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**GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS**

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**DEPARTMENT OF SMALL BUSINESS DEVELOPMENT**

**NO. 647**

**24 JULY 2015**



**small business  
development**  
Department:  
Small Business Development  
REPUBLIC OF SOUTH AFRICA

**Principles of Good Governance for Co-operatives**

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## 1. Introduction

The Principles of Good Governance for co-operatives aims to assist co-operatives to put the principles of good governance in practice and serve the needs of their members. As in the case of King III Code of Good Governance the objective is to improve the quality of leadership that boards of directors and managers provides to their respective enterprises. The principles seek to assist directors as well as managers to ensure compliance with legislative requirements as well as the requirements as stipulated in the co-operatives own constitution and to assist members of co-operatives to understand their rights as members of co-operatives. Unlike the King Code of Good Governance, which is voluntary, section 3 of Co-operatives Amendment Act requires all co-operatives to comply with the prescribed principles of good governance. In support of International Labour recommendation 193, the principles of good governance, furthermore also supports and promotes compliance with this recommendation, of which South Africa is a signatory.

The principles of good governance for co-operatives provides a framework for co-operatives to develop their own operational policies that enforce the principles of good governance based on co-operative values and principles as well as the vision, mission and objectives of the co-operative itself. Through the application of these principles of good governance, co-operatives should be able to operate as effective co-operative businesses that are economically viable, advance the integrity of the corporate identity of co-operatives as a viable and sustainable business model that can make a meaningful contribution towards the economic viability and social responsibility of its members.

The principles of good governance for co-operatives does not detail or define all aspects of good governance but it outlines the fundamentals of good governance informed by the unique identity of the co-operative business model. The principles of good governance for co-operatives are generic and not aimed at any specific kind of co-operative. These principles will be further refined and over the next few years specific sets of principles of good governance for co-operatives will be developed for the different kinds of co-operatives, i.e. worker co-operatives, housing co-operatives, etc. The principles of good governance for the different kinds of co-operatives will provide a strong foundation for co-operatives to enforce good governance that will inspire confidence and elevates the status of co-operatives as solid and unique business entities that provides a robust long-term approach to building competitive co-operative enterprises and economies.

The principles of good governance for co-operatives provide guidelines to members, boards of directors and managers to ensure compliance with all legal requirements. The aim is to enable all co-operative members, as owners of co-operatives, as well as directors and managers to realize their roles and responsibilities in ensuring compliance with good co-operative governance. Transparency and accountability is at the center of good governance. User friendly checklists have also been included to guide co-operatives to ensure compliance to legislative requirements.

## 2. Co-operative Identity

It is important to differentiate the identity of a co-operative from that of its corporate partners. The most important difference is that co-operatives are owned and controlled by members and **not** by shareholders. As a result they maintain a different approach to the philosophy, structure, ownership, governance, investment and benefit sharing within the business entity, i.e. the co-operative.

Co-operatives are established by members with a *common bond*. This *common bond* are the *services or benefits* the co-operative offer to its members at *competitive prices* and *the organisation they as members own and share* is a business entity based on *democratic principles*. The main purpose is shared services or benefits. Member profits are an indirect result of benefits gained through shared services. The profitability of members as a result of the competitive services delivered by the co-operative guarantees the relevance of the co-operative, ensures sustainability and enables social responsibility.

Co-operatives emerge when important services are not available, or where economies of scale are too small to be economically viable as individual business entrepreneurs or where important community needs are not being met. It is thus the needs of the community that are the most important, with profit generation being a secondary concern. The existence of co-operatives is driven by both social and economic concerns. The priority of a co-operative is to serve the needs of its members and to improve the quality of life of its members. To be successful and be able to grow, co-operatives must, however, be financially robust and well managed just like any other type of enterprise. Good governance and economic viability thus remains a prerequisite to ensure community benefits in terms of services and social needs.

The following table highlights the key elements that differentiate the identity of a co-operative from its corporate partners:

	<b>Co-operative</b>	<b>Company</b>
<b>Purpose</b>	Shared services to fulfill the needs or provide services to members	Profit to shareholders
<b>Ownership</b>	Members	Shareholders
<b>Voting</b>	Democratic Member control (one member, one vote) <sup>1</sup>	Votes in relation to shares
<b>Board</b>	Only members can appoint the Board of Directors	Shareholders appoint the Board
<b>Management</b>	Board of directors appoints manager(s) <sup>2</sup>	Board appoints CEO

<sup>1</sup> Co-operatives Amendment Act No 6 of 2013 allows Category C Primary Co-operatives, Secondary Co-operatives, Tertiary Co-operatives and the National Apex Co-operative to provide in their constitutions that members may have more than one vote subject to some quantity requirements to maintain the democratic nature of the co-operative

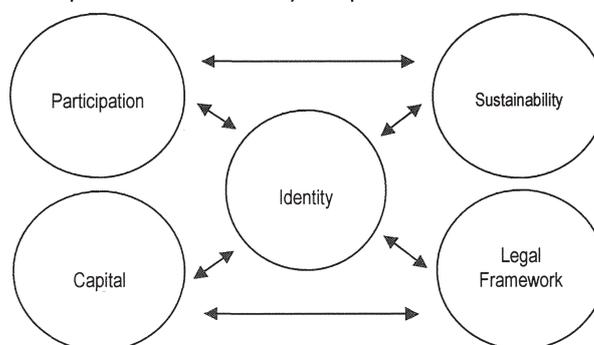
<sup>2</sup> Micro co-operatives with 5 members normally dedicate one of the members to be the manager or formally appoint one of the members as manager or the board the directors divide the management responsibilities amongst them. It is recommended that small to medium co-operatives appoint professional managers to manage

<b>Share holding</b>	Choice of shareholding – nominal value (as determined by co-operative)	Shares – changing market values
<b>Dividends</b>	Surplus is divided in Patronage proportion based on the (Rand) value of transactions by members	Dividends on capital invested/equity

The International Co-operative Alliance (ICA) blue print for a co-operative decade, January 2013, gives emphasis to 5 interlinked topics that makes co-operatives to do business better and brings a more effective balance to the global economy than the dominance of companies. The 5 topics are participation, sustainability, identity, legal framework and capital and are explained as follows:

- Co-operatives are better because they give individuals *participation* through ownership, which makes them inherently more engaging, more productive, use full and relevant to its members;
- Co-operatives are better because their business model creates greater economic, social and environmental *sustainability*;
- Co-operatives are better because the business model put people at the heart of economic decision making and brings a greater sense of fair play to the global economy. This is achieved through the co-operative *identity* which is defined by the core values and principles of co-operation;
- Co-operatives in all countries sit within **legal frameworks** that plays a critical role in terms of ensuring the viability and existence of co-operatives; and
- Access to secure reliable *capital* is important whilst guaranteeing member control.

The 5 topics are interlinked and overlapping and are important to ensure the viability and future of co-operatives to promote sustainability and public interest rather than private interests.



## 2.1 Definition

The Co-operatives Act, 2005, as amended through the Co-operatives Amendment Act, 2013, defines a co-operative as an autonomous association of persons united voluntarily to meet their

the co-operative on behalf of the members. The managers are accountable to the board of directors and their performance should be measured against agreed criteria and targets.

common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles. This definition for a co-operative is aligned with the internationally accepted definition for a co-operative as adopted by the International Co-operative Alliance (ICA).

Co-operatives are thus businesses that are owned and democratically controlled by their members based on the co-operative values and principles. The board of directors is accountable to the members and managers are accountable to the board of directors. The board of directors is responsible to ensure the economic viability and effective management of the co-operative whilst at the same time ensuring that the co-operative serve the needs of its members.

## 2.2 Values

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

## 2.3 Principles

Co-operative principles are guidelines by which co-operatives put their values into practice. All co-operative members and their boards should act in accordance to the following seven co-operative principles: -

### Principle 1: Voluntary and open membership

Co-operatives are voluntary organisations and should be open to all persons able to use their services and willing to accept the responsibility of membership, without gender, social, racial, political, or religious discrimination. (*Persons can join or leave the co-operative*)

### Principle 2: Democratic member control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. (*Because you have an equal say in what happens, you have the right to listen and communicate openly and honestly – your voice will be heard*)

### Principle 3: Member economic participation

Members contribute equitable to, and democratically control, the capital of their co-operative. At least part of that 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 would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership of the co-operative. (*Members provide capital and are part of decision making*)

**Principle 4: Autonomy and independence**

Co-operatives are autonomous self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy. *(Together you are autonomous – co-operative members work together and help each other to achieve their goals)*

**Principle 5: Education, training and information**

Co-operatives provide education and training to 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. *(Co-operative members develop themselves, they learn from each other)*

**Principle 6: Co-operation among co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures. *(Through co-operation you can be more successful who know how to cooperate – co-operatives look for opportunities to co-operate with others)*

**Principle 7: Concern for community**

Co-operatives work for the sustainable development of their communities through policies approved by their members. *(As you succeed you can do something for your community)*

## 2. Governance

All authority and power exercised in the co-operative should be performed in pursuance of the objectives of the co-operatives as stipulated in its constitution.

In exercising these powers the board of directors must develop a set of processes, customs, policies and structures that drive the manner in which an organisation is directed, administered and controlled. These process, customs, policies and structures must be approved by the members of the co-operative. The minimum requirements of a co-operative must comply with the requirements as stipulated in the Co-operatives Act 14 of 2005 as Amended by the Co-operatives Banks Amendment Act as well as Co-operatives Amendment Act No. 6 of 2013 and their regulations. The constitutions of each co-operative further more defines some of these legislative requirements and also stipulates requirements as agreed to by its members.

Governance is, however, not just about fiduciary duties and compliance with legislative requirements, it also involves fairness, participation, accountability, responsibility and transparency, i.e. thus putting the 7 co-operative principles to practice.

The board of directors and the co-operative members, who elect the directors, establish and guide the overall direction of the co-operative to ensure its success as a solid business enterprise and a co-operative community. The directors are accountable to the members of the co-operative and it is important that they accept that this responsibility and ensures

transparency in terms of the decision making as well as the financial accounting of the co-operative to members so that members can make informed decisions. The responsibility of good governance for co-operatives thus rest by the directors or the board as well as the co-operative members who elect the directors.

Distinctive management practices needs to be developed that reflect the democratic values and sustainability of co-operatives and which fully exploit the potential co-operative advantage. The board may appoint managers if the constitution of the co-operative so provides. Professional managers appointed by the board should adhere to the co-operatives principles, all legislative and constitutional requirements of the co-operative and ensure that they act in the interest of the members of the co-operatives. At the same time these managers must be innovative and strategic in ensuring that they optimize the profitability of the members of the co-operative.

The board of directors is required to compile a management decision report each year to ensure compliance with all legal requirements and the requirements contained in the constitution of the co-operative. All though the board of directors may appoint and delegate functions to managers, the board of directors remains accountable to members for the overall management of the co-operative.

### **3. Members**

Membership is at the heart of the co-operative. Each individual member has a role to play in a co-operative which goes beyond the service that the member receives from the co-operative. Members collectively own their co-operative and through the democratic relationship stipulated in its constitution and in line with other legislative requirements, each member has a responsibility to ensure good governance and delivery in terms of the needs of their members in their co-operatives. Individually every member has a right to information and a right to influence decisions through votes.

Co-operative members share the same goals, have a say in how the co-operative is run and benefits through the services offered by the co-operative and may enjoy a share of the surplus. All members are jointly responsible for the election of board members and are entitled to have insight in the manner in which the co-operative is managed. The processes, customs, policies and structure of how the co-operative is managed are provided for in the constitution of the co-operative which is developed by the founding members of the co-operative and approved by its members. The constitution of the co-operative can only be amended through a special resolution or if the members agree to a change to the constitution at a general meeting.

The first three co-operative principles speak directly to members of co-operatives. The first co-operative principle states that 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. The South African co-operative legislation do, however, allows the constitution of a co-operative to restrict the persons eligible for membership provided that the restriction is (a) reasonable to the business of the co-operative as

set out in its constitution, and the commercial ability of the co-operative to provide services to prospective members; and (b) does not constitute unfair discrimination.

The second principle deals with democratic control. In terms of this principle 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 terms of the South African co-operative legislation members in primary category A and B co-operatives have equal voting rights, i.e. one member one vote, and other co-operatives, i.e. category C primary co-operatives, secondary and tertiary co-operatives and the national apex co-operative are also organised in a democratic manner.

The third co-operative principle deals with member economic participation. The first part of this principle requires members to contribute equitably to, and democratically control, the capital of their co-operative. This reconfirms democratic control of the co-operative by its members as well as the manner in which the capital of the co-operative is used. The second part of this principle deals with how members are compensated for funds invested in the co-operative and how surpluses should be used. Unlike with commercial entities established for the purpose of profit, co-operative members usually receive limited compensation, if any, on capital subscribed 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 of the co-operative.

The minimum membership for the establishment of a primary co-operative is (a) five natural persons, or; (b) two juristic persons, or (c) a combination of 5 persons, whether natural or juristic. The minimum membership for a secondary co-operative is 2 operational<sup>3</sup> primary co-operatives whilst the minimum membership for a tertiary co-operative is 2 operational secondary co-operatives. The minimum membership for the national apex co-operative is three operational sectoral tertiary co-operatives that operate on a national level; and five operational multi-sectoral tertiary co-operatives that operate on a provincial, district or local level.

All co-operatives are required to submit an annual report to the registrar with a list of the names of all members and associate members of the co-operative as well as the nature and value of the contribution made by each member of the co-operative.

### **3.1 Rights and responsibilities of members**

Members determine how the co-operative is run and must exercise this right by actively participating in all activities of the co-operative. Members should participate in deliberations at general meetings and any other meetings of the co-operative and exercise their right through voting at general meetings. Members collectively own the co-operative and, amongst other, have a right to:

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<sup>3</sup> Operational means a co-operative that has held its annual general meeting and has submitted its annual report, audited report or independent reviewed report as applicable, to the registrar in its last financial year.

- Access to information and may examine the records of the co-operative during normal office hours and may make copies after payment of a fee;
- Members are entitled to a certificate in respect of shares issued to such member if the constitution of the co-operative allows for shares to be issued and member loans made by that member;
- Members, as owners of the co-operative, are part of the decision making in the co-operative through general meetings or special and ordinary resolutions<sup>4</sup>; and
- Members have the right to withdraw from being a member of the co-operative at any point of time.

Members should abide by the rules of the co-operative as stipulated in its constitution and act in accordance to the co-operative values and principles. Members should always act in the best interest of the co-operative and should ensure that all policies and performances are in accordance with the stated aims and objectives of the co-operative. The general meeting which is made of all the members represents the sovereign body of the co-operative where decisions are made.

### 3.2 Financial liability of membership

The financial liability of members in co-operatives where members are allowed to hold shares in co-operatives is limited to an amount equal to the nominal<sup>5</sup> value of the shares, for which the member has not paid, that the member hold in the co-operative. In co-operatives where members do not hold shares, members are only liable for such amount as is owed to the co-operative in terms of their membership agreement.

### 3.3 Withdrawal of membership

Members may at any point withdraw from being a member of the co-operative. This may be a decision to withdraw or with the death of a member. In both instances, withdrawal of membership by decision of the member as well as withdrawal in the event of death of a member, membership shares must be repaid by the co-operative to the member or estate/family of the deceased member within a period of 2 years.

If a co-operative determines that the repayment of a member's membership shares upon the withdrawal of that member's membership, would adversely affect its financial well-being, the co-operative may, subject to other legislation and its constitution, defer such payment for a period not exceeding two years.

Unless the co-operative determines otherwise, the withdrawal of a member from the co-operative does not release the member from any debt or obligation to the co-operative or any contract between the member and the co-operative.

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<sup>4</sup> See point 5.2 for an explanation on special and ordinary resolutions.

<sup>5</sup> The nominal value of the shares is the value determined by the co-operative on the date when the shares were issued. The nominal value is **NOT** the market value of the shares.

The termination or suspension of membership should be dealt with in line with the provisions in the constitution of the co-operative.

### **3.4 Powers of the registrar in the case of reduced number of membership**

If the membership of a co-operative is reduced to a number less than the number required for registration, and if the number remains less than the number required for registration for six months, the co-operative is deemed to be de-registered in terms of the Co-operatives Act. Such co-operative must be converted into another legal entity or be wound up and the members of the co-operative may be held personally liable for any loss or damages which may occur as a result of any subsequent activities.

### **3.5 Annual submission of member information to the Registrar**

Each co-operative must annually submit information on their members as well as the nature and value of the contribution made by each member to the Registrar.

## **4. Management of Co-operative**

Good management of a co-operative is what makes a co-operative successful. Many options are available for the co-operative to appoint a manager. A co-operative can be managed by one of the board of directors, a member of the co-operative or by a professional manager or professional management team depending on affordability, size and nature of the co-operative.

### **4.1 Board of directors**

The board of directors of is responsible for the management of the co-operative and is accountable to the members, who are the owners of the co-operative. The board of directors is appointed at the annual general meeting by the members of the co-operative. Only members of the co-operative may be elected as directors or executive directors of the co-operative. Associate members may be only be elected as non-executive directors. In the event of a vacancy the board may by way of resolution appoint a director for the remainder of the period as stipulated in the constitution of the co-operative, provided that such appointment is ratified at the next general meeting.

The board should elect a chairperson. A chairperson has the ability, power and commitment to guide and organize the work of the board, initiate and monitor strategic decisions and has the know-how and experience to lead the board.

The members of the co-operative may by special resolution, either through a meeting convened by the supervisory committee or at least 25% of the members if such a co-operative does not have a supervisory committee, agree to dissolve the board if such members find justifiably good reasons that the board is dysfunctional.

The board may delegate functions to a director or manager if this is provided for in the constitution of the co-operative. The constitution of the co-operative must also stipulate the conditions under which functions or responsibilities of the board may be delegated. Should the

board decide to delegate the management of the co-operative to a manager, the board remains accountable to the members regarding the management of the co-operative. It is thus important that the board ensures appropriate management and performance systems are in place should it decide to appoint and delegate the management function of the co-operative to a manager.

Meetings of the board are called by the chairperson or any two directors of the board and a quorum is a majority of the directors of the board unless stipulated differently in the constitution of the co-operative. For purposes of ensuring a quorum, directors participating telephonically or electronically in the meeting are deemed to be present. Decisions are also taken by majority vote and in the event of equal votes the chairperson or the person acting as chairperson has the casting vote. The number of directors as well as period for which they are elected is stipulated in the constitution of the co-operative. A resolution in writing signed by all the directors entitled to vote on such a resolution at a meeting of the board is valid as if such resolution was passed at a meeting, unless the constitution of the co-operative provides otherwise. Records of minutes of meetings of the board must be kept in a minute book.

A director or a manager of a co-operative may not accept any commission, remuneration or reward from any person for, or in connection with, any transaction to which the co-operative is a party unless such commission, remuneration or reward is given in the course of usual business or profession as director, manager or employee and the director, manager or employee has declared his or her interest to the co-operative.

All co-operatives must, in writing, notify the registrar of the full names, addresses and identity numbers of each person elected as a director within 30 days of such appointment or any change of address of a director or any vacancies.

If provided for and approved by members board members should be paid a realistic compensation for their work.

#### **4.2 Functions and responsibilities of the board of directors**

The board has to oversee and ensure the strategic decisions in pursuance of the objectives of the co-operative as informed by the constitution of the co-operative as well as leadership to maximize the benefits for the co-operative. The board must exercise leadership, entrepreneurship, integrity and sound judgment in directing the affairs of the co-operative. The board of directors must also look after the interests of their members needs whilst simultaneously remaining competitive in the market. Member proximity or participation is thus very important. Member participation can only be obtained by ensuring regular, frequent and meaningful interaction with members. This is thus important that the board identify, disseminate and uphold best practices in member participation, engagement and involvement.

The Board must develop internal policies and plan to ensure the efficient and effective running of the co-operative. The Board must also develop a risk plan and report on the risk plan at the annual general meeting to members. Policies or plans developed by the board must be ratified and endorsed by members at the annual general meeting. The policies or plans to be developed by the board include the following:

- Activity plan that summarises the operational and financial objectives of the co-operative for the next financial year with clear business goals and how the funds of the co-operative will be utilised;
- A framework for adequate internal control;
- Risk plan;
- Monitoring and review performance management plans;
- Financial statements or annual report in the case of category A primary co-operatives; as well as
- Social and management decision reports.

The board is responsible to ensure good governance and compliance to legislative requirements as well as the requirements stipulated in the constitution of the co-operative. A director of the board or the board of the co-operative may do all things necessary to carry out the objectives of the co-operative provided that such action is allowed in terms of provisions of the constitution of the co-operative. A director or the board of the co-operative must not pursue any objective or perform any act that is not authorised by its constitution. A co-operative or director that is found guilty of contravening the requirements of the constitution of the co-operatives is guilty of an offence and may be liable to a fine not exceeding one million rand.

The board must ensure transparency in terms of management decisions and the financials of the co-operative as well as accountability to members to provide members with information to make their own judgment around affairs of the co-operative as well as their membership to the co-operative. To ensure transparency and accountability the board must establish effective communication mechanisms to ensure communication with members, management as well as all relevant stakeholders.

The board has a responsibility to increase the number of members to the co-operative and to ensure that members actively participate in the operations and decision making within the co-operative.

#### **4.3 Liability, personal financial interests and returns relating to directors**

Directors must, in writing and in the prescribed manner as determined in section 37 of the Act, disclose to the co-operative the nature and extent of any financial interest in a contract or transaction or a proposed material contract with the co-operative or any change to such contract, transaction or proposal if it is a contract or a transaction that is not available or customarily entered into between the co-operative and its members.

A co-operative must not pursue any objective or perform any act that is not authorised by its constitution and record all business transactions concluded with members and non-members in its annual financial statements.

A director or employee of a co-operative may not use his or her position or any information obtained whilst in his or her capacity as a director to gain any commission, remuneration, reward or other advantage for themselves or for any person other than the co-operative, unless he or she has disclosed full particulars of the nature and extent of such commission, remuneration, reward or other advantage and the material circumstances relating to its acquisition in writing to the co-operative and the co-operative has given its written approval to such acquisition by the director, member or other person, as the case may be.

Notwithstanding the aforementioned provisions, a director or employee of a co-operative may not in any circumstances use their position or any information obtained while acting in their capacity as director or employee to gain any commission, remuneration, reward or other advantage for themselves or for any person other than the co-operative through or in connection with any transaction to which the co-operative is a party.

A director of a co-operative is required to inform the co-operative in writing of any change in his or her address. In return a co-operative must, in writing, amongst other notify the registrar of (a) the full names, address and identification number of each person appointed as a director within 30 days of such appointment; (b) of any change of address of a director, within 30 days of knowledge of such change; (c) after any director has vacated office, within 30 days of such vacation; and (d) of the reason for the registration or removal of a director.

A co-operative or director of a co-operative that contravenes any of these provisions is guilty of an offence.

#### 4.4 Managers

The constitution of a co-operative will stipulate the provisions regulating the appointment of a general manager or executive manager by the board of directors.

Managers in a co-operative are responsible for the effective and efficient day to day management of the co-operative and are accountable to the board of the co-operative. Apart from the management function, managers also have an entrepreneurial function to ensure the relevance and economic growth of the co-operative by advising the board of directors accordingly. Managers should also be responsible for risk management.

Boards of directors often also delegate the supervision of employees to the management of the co-operative. If the managers are responsible for the employees of the co-operative it is important to ensure that performance management and review systems are in place for employees, that employees are trained and that all employment requirements are complied with.

Managers should agree with the board of director on a performance review process to monitor and evaluate their own performance.

#### 4.5 Supervisory committee

A supervisory committee means a committee of members that may be constituted in terms of the constitution of every co-operative to exercise supervision over the board of directors. The constitution of a co-operative will stipulate the manner in which the supervisory committee may be constituted. The supervisory committee must be elected at the first annual general meeting within 18 months from the registration of the co-operative. The supervisory committee consists of members of the co-operative who are not directors.

The functions of the supervisory committee include the following:

- The supervisory committee is responsible for supervising the board of directors by representing the interest of its members between general meetings;
- If there is reasonably reliable information that indicates that any act or omission by the board of directors may impact negatively on the co-operative or any of its members, the supervisory committee must call a special meeting of all its members to discuss such an act or omission. Within 7 days of such a meeting the supervisory meeting must inform the Tribunal of the outcome of such a meeting as well as the board of directors and the member or members affected or concerned of the meetings decision and reasons for the decision. If the supervisory committee fails to inform the Tribunal of the special meeting and its outcome, a member of the co-operative may report the matter to the Tribunal for investigation;
- The members of a co-operative may by special resolution past at a special meeting convened by the supervisory committee dissolve the board of directors if the members find justifiable good reason that the board is dysfunctional or has acted contrary to any law; and
- In instances where a member request access to information relating to a commercial transaction of the co-operative and there is reasonable grounds to belief that the disclosure of such information may be to the disadvantage of that co-operative, the supervisory committee will determine if the board of directors is entitled to withhold such information from the member.

The co-operative must, as in the case of general meetings and meetings of the board of directors, also keep minutes of meetings of the supervisory committee at its offices.

Although it is voluntary for a co-operative to elect a supervisory committee it is advised that all co-operatives with more than 20 members elect a supervisory committee to strengthen internal control and good governance.

#### **4.6 Election of board members, filling of vacancies and requirements to dissolve the board**

The Board must be elected at the annual general meeting of the co-operative for such period as set out in the constitution of the co-operative. The constitution of the co-operative must also stipulate the number of directors to be appointed as well as the term of office, which should be reasonable. The constitution of the co-operative will also determine if a director may be re-appointed for a consecutive term of office. Only members of a co-operative may be appointed as executive directors. Associate members may thus only be appointed as non-executive directors.

In the event of a vacancy on the board, the board may appoint a director for the remainder of the stipulated period as set out in the constitution of the co-operative, subject to any requirements of the co-operative, provided that such resolution must be ratified at the next general meeting of the co-operative.

The board of a co-operative may be dissolved by special resolution passed by a meeting convened by the supervisory committee or a meeting called by 25% of the members of the co-operative where such co-operative does not have a supervisory committee.

### **5. Structure for decision making in the co-operative**

The highest decision making structure in a co-operative is the annual general meeting of members. Members thus decide on the business of the co-operative and not the directors, the board of directors or the supervisory committee. Recommendations by the board of directors or the supervisory committee regarding the business of the co-operative must be submitted at general meetings for consideration by the members of the co-operative.

The board of directors is accountable to the general meeting and the supervisory committee, if the constitution of the co-operative provides for a supervisory committee. Should the board of directors decides to appoint a manager and delegate the management of the co-operative to the manager, the manager will be accountable to the board, but the board ultimately remains accountable for the management of the co-operative to the members of the co-operative.

#### **5.1 Annual general meetings**

A co-operative must hold its first annual general meeting within in 18 days of its registration and thereafter annual general meetings must be held within 6 months of the end of the preceding financial year end.

The annual general meeting must:

- Must, in the case of a category b primary co-operative, appoint an independent reviewer and, in the case of a category c, primary -, secondary -, tertiary – and the national apex co-operative, appoint an auditor;

- Approve a report of the board on the affairs of the co-operative for the previous financial year;
- Approve the financial statements and auditor's report where applicable for the previous financial year;
- Elect directors;
- Elect a supervisory committee, if required by the constitution of the co-operative;
- Approve internal policies of the co-operative;
- Consider the activity plan<sup>6</sup> presented by the board of directors;
- Decide on the future business of the co-operative

A juristic person entitled to vote at a meeting of a co-operative may be represented by any natural person authorised to do so.

The chairperson of the meeting must ensure that minutes of the general meeting is kept in one of the official languages at the office of the co-operative. Minutes of general meeting must be presented at the next general meeting for approval. Upon request, minutes of general meetings must be provided to members.

The minutes of any general meeting, approved by the members and signed by chairperson, or a resolution adopted in terms of the constitution of the co-operative is, in the absence of evidence to the contrary, proof of the outcome of the vote or the resolution taken at the meeting.

Self-assessment questions to ensure compliance to all legislative requirements with regard to annual general meetings of a co-operative are provided under section 11 of the principles of good governance for co-operatives.

## 5.2 Special and ordinary resolutions

A special resolution means a resolution passed at a general meeting<sup>7</sup> by not less than two-thirds of the members present, or such greater majority as may be stipulated in the constitution of the co-operative.

Members of a co-operative may by special resolution:

- Amend the constitution of the co-operative;
- Approve the amalgamation of the co-operative with another co-operative;
- Approve the division of a co-operative into more than one co-operative;
- Approve the transfer of assets, rights, liabilities and obligations by mutual agreement to another co-operative;

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<sup>6</sup> Activity plan means a document that summarises the operational and financial objectives of the co-operative for the next financial year, including clear business goals with reasons why these goals are believed to be attainable and how funds in the co-operative will be utilised.

<sup>7</sup> The constitution of a co-operative determines the quorum requirements for general meetings.

- Approve to convert a co-operative into a company;
- Approve the voluntary wound up a co-operative;
- Approve that a co-operative voluntarily be placed under judicial management; and
- If provided for in the constitution of the co-operative, approve the termination or suspension of a member from the co-operative.

If members find justifiable good reasons that the board of directors is dysfunctional or has acted contrary to any law, the members may dissolve the board by special resolution passed at a meeting –

- (a) convened by the supervisory committee, or -
- (b) called by at least 25% of members where such co-operative does not have a supervisory committee.

Ordinary resolution means a resolution passed at a general meeting by the majority of the members present.

Members of a co-operative may by ordinary resolution:

- Remove an independent reviewer, if it is a category b primary co-operative, or an auditor, if it is a category c primary -, tertiary – or the national apex co-operative; and
- Within a month after its registration, ratify a contract entered into by a person in the name of, or on behalf of, a co-operative before the co-operative was registered.

## 6. Voting rights

The second co-operative principle deals with democratic member control and specifically refers to voting rights. In terms of South African co-operative legislation, members in primary category A and B co-operatives, have equal voting rights, i.e. one member one vote, and other co-operatives at other levels, i.e. category C primary co-operatives, secondary and tertiary co-operatives and the national apex co-operative are also organised in a democratic manner.

Where the constitutions of secondary, tertiary and the national apex co-operative provides for differentiated votes it must be subject to the following legislative requirements:

- Three members, no member has voting rights in excess of 40% per cent;
- Four members, no member has voting rights in excess for 30%;
- Five members, no member has voting rights in excess of 25%; and
- In instances where there are more than 5 members, the constitutions of category C primary, secondary, tertiary and the national apex co-operative may provide that members may have more than one vote provided that no member shall have more than 17% of the votes.

In addition to the above, voting rights in respect of category C primary co-operatives, secondary and tertiary co-operatives registered in terms of applicable legislation prior to the Co-operatives Amendment Act No. 6 of 2013 are regulated by the provision on voting rights contained in its

constitution as it was immediately prior to the commencement of Co-operatives Amendment Act No. 6 of 2013.

Associate members do not have any voting rights.

## 6.1 Proxies

The constitution of a co-operative may allow for members to appoint proxies to attend and vote at general or special meetings on that member's behalf or for postal votes but proxies should be seen as exceptional and should not be recurring. Irrespective of the provisions for proxies in the constitution of a co-operative, proxies are subject to the following minimum legislative requirements:

- No member may appoint more than one proxy to exercise that member's voting rights;
- The number of proxies that a member of a co-operative with 20 members or more may carry on behalf of other members may not exceed 5% of the total membership of the co-operative concerned (the constitution of the co-operative may stipulate a smaller percentage);
- In a co-operative with less than 20 members, a member may only carry one proxy on behalf of another member;
- The total number of votes by proxy during any general or special meeting may not exceed 25% of the total membership of the co-operative concerned (the constitution of the co-operative may stipulate a smaller percentage);
- A proxy appointment must be in writing, dated and signed by the member;
- A proxy appointment must clearly set out the details of the vote to be cast on behalf of the member in respect of each decision on the agenda;
- A proxy appointment remains valid for the period expressly set out in the appointment, unless it is revoked in writing by the member concerned prior to the meeting.

## 7. Constitution of a co-operative

The constitution is a governance document adopted by the members or all prospective members of the co-operative, which set out the objectives, policies and management of the particular co-operative. It sets out the rights and responsibilities of the members of the co-operative as well as that of the board of directors of the co-operative.

The submission of a constitution is one of the requirements for the registration of a co-operative. At the founding meeting of a co-operative, a constitution must be read and agreed to and signed by all founding members. This constitution must be filed with Companies and Intellectual Property Commission (CIPC).

A co-operative may amend the constitution of the co-operative if a proposed amendment to the constitution is approved by the annual general meeting or as a special resolution at a general meeting.

A co-operative registered in South Africa must comply with the following minimum legislative requirements:

- A co-operative registered in South Africa must adopt a constitution that complies with the following requirements as stipulated in section 14 of Co-operatives Act 14 of 2005 as amended through Co-operatives Amendment Act No 6 of 2013;
- Co-operatives that provides for associate members should comply with the provisions for associate members provided for under section 14 of Co-operatives Amendment Act 6 of 2013;
- A co-operative where members are required to hold shares must adopt a constitution that complies with sections 14 and 15 of Co-operatives Act 14 of 2005 as amended through Co-operatives Amendment Act No 6 of 2013;
- A co-operative may, in addition to the matters listed under section 14 (2), adopt any other provision that is not inconsistent with the Act;
- If the name of a co-operative indicates a restriction on the business that may be carried out by a co-operative, the constitution of a co-operative may not be amended to remove such as restriction unless the name of the co-operative is also amended accordingly;
- A co-operative may use a trademark name registered to it by the registrar followed by the abbreviations “co-op” and “Ltd” if the constitution of the co-operative constitution of the co-operative authorises the use of such trademark.

The self-assessment questions under section 11 of this document will assist and guide co-operative to ensure compliance to all legislative requirements with regard to the constitution of a co-operative.

## **8. Restrictions on the functions of a co-operative**

A co-operative or a member is not allowed to do what is not stipulated in the constitution or allowed in terms of co-operative legislation. Failure to comply with the provisions of the constitution of the co-operative is an offence and is prosecutable by law.

A co-operative may execute all actions or functions necessary to carry out its objectives to obtain its mission and vision provided that such actions and functions complies with the limitations imposed on it by its constitution, the co-operative legislation and any other law. If a co-operative performs any action or function not authorized through it constitution or that contravenes a requirement stipulated through co-operative legislation, the co-operative and director of the co-operative who authorised the action or function performed knowing that the co-operative is not empowered to perform that action or function will be guilty of an offence.

## **9. Openness, Transparency and Accountability**

Openness, transparency and accountability form an integral part of the value of a co-operative. Apart from financial reporting, the co-operatives Amendment Act No. 6 of 2013 also calls for the submission of social and management decision reports. Transparency also covers matters

related to conflict of interest, declarations by directors and providing information as required by members.

### 9.1 Conflict of interest

Directors and managers of co-operatives are required to disclose the material interest that he or she has in a material contract or transaction, or a proposed material contract or transaction, with the co-operative as well as any change to such an interest.

Disclosures must comply with the following minimum requirements:

- The disclosure must be made at the first meeting of directors at which the proposed contract or transaction is first discussed or at the first meeting after the director or manager acquired an interest in the contract or transaction;
- If there is a material change in the interest of the director or manager in the contract or transaction;
- Disclosure must be recorded in the minutes of board of director meetings;
- If the person making the disclosure is not a member of the board of directors the disclosure must be made in writing and submitted to the board;
- The board must keep a register of directors and managers' interests in contracts or undertakings containing full particulars of every disclosure of interest made.

Directors or manager who fails to do disclose interest in contracts or transactions with the contract will be subject to disqualification. Disclosures of interest do not apply to a contract or transaction that is generally available or customarily entered into between the co-operative and its members.

### 9.2 Financial reports

All co-operatives must annually submit reports on the financial status of the co-operative to CIPC. Category c primary co-operatives, secondary co-operatives, tertiary co-operatives and the national apex co-operative must submit audited financial statements. Category b primary co-operatives must submit an independently reviewed report and category a primary co-operatives must submit an annual report produced by the board of co-operative.

### 9.3 Social report

Social responsibility forms part of the 7<sup>th</sup> co-operative principle that requires co-operatives to work for the sustainable development of their communities through policies approved by their members.

The social report is an assessment the social impact and ethical performance of the co-operative in relation to its stated vision, mission, goals and code of social responsibility of the co-operative as set out in the constitution of the co-operative. The social report is drafted by the board of directors of the co-operative.

The social report must be completed by the board of directors and forms part of the documentation that must annually be submitted to CIPC.

### 9.3 Management decision report

The management decision report assesses the co-operatives compliance to all legislative requirements and the requirements contained in the constitution of the co-operative.

The management decision report must be completed by the board of directors and forms part of the documentation that must annually be submitted to CIPC

## 10. Capital of Co-operatives

Co-operatives capital generally comes from either members by way of share capital, or retained earnings or reserves. Retained earnings or reserves do however take time to build up, and are not available at start-up. Funding can also be provided by co-operative funding institutions including banks.

The 3<sup>rd</sup> co-operative principle deals with member economic contribution. This principle requires members to contribute equally in amounts proportionate to their membership shares and to democratically control the capital of their co-operative, usually by –

- Retaining part of the capital as common property of the co-operative;
- Giving members limited compensation, if any, on capital subscribed as a condition of membership;
- Allocating surpluses to an indivisible subject to minimum and maximum requirements, or any other reserve as stipulated in the constitution of the co-operative or as considered necessary or desirable by the members of the co-operative; and
- Benefit members in proportion to the rand value of their transactions with the co-operative.

South African co-operative legislation requires co-operatives to stipulate a percentage of the surplus to be set aside as an indivisible reserve provided that such reserves must not be less than one percent and not be more than 5 percent of the asset value of the co-operative as reflected in its most recent audited report, independently reviewed report or annual report depending on the category and

The capital contributed by members may comprise of entrance fees, membership fees or subscriptions, the consideration of membership shares or additional shares in a co-operative, member-loans, and funds of members.

The return paid on member capital is limited to the maximum percentage fixed in accordance with the constitution of the co-operative.

### 10.1 Indivisible reserves and other reserves

Co-operatives are required to put at least a percentage of the surplus in an indivisible reserve. The indivisible reserve is indivisible amongst members. The indivisible reserve must not be less than 1% or more than 5% of the net asset value as reflected in the most recent audited report,

independently reviewed report or annual report. A social co-operative may set aside 100% of its surplus in an indivisible reserve.

In addition to the above indivisible reserve the constitution of the co-operative may provide for other reserves, whether indivisible or otherwise.

A co-operative must use its reserves only in accordance with the manner and for the purpose contemplated in its constitution which may include –

- To sustain the co-operative during periods of financial crises;
- To finance capital expenditure; and
- To finance training and capacity building of members, directors, managers or employees.

Records of the indivisible reserve and other reserves must be kept separately in the financial records of the co-operative and must indicate the purpose what it is used for.

A co-operative must report fully on all its reserves as well as on the use of these reserves in its annual financial statements.

## 11. Self-Assessment Checklists

The self-assessment checklist aims to guide co-operatives in ensuring compliance to minimum legislative requirements in terms of the minimum legislative requirements for the different disciplines in co-operative governance.

### 11.1 Self-Assessments Checklists to ensure legislative requirements in terms of co-operative constitutions

These self-assessment checklists will assist co-operatives to ensure compliance to the legislative requirements pertaining to the constitutions of co-operatives. The checklists covers the minimum legislative requirements for co-operative constitutions; legislative requirements for co-operative constitutions that makes provision for associate members; legislative requirements for co-operative constitutions where co-operatives are required to hold shares; legislative requirements for constitutions of secondary, tertiary and the national apex co-operative; and requirements a co-operative constitution may provide for (9.1.5).

#### 11.1.1 Co-operative constitution must comply with the following:

	SELF-ASSESSMENT QUESTION	YES	NO
1.	Does the constitution stipulate the name of the co-operative?		
2.	Does the constitution stipulate whether it is a primary, secondary or tertiary co-operative or the national apex co-operative?		
3.	Does the constitution stipulates whether it is a co-operative that concludes transactions with both members and non-members of that co-operative or a co-operative that does not conclude transactions with persons who are not members of the co-operative		
4.	Does the constitution stipulate the main objectives of the co-		

	operative?		
5.	A description of the business of the co-operative, including any restrictions on the business of the co-operative		
6.	<p>Does the constitution have a provision stipulating the voting rights of each member as contemplated in section 3?</p> <p><i>Section 3 stipulates that in the case of category A and category B primary co-operatives, each member has only one vote. Section 3 enables the constitutions of category C primary, secondary, tertiary or the national apex co-operative to provide that members may have more than one vote provided that where a co-operative has –</i></p> <p><i>(a) Three members, no member has voting rights in excess of 40 per cent;</i></p> <p><i>(b) Four members, no member has voting rights in excess of 30 per cent;</i></p> <p><i>(c) five members, no member has voting rights in excess of 25 per cent and</i></p> <p><i>(d) Where there are more than five members, no member have more than 17 percent of the votes of all members in the co-operative.</i></p> <p><i>(e) In addition to the afore mentioned, voting rights in respect of category C primary co-operatives, secondary and tertiary co-operatives registered in terms of applicable legislation prior to Co-operatives Amendment Act, 2013, are regulated by the provision on voting rights contained in its constitution as it was immediately prior to the commencement of Co-operatives Amendment Act, 2013.</i></p>		
7.	Does the constitution stipulate the minimum period of notice of general meetings?		
8.	Does the constitution stipulate the place where the registered office of the co-operative is located?		
9.	The minimum and maximum number of directors;		
10	Does the constitution stipulate the term of office of directors, which must be reasonable, and whether a director may be re-appointed for a consecutive term of office, provided that the manner for rotation of directors is stipulated in the constitution of the co-operative?		
11	Does the constitution stipulate the powers and restrictions on the directors of the co-operative to manage the business of the co-operative?		
12	<p>Does the constitution stipulate the requirements for membership of the co-operative, subject to section 3(2)?</p> <p><i>Section 3 (2) enables a co-operative to restrict the persons eligible for membership if the restriction –</i></p> <p><i>(a) Reasonably relates to the business of a co-operative as set out in its constitution and to the commercial ability of a co-operative to provide services to prospective members; and</i></p> <p><i>(b) Does not constitute unfair discrimination.</i></p>		
	Does the constitution stipulate the conditions for the withdrawal of membership of a co-operative, including the necessary period for the notice of withdrawal and repayment of shares, and any provisions		

	relating to the liability of a member for a period after the date of withdrawal, subject to section 23?		
13	Does the constitution make provision for the extension of the period for the repayment of the nominal value of membership shares in the event of the death of a member of the co-operative, provided that such period must not exceed two years;		
14	Does the constitution stipulate the percentage of the surplus that must be kept in the indivisible reserve? Section 46(1) determines that that the indivisible reserve must not be less than 1% of the co-operatives net asset value and need not to be more than 5% of its net asset value as reflected in its most recent audited report, independently reviewed report or annual report.		
15	Does the constitution make provision for the distribution of assets of the co-operative on its dissolution?		
16	Does the constitution stipulate the financial year of the co-operative?		
17	Does the constitution provide for the procedures for the application of membership to the co-operative that should be in accordance with co-operative principles;		
18	Does the constitution make provision for the rights and obligations of members?		
19	Does the constitution make provision for the transfer of membership, members' loan and membership share?		
20	Does the constitution stipulate the conditions and processes for the termination of membership?		
21	Does the constitution stipulate the conditions and processes for the suspension of membership?		
22	Does the constitution make provision for the structure for decision making whereby members can participate in decision-making processes in a democratic and participatory manner?		
23	Does the constitution make provision for annual general meetings and special general meetings, including the manner in which such meetings are convened, the necessary period of notice, the election of a chairperson and provisions for the proposal of resolutions that should ensure democratic decision making?		
24	Does the constitution makes provision for the period of notice for general meetings and must state the conditions and processes to be followed when requesting a general meeting?		
25	Does the constitution make provision for the tabling and adoption of resolutions?		
26	The determination of quorums for general meetings and must ensure that the quorum provides for adequate member control and decision making?		
27	Does the constitution make provision for the manner in which voting may be conducted?		
28	Does the constitution stipulate the conditions under which a resolution in lieu of a meeting may be held and passed?		
29	Does the constitution stipulate conditions and the process for requesting a general meeting?		
30	Does the constitution make provision for the adoption of directors,		

	executive and non-executive directors, on condition that only members may be appointed as directors or executive directors?		
31	Does the constitution provide for the conditions for vacation of office by directors and the filling of any vacancies in a manner that ensures democratic accountability to the members?		
32	Does the constitution provide for the conditions and processes for the appointment of the chairperson. Vice-chairperson and acting chairperson?		
33	Does the constitution provide for the conditions under which a board of directors may delegate functions to a director or committee or manager?		
34	Does the constitution make provision for the manner in which a portion of the surplus that is transferred to the reserve fund may be utilised?		
35	If the co-operative wants to use a trademark name registered by it by the registrar, does the constitution authorises the use of such trademark name?		

**11.1.2 The constitution of a co-operative that provide for associate members must comply with the following:**

	SELF-ASSESSMENT QUESTION	YES	NO
1	Does the constitution provide for temporary membership for a period of 12 months to persons to provide support to the co-operative without becoming a member of the co-operative, i.e. does the co-operative provide for associate members?		
2	Does the constitution provide for associate members to benefit from the co-operative without becoming a member of the co-operative?		
3	Does the constitution allow for associate members to apply for full membership at any time?		
4	Does the constitution provide for associate members to become full members after 12 months or to have their associate membership renewed for a further 12 months subject to the approval by members?		
5	If the co-operative has associate members, has this been indicated in the financial reporting system of the co-operative?		
6	Does the constitution stipulate that associate members do not have voting rights?		

**11.1.3 The constitution of a co-operative where members are required to hold shares must comply with the following:**

	SELF-ASSESSMENT QUESTION	YES	NO
1	Does the constitution of the co-operative stipulate the minimum number of membership shares to be issued to each member?		
2	Does the constitution provide for the nominal value of the shares?		
3	Does the constitution stipulate whether the shares are to be issued fully paid up or not fully paid up, and the conditions under which are to be paid?		

4	Does the constitution provide for the circumstances under which shares are to be paid?		
5	Does the constitution provide for the maximum percentage of the share capital of a co-operative a member may hold, except in the case of a secondary and tertiary co-operative?		
6	Does the constitution provide for the circumstances under which shares are issued to members may be redeemed?		

**11.1.4 The constitution of a secondary, tertiary or the national apex co-operative must provide for the following:**

	SELF-ASSESSMENT QUESTION	YES	NO
1	Does the constitution of the secondary, tertiary or the national apex co-operative provide for the further objectives of the secondary, tertiary or national apex co-operative provided that such objectives may not include any activity that is inconsistent with the objectives of any of its members and which is not undertaken for their exclusive benefit?		
2	Does the further objectives of a tertiary or the national apex co-operative include representing the interests of co-operatives within the sector or region, providing assistance for education and training, establishing a guarantee fund to facilitate external financing of its members, and the establishment of an audit fund to assist members to have their operations audited?		

**11.1.5 The constitution of a co-operative may, in addition to the requirements stipulated above also provide for the following:**

	SELF-ASSESSMENT QUESTION	YES	NO
1	Does the constitution of the co-operative provide for the additional objectives of the co-operatives, objectives in addition to the minimum legislative requirements?		
2	Does the constitution allow for the amount of business allowed with non-members, subject to the provisions of the act?		
3	In the case of a co-operative having members in more than one region, does the constitution provide for the holding of regional general meetings and a conference of delegates?		
4	Does the constitution make provision for a member to appoint a proxy to attend and vote at a general meeting on that member's behalf, or for postal votes provided that no person may act as a proxy for more than the percentage provided for in section 28(5), or for such lesser percentage of members as may be stipulated in the constitution of the co-operative?		
5	Does the constitution make provision for people who want to provide support to the co-operative without themselves becoming members to be appointed as associate members?		
6	Does the constitution make provision for the manner in which the		

	supervisory committee may be constituted?		
7	Does the constitution make provisions for the appointment of a general manager or executive manager by the board of directors?		
8	Does the constitution make provision to make rules consistent with the constitutions and the Co-operatives Act 2005 and amendment through the Co-operatives Amendment Act, 2013 concerning the holding of meetings or any other matter of procedure?		
9	Does the constitution make provision for the settlement of disputes between members of the co-operative, between a member of the co-operative and the co-operative itself, or between the co-operative and any other interested persons?		
19	Does the constitution make provision for determining whether the co-operative allows for the appointment of non-executive independent directors, provided that non-executive independent directors may only be selected from associate members of the co-operative?		
20	A co-operative may provide in its constitution that whole, or a part, of the patronage portion of a member, determined by the board in respect of a financial year, must be applied to purchase membership shares in the co-operative for the member.		
21	The constitution of a co-operative may stipulate that the surplus that is not in an indivisible reserve and not set aside in any additional reserve required by any other applicable law or the constitution of the co-operative, or is not used for the purchase of membership shares, may be placed in such funds and used for such purpose as are authorised by the co-operatives constitution.		

#### 11.2 Annual general meetings

	SELF-ASSESSMENT QUESTION	YES	NO
1	Has the first annual general meeting been held within 18 months of the registration of the co-operative?		
2	If the constitution of the co-operative provides for a Supervisory Committee to be established, has the supervisory committee been elected at the first annual general meeting?		
3	Has subsequent annual general meetings took place within six month after the end of the preceding financial year?		
4	Has the annual general meeting appoint an auditor if it is a category A primary co-operative, secondary co-operative, tertiary or the national apex co-operative or an independent reviewer if it is a category B primary co-operative?		
5	Has the Board informed the registrar of the appointment of the auditor or independent reviewer within 30 days of the appointment of the auditor or independent reviewer in the prescribed manner?		
6	Has the annual general meeting consider and approved a report of the board on the affairs of the co-operative for the previous financial year?		
5	Has the annual general meeting consider and approved an activity plan for the next financial year that sets clear business goals as well as how funds in the co-operative will be utilised?		

6	Has the annual general meeting approved the financial statements and considered the auditor's report if it is a category A primary co-operative, secondary co-operative, tertiary co-operative or the national apex co-operative or approved the financial statements and considered the independent reviewers report if it is a category B primary co-operative?		
7	Has the annual general meeting considered the annual report prepared by the board if it is a category A primary co-operative?		
8	If the annual general meeting has resolved to delay the auditors or independently reviewed report, has the board informed the registrar within 15 days of the resolution of the annual general meeting?		
9	Has the annual general meeting elect directors subject to the requirements of the constitution of the co-operative?		
19	If the constitution of a co-operative provides for a supervisory body, has the annual general meeting elect the members supervisory committee subject to the requirements of the constitution of the co-operative?		
20	Are minutes of all general meeting been prepared and presented at the next general meeting for approval?		
21	Are the minutes of all general meetings kept at the registered office of the co-operative?		
22	Are minutes of the all general meeting been made available to members on request?		

### 11.3 Appointment of directors

	SELF-ASSESSMENT QUESTION	YES	NO
1	Has the director been elected at the annual general meeting?		
2	Is the person elected to be a director of sound mind?		
3	Is the person elected to be a director solvent or has the director rehabilitated?		
4	Has the person elected to be a director at any time been convicted (whether in the Republic or elsewhere) of theft, fraud, forgery, perjury or any offence involving dishonesty in connection with the formation or management of a co-operative or other corporate entity?		
5	Has the director been appointed in terms of the conditions and for the period as stipulated in the constitution of the co-operative?		
6	If the board has by way of a resolution appointed a director to fill a vacancy, has the resolution to appoint the director been ratified at the first general meeting after the resolution have been taken?		

### 11.4 Risk plans

	QUESTIONS THAT WILL HELP WITH THE DEVELOPMENT OF A RISK PLAN
1	What are the possible risks that might hinder the co-operative in achieving its objectives?
2	What is the probability of the risk – need to assess the likelihood of the risks happening
3	What will the impact be - how does the cost of the risk happening weigh up against

	the benefit for the co-operative in achieving the objective?
4	How can the risk be mitigated and what will the costs and benefits be?
5	To ensure contingency – how can the impact of the risk be reduced?
6	Taking into consideration the mitigation and contingency plans to what level can the risk be reduced?
5	To what extent will the co-operative be exposed to the risk, i.e. the part of the risk that cannot be mitigated or reduced?
6	Develop risk mitigation or risk reduction strategies in terms of each identified risk
7	Monitor and review risks

## 7 CO-OPERATIVE PRINCIPLES

1. **Voluntary and Open Membership** requiring co-operatives to be voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without discriminating on the basis of race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language or birth;
2. **Democratic Member Control** requiring co-operatives to be democratic organisations controlled by their members through-
  - (i) Members actively participating in setting their policies and making decisions by majority vote;
  - (ii) Men and women serving as elected representatives and being accountable to the members;
  - (iii) equal voting rights in Category A and B primary co-operatives (one member, one vote); and
  - (iv) a democratic organisations for voting in Category C primary, secondary and tertiary co-operatives and the national apex co-operative;
3. **Member Economic Participation** requiring members to contribute equally in amounts proportionate to their membership shares and democratically control the capital of their co-operative usually by-
  - (i) retaining part of the capital as common property of the co-operative;
  - (ii) Giving members limited compensation, if any, on capital subscribed as a condition of membership;
  - (iii) allocating surpluses to the reserves required in terms of section 46 and any additional reserves required by the co-operative's constitution or considered necessary or desirable by the members;
  - (iv) benefitting members in proportion to their transactions with the co-operative; and
  - (v) supporting other activities approved by the members;
4. **Autonomy and Independence** requiring co-operatives to be autonomous , self-help organisations controlled by their members and if co-operatives enter into agreements with other organisations, including governments, or raise capital from external sources, they should do so on terms that ensure democratic control by their members and maintain their co-operative autonomy;
5. **Education, Training and Information** requiring co-operatives to provide appropriate education and practical training for their members, elected representatives and employees so that they can contribute effectively to the development of their co-operatives and are able to inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operation;
6. **Co-operation among Co-operatives** requiring co-operatives to serve their members as effectively as possible and strengthen the co-operative movement by working together through local, national, regional and international structures where possible; and
7. **Concern for Community** requiring co-operatives to work for the sustainable development of their communities through policies approved by their members.

# IMPORTANT Information from Government Printing Works

Dear Valued Customers,

Government Printing Works has implemented rules for completing and submitting the electronic Adobe Forms when you, the customer, submits your notice request.

Please take note of these guidelines when completing your form.

## **GPW Business Rules**

1. No hand written notices will be accepted for processing, this includes Adobe forms which have been completed by hand.
2. Notices can only be submitted in Adobe electronic form format to the email submission address [submit.egazette@gpw.gov.za](mailto:submit.egazette@gpw.gov.za). This means that any notice submissions not on an Adobe electronic form that are submitted to this mailbox will be **rejected**. National or Provincial gazette notices, where the Z95 or Z95Prov must be an Adobe form but the notice content (body) will be an attachment.
3. Notices brought into GPW by "walk-in" customers on electronic media can only be submitted in Adobe electronic form format. This means that any notice submissions not on an Adobe electronic form that are submitted by the customer on electronic media will be **rejected**. National or Provincial gazette notices, where the Z95 or Z95Prov must be an Adobe form but the notice content (body) will be an attachment.
4. All customers who walk in to GPW that wish to submit a notice that is not on an electronic Adobe form will be routed to the Contact Centre where the customer will be taken through the completion of the form by a GPW representative. Where a customer walks into GPW with a stack of hard copy notices delivered by a messenger on behalf of a newspaper the messenger must be referred back to the sender as the submission does not adhere to the submission rules.
5. All notice submissions that do not comply with point 2 will be charged full price for the notice submission.
6. The current cut-off of all Gazette's remains unchanged for all channels. (Refer to the GPW website for submission deadlines – [www.gpwonline.co.za](http://www.gpwonline.co.za))
7. Incorrectly completed forms and notices submitted in the wrong format will be rejected to the customer to be corrected and resubmitted. Assistance will be available through the Contact Centre should help be required when completing the forms. (012-748 6200 or email [info.egazette@gpw.gov.za](mailto:info.egazette@gpw.gov.za))
8. All re-submissions by customers will be subject to the above cut-off times.
9. All submissions and re-submissions that miss the cut-off will be rejected to the customer to be submitted with a new publication date.
10. Information on forms will be taken as the primary source of the notice to be published. Any instructions that are on the email body or covering letter that contradicts the notice form content will be ignored.

You are therefore advised that effective from **Monday, 18 May 2015** should you not comply with our new rules of engagement, all notice requests will be rejected by our new system.

Furthermore, the fax number **012- 748 6030** will also be **discontinued** from this date and customers will only be able to submit notice requests through the email address [submit.egazette@gpw.gov.za](mailto:submit.egazette@gpw.gov.za).

