling a general meeting**

26. (1) The board of directors may call a general meeting

(2) The members may require the directors to call a general meeting of the co-operative. The directors are required to call a general meeting once the co-operative has received requests to do so from at least 10% of members.

(3) A request for a general meeting from at least 10% of members may specify

(a) its date and time; and

(b) where it is to take place.

## **Attendance and speaking at general meetings**

27. (1) A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

(2) A person is able to exercise the right to participate in decision making at a general meeting when

(a) that person is able to participate in decision making during the meeting on resolutions raised at the meeting, and

(b) that person's participation in the decision making process can be taken into account in determining whether or not such resolutions are passed at the same time as the decision is being made by all the other persons attending the meeting.

(3) The co-operative in general meeting may make whatever arrangements it considers appropriate to enable those attending a general meeting to exercise their rights to speak or participate in the decision making at it.

(4) In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

(5) Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and participate in decision making at that meeting, they are (or would be) able to exercise them.

## **Quorum for general meetings**

28. (1) No business is to be transacted at a general meeting if the persons attending it, or represented by proxy, do not constitute a quorum.

(2) The quorum for general meetings may be fixed from time to time by a decision of the co-operative

in general meeting, but it must never be less than 50% of the members or three members, whichever is greater. If at the time of a general meeting the co-operative has less than three members then the quorum shall be all members.

### Facilitating general meetings

29. (1) The meeting must appoint a member to facilitate the meeting, and the appointment of the facilitator of the meeting must be the first business of the meeting.

(2) The person facilitating a meeting in accordance with this article is referred to as “the facilitator of the meeting”.

### Attendance and speaking by directors and non-members

30. (1) The co-operative in general meeting may permit other persons who are not members of the co-operative to attend and speak at a general meeting.

### Adjournment

31. (1) If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the facilitator of the meeting must adjourn it.

(2) The facilitator of the meeting may adjourn a general meeting at which a quorum is present if

- (a) the meeting consents to an adjournment, or
- (b) it appears to the facilitator of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

(3) The facilitator of the meeting must adjourn a general meeting if directed to do so by the meeting.

(4) When adjourning a general meeting, the facilitator of the meeting must

- (a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the members, and
- (b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

(5) If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the co-operative must give at least 7 clear days’ notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given)

- (a) to the same persons to whom notice of the co-operative’s general meetings is required to be given, and
- (b) containing the same information which such notice is required to contain.

(6) No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

### Decisions at general meetings

<i>Choose either A or B (and delete the other):</i>	
<b>Option A – Consensus</b>	<b>Option B – Voting</b>
<b>Members to take decisions by consensus</b>	<b>Voting at general meetings</b>
32. (1) Any decision of the members, including ordinary and special resolutions, must be taken by consensus.	32. (1) A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with these articles.
(2) Such a decision may take the form of a	

<p>resolution in writing, copies of which have been signed by each eligible member or to which each eligible member has otherwise indicated agreement in writing.</p> <p>(3) Exact procedures for reaching consensus shall be decided from time to time by the directors or by a decision of the co-operative in general meeting.</p> <p>(4) In the case of a poll being taken a resolution decided by poll requires a unanimous vote.</p> <p>(5) This article is entrenched in accordance with section 22 of the Act and any alteration to the article requires the approval of 100% of the members.</p>	<p>(2) Every member shall have one vote.</p> <p>(3) Any resolution passed at a meeting is passed by a majority of not less than 75%.</p>
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### **Poll votes**

33. (1) A poll on a resolution may be demanded at a general meeting, either before or immediately after a decision has been confirmed by the facilitator.
- (2) As required by the Acts, a poll may be demanded by
- (a) five or more members; or
  - (b) ten percent of the membership.
- (3) A demand for a poll may be withdrawn if the poll has not yet been taken.
- (4) Polls must be taken at such a time in that same meeting and in such manner as the facilitator of the meeting directs.
- (5) In the case of a poll being taken each member shall have one vote.

### **Content of proxy notices**

34. (1) A member who is absent from a general meeting may appoint any member to act as their proxy. No member however may act as proxy for more than three members at any one time in any general meeting.
- (2) Proxies may only validly be appointed by a notice in writing (a “proxy notice”) which
- (a) states the name and address of the member appointing the proxy;
  - (b) identifies the person appointed to be that member’s proxy and the general meeting in relation to which that person is appointed;
  - (c) is signed by or on behalf of the member appointing the proxy, or is authenticated in such manner as the directors may determine; and
  - (d) is delivered to the co-operative in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.
- (2) The co-operative may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
- (3) Proxy notices may specify how the proxy appointed under them is to represent their views or in the case of a poll to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- (4) Unless a proxy notice indicates otherwise, it must be treated as
- (a) allowing the person appointed under it as a proxy discretion as to how to vote in any poll on any ancillary or procedural resolutions put to the meeting, and
  - (b) appointing that person as a proxy in relation to any adjournment of the general meeting to



which it relates as well as the meeting itself.

### **Delivery of proxy notices**

**35. (1)** A member who is entitled to participate in any decision at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the co-operative by or on behalf of that person.

**(2)** An appointment under a proxy notice may be revoked by delivering to the co-operative a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.

**(3)** A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

**(4)** If a proxy notice is not signed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointer's behalf.

### **Means of communication to be used**

**36. (1)** Subject to the articles, anything sent or supplied by or to the co-operative under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the co-operative.

**(2)** Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

**(3)** A director may agree with the co-operative that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

## **Annexe A (being a part of the Articles of Association of \_\_\_\_\_ Ltd)**

### **Statement on the Co-operative Identity**

#### **Definition**

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

#### **Values**

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

#### **Principles**

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

#### **1st Principle: Voluntary and Open Membership**

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

#### **2nd Principle: Democratic Member Control**

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

#### **3rd Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

#### **4th Principle: Autonomy and Independence**

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

#### **5th Principle: Education, Training and Information**

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

#### **6th Principle: Co-operation among Co-operatives**

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

#### **7th Principle: Concern for Community**

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

# Secondary Rules of \_\_\_\_\_ Ltd

## Notes:

Secondary rules complement your Articles and set out in more detail how your co-op will be run. **They are not part of the official Articles and do not get sent to Companies House.** They are an internal document and can easily be changed at a co-op meeting, without having to notify Companies House. The sample rules below are the minimum we recommend – they set out in more detail what is meant by consensus decision-making, which is quite important in case there is disagreement within the co-op. You may wish to add more information about the structure of the co-op, who membership is open to, selection and probation processes, employment and allocation of work, volunteers, more on meetings. What exactly and how much you include in your Secondary Rules is entirely up to your co-op. One example of more detailed secondary rules can be found here: [www.organiclea.org.uk/about/ethics/co-operative/](http://www.organiclea.org.uk/about/ethics/co-operative/)

## To use the sample secondary rules below your co-op should:

- decide whether to have a minimum number of work hours needed to be eligible for membership, and to change that number in rule 2);
- decide on a minimum number of people needed for meetings (quoracy). The model articles already set a minimum, so you only need to include rule 4) and 5) if you decide to have a higher number in the secondary rules;
- read the notes on the Articles of Association above.

## General

1) These secondary rules are intended to complement and clarify the Articles of Association of our co-operative. They are agreed by general meeting of the co-operative and may be changed at any time by a general meeting of the co-operative.

## Membership

2) Our Articles allow for a condition of membership to be made on a minimum number of hours worked. This prescribed number of hours shall be set at 20 hours per month. (Article 22(1)(b))

## Policies and Procedures

3) The co-operative shall have the following policies and procedures:

- Grievance procedure
- Disciplinary procedure
- Equality Policy
- Ethical Policy

## Meetings

4) The quorum required for a directors' meeting shall be 3 directors or 50% of the directors, whichever is greater. (Article 13(2))

5) The quorum required for a general meeting shall be 3 members or 50% of the membership, whichever is greater. (Article 28(2))

## Consensus

6) This co-op is committed to making decisions which every member can support. Consensus is reached if every member present are in agreement on an issue, or when not in agreement agree not to maintain an objection.

7) In order to use consensus members recognise that:

- They share a common goal for the co-operative.
- They are committed to reaching consensus.
- They will actively work towards building trust between members, and being honest and open with each other.

- Good decisions need to be given enough time, and rushing a decision rarely helps in the long term. As consensus and its underlying values of trust, honesty and openness are not generally practised in wider society it can take time to adjust and learn to do consensus well and efficiently.
- The running of the co-operative and its meetings requires the active participation of members.
- In order to reach consensus we need to be clear about the process we use so that we understand how we are making the decision.

7) We generally use the process outlined below to reach consensus. Although not all decisions need to explicitly use this process any member may demand that the process below be followed explicitly in each of its stages.