NCR

Dutch council for Cooperatives

COOPERATIVE CODE

For cooperative entreprises

version november 2024

Foreword

The cooperative organisation is a form of joint business management. In a cooperative, members work together to achieve more than each individual can do on their own. It is often an extension of their own company. We see cooperatives in all kinds of sectors, large and small. There are cooperatives of private individuals, governments, employees or combinations of all of the above. In all cases, it concerns an association with a company. And in all cases, there is a vision at the basis, a well-understood self-interest anchored in collectivity. Through cooperation, advantages are achieved that cannot or can be achieved less individually. Advantages such as a better market position or risk limitation, but also better information or social goals.

The collective enterprise is seen as an intelligent economic solution but is not the easiest in its nature. The aim is to carefully weigh up individual interests in a balance between the members, any managing boards, directors and supervisors. In addition, the cooperative has various management models. Not every cooperative has the same relationships, task division and role fulfillment. They do have in common that their primary goal is formulated in a shared member interest and underlying vision. Cooperatives can therefore learn a lot from each other's practice and do so: regionally, nationally and internationally as well as sectorally and differently in size and member types.

NCR Cooperative Code

To help balance the interplay between the various powers within a cooperative, the cooperative enterprises have a code. The National Cooperative Council (NCR) is the initiator and penholder of this Code as an advocate for the Dutch cooperatives. The first Cooperative Code was developed by NCR in 2005. The reason was the need of cooperatives for their own code that offers support and inspiration. After all, the cooperative differs from the capital company in terms of purpose, values and organisation. Generally, members of a cooperative enterprise are more involved in the cooperative, there is less absence from member meetings and the members are involved in decision-making at an earlier stage.

Cooperatives need their own code because:

- the membership structure of a cooperative is unique and is not reflected in any other code; the code provides a common framework of
- standards and principles that are not included in laws and statutes;
- the code can serve as a beacon in the event that the cooperative does not function optimally;
- there is a need for concrete tools that may not be too restrictive and burdensome.

The 2005 Cooperative Code was revised in 2019. In 2024, recent developments and changed (social) insights, such as sustainability, have led to the Cooperative Code being adjusted again on a number of points. Although the characteristic cooperative principles have remained largely unchanged, it has been decided to better express a certain focus, particularly in the Regulations. This current Code is therefore an updated version of the 2019 Code.

Aim of the Cooperative Code

The Cooperative Code aims to contribute to the improvement of cooperative entrepreneurship, member involvement and collectivity. The Cooperative Code deliberately does not contain an extensive (tick-off) list of commandments and prohibitions, but is based on principles. This is in line with current social voices regarding codes. The Cooperative Code aims to stimulate discussion among the cooperatives and within the cooperative internally, among both its directors and its members.

The structure of the Cooperative Code

The Cooperative Code consists of three parts: Principles, Regulations and Good Practices.

The Principles are emblematic of the cooperative legal form. They relate to cooperative entrepreneurship (the cooperative runs a business), collectivity and reciprocity (the members work together with each other and with the cooperative, which leads to added value) and the basis of the cooperative: member involvement.

The Regulations contain rules of conduct or further provisions that describe a more concrete interpretation of the Principle. Implementing these in the cooperative will promote the functioning of and cooperation within the cooperative.

In order to support and facilitate cooperatives in implementing the Principles and Regulations, in choosing a specific model and in further organising the structure of the cooperative, various applications and elaborations have been collected. These Good Practices are intended as a guideline, for inspiration and as tools. Whether or not to apply the Good Practices is at the discretion of the cooperative.

The Principles and Regulations are leading and apply to all cooperatives, across all sectors, regardless of the size of the cooperative.

Relationship to legislation and other codes

This Cooperative Code is supplementary to the law. Where the legislator has already provided for a mandatory regulation, this regulation is not included (again) in this Code. This keeps the Cooperative Code compact.

Given the diversity of cooperatives, it is conceivable that the cooperative must comply with another code (for example the Healthcare Governance Code, Corporate Governance Code, etc.). Although an explicit attempt has been made to make the Principles and Regulations included in this Code broadly and generally applicable, the situation may arise that there is a conflict between provisions of the Cooperative Code on the one hand and mandatory legislation or regulations or another code on the other. In that case, the cooperative can (transparently) deviate from this part of the Cooperative Code according to the 'apply or explain' principle.

Who is the Cooperative Code for?

The Cooperative Code is intended for all cooperatives affiliated with the National Cooperative Council (NCR), large and small, regardless of the sector in which they are active or the management model used.

Because the Code aims to function as a tool to improve cooperative entrepreneurship, member involvement and collectivity, the aim is for the Cooperative Code to be complied with by other cooperatives as well. After all, the Principles and Regulations are generally usable and widely applicable.

Application and compliance

The Cooperative Code is based on broadly supported cooperative principles and codes of conduct. These are not optional: NCR members are expected to comply with the Principles and Regulations of the Cooperative Code.

NCR asks its members to annually account to their own members for the follow-up of the Cooperative Code and for the considerations underlying it: the application and compliance with the Cooperative Code is annually placed on the agenda by the cooperative and provided with an explanation and motivation in the annual report.

Members hold their cooperative accountable for compliance with it and cooperatives also hold each other accountable for this. The Cooperative Code is considered successful if it leads to awareness of the idea that underlies it on the one hand, and to a lively dialogue within and outside the cooperative on the other.

Further support by NCR

The provisions of the Code are the result of thorough research and collected Good Practices during the 90-year existence of NCR.

NCR is happy to assist its members and other cooperative enterprises in applying this Code, in answering questions, and welcomes suggestions.

All information about the Cooperative Code can also be found on the Cooperative Platform.

Cooperative Entrepreneurship

Principles

1. The cooperative is an association with an enterprise. Cooperative entrepreneurship means working at the benefit of the members.
2. The cooperative is based on the recognition of a common need.
3. The board is responsible for the long-term value creation of the cooperative.

Regulations

a. When it comes to the goal of the cooperative the interests of the member are central to all considerations. The board and the supervisory board in leading the enterprise need to make decisions between the interests of all stakeholders and need to be able to justify these decisions.

b. The common needs can be aimed at the underlying need of members to solidify their social and/or cultural and/or economic position, but can also be aimed at the creation of social values.

c. The board takes into account the effects of the cooperative and its' operations on the people and environment that are in connection with the enterprise and weighs all the interests of the stakeholders that are tied to these operations.

d. The cooperative itself has no profit motive. The enterprise of the cooperative is a means to serve (the joint interest of) the members.

e. The cooperative does the asset building that is necessary for the enterprise's economical wellbeing for the short and long term.

f. The board determines the benefits and reservation policy and evaluates this on a regular basis with the members in light of the objective of the cooperative and the strategic policies.

- **Collectivity, reciprocity and member involvement**

  Principles

  1. The relationship between members is based on cooperation and solidarity.
  2. The cooperative centres around the notion of the power of the collective.
  3. The relationship between the cooperative and the member as well as the relationship of the members amongst one another is based on the mutual rights and duties.
  4. The cooperative is a member organisation funded on a democratic foundation.
  5. The self-financing by members is the foundational principle and related to the degree of reciprocity and/or member involvement.

  Regulations

  a. Cooperative managers include the members in a timely fashion about important developments. The strategical policies and the related financial frameworks are determined by the members or are presented to the members for approval, unless the members have delegated this responsibility to the board or the supervisory board. In the latter instance the members are involved in the early stages of the formal decision making process, and the decision is justified afterwards. The cooperative directors regularly discuss and assess the cooperative's purpose with their members and / or general assembly.
  b. On a yearly basis the cooperative and its' members pay attention to the principles of cooperation and solidarity.
  c. Good cooperative entrepreneurship entails a full-fledged participation of the members in the opinion and decision making in departments, circles, districts, members' council, and/or the general assembly. The cooperative also involves the members who aren't a part of any administrative body.
  d. The cooperative and the member are transparent to one another and actively provide one another with relevant information.
  e. The member's say is related to the use of the members of the cooperative and the degree of reciprocity. Also the degree of participation in the capital can play a part, albeit in a subordinate role.
  f. The cooperative has a member admission policy which is transparent about in which way this admission policy is executed.

g. For the exercising of the voting rights the cooperative maintains the principle of ‘one member, one vote’ or in the case of multiple voting rights this is determined on the ratio of the transactions of the member in question. The assigning of voting rights to non-participating members needs to be motivated and stay limited.

h. The relationships between the different administrative (decision making) bodies in the cooperative are formulated in such a way that the checks and balances ensure that a healthy tension exists between the members, board and the internal supervisors.

i. The right to vote is only one of the manifestations of authority. The say of the members has to be in service of successful cooperative entrepreneurship. A active dialogue is being held with the members to get a clear oversight of their goals, interests and concerns. For the members to be able to exercise their say in a constructive manner need to have correct and relevant information at their disposal.

j. Decisions of the board regarding a important change in the identity or character of the cooperative enterprise, or of its’ operations, are subject to the approval of the general assembly / members’ council.

k. The cooperative provides in the educational and training possibilities for its’ members, chosen directors and supervisors, managers and employees so they can contribute in an optimal way to the development of the cooperative.

l. The cooperative pro-actively shares the nature and benefits of the cooperative legal form.

m. The board, the supervisory board and the general assembly are responsible for making sure that in their decision making consultation, dialogue and contradiction are stimulated and ensured.

n. The decision making process takes place in such a manner that it also facilitates minority positions and points of view.

o. Member influence and authority is essential in the cooperative. Depending on the governance model members also take essential positions in the board and/or supervisory bodies, unless otherwise stated in binding laws and regulations. The member dominance that is central to the general assembly and the members’ council ensures the member influence and the control it exercises on the governing and supervising of the cooperative.

p. The board and the supervisory board are responsible for the quality of their own functioning and evaluate this periodically. Every member of the board

and supervisory board needs to have the required expertise to carry out their responsibilities.

1. INTRODUCTION

The Good Practices are intended to support cooperatives in implementing the Principles and Regulations of the Cooperative Code, and in setting up the structure of the cooperative. NCR considers these Good Practices as widely supported standards, as 'common sense'. The cooperative enterprise can be inspired by them and, using one or more of these provisions, can further shape and tailor the structure of the cooperative desired by its members. In practical terms, this means that certain provisions from the Good Practices can be incorporated into statutes or regulations, or concretely endorsed by the board, supervision and/or general assembly.

Whether or not to apply these Good Practices is at the discretion of each cooperative. From the perspective of member involvement and transparency, NCR recommends that the board and any supervisory board involve their constituents optimally in the choices to be made.

"NCR considers these Good Practices to be widely accepted standards, as 'common sense'."

2. BALANCE OF COUNTERVAILING POWERS / COUNTERVAILING POWER

The members of a cooperative are the ‘owners’ of the goal that the cooperative is pursuing. This is both in a spiritual and material sense. The idea to unite forces comes from members or on behalf of members, in such a way that a common interest can be served. People often think that they can do something better together than if everyone were to pursue that goal for themselves. ‘Better’ is translated in practice as ‘more effective’, ‘cheaper’, ‘higher quality’ etc. In some cases it is not possible at all to achieve a certain goal individually.

The members have a fourfold relationship with their cooperative.

1. Goal relationship: the members determine together the collective interest and thus the (higher) goal that the cooperative is pursuing on their behalf.

2. Financial relationship: the members help the cooperative to meet the financial preconditions. This is done by investing or, for example, by paying periodic contributions.

3. Transaction relationship: the members do business with the cooperative.

4. Control relationship: because the members own the idea, contribute financially and determine the collective interest together, they have a say. They (also) determine the course of the cooperative association.

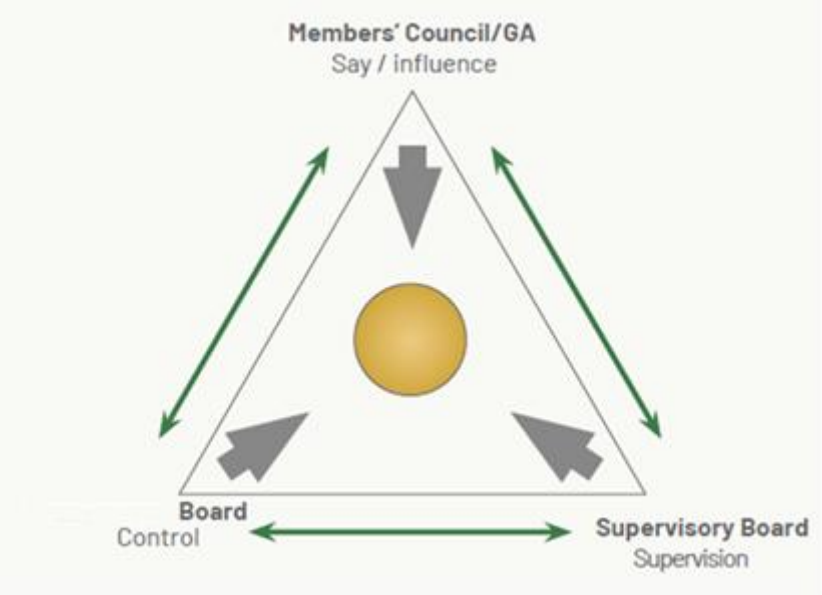
2.1 Governance triangle

Cooperative governance is characterized by three roles and tasks: 1) exercising influence and control, 2) management, and 3) supervision. In a sense, these three elements apply to all cooperatives in the Netherlands. However, a relatively broad description in ‘Burgerlijk Wetboek 2’ allows for variation between cooperatives in terms of the content and positioning of the three roles. This is particularly desirable because each cooperative can then choose the most suitable model given the objective of the cooperative members and given the phase in the development of the cooperative in question. We will discuss in detail the responsibilities that belong to the exercise of the three fundamental management tasks.

The aforementioned relationships between members and the cooperative play a role in the balanced management of the cooperative. By dividing these four relationships across the three bodies, a governance triangle is created within the total group of members. The members determine, according to established procedures, how their cooperative will give shape to the three fundamental management tasks.

2.2 What to do in case of imbalance

All three roles will exert a certain pulling force in governance. For a cooperative to function well, the three roles must be in balance. This is depicted in the illustration with the ball that remains in the middle.



Circumstances can disrupt the balance and one of the roles will become more dominant. For example, a management crisis that puts the supervisory board closer to the ball. That can be a good intervention temporarily, but in the longer term the balance will have to be restored.

The balance can also be structurally disrupted by one of the organs becoming dominant or not being sufficiently powerful. This document provides guidelines for how the different roles can be fulfilled in a balanced way.

"The members determine, according to established procedures, how their cooperative will give shape to the three fundamental management tasks."

3. THE BODIES IN THE COOPERATIVE

3.1 Members' role: influence and say

The members (in the form of the general assembly or the members' council) have the following tasks:

- Signalling
- Advising
- Deciding

Within the cooperative, we call signalling and advising 'influence' and decision-making we call 'say' Say is formed by the rights that the members have. In order to keep the association and the company manageable, various responsibilities are delegated to a board and possibly to a supervisory board. The members therefore waive a number of rights, precisely to increase the chances of success of the whole. That is structurally sensible. Culturally, on the other hand, it is sensible that the members, despite their waiver of certain rights, still have the opportunity to continue to influence policy. In such a way that it really remains their cooperative. The dialogue in which influence and say are exercised, takes place in the general assembly or is delegated by it to a members' council.

Cooperative directors are well advised to involve their general assembly early in important developments, to consult them prior to the drafting of strategy and policy notes and to regularly discuss and test the cooperative's raison d'être with the members. We then speak of effective member participation.

Exercising the role of member participation demands a lot from the members. the board and the members ensure that there is sufficient time left (in addition to the formal decision-making by the general assembly) for advisory consultation between the members and the board. Members must receive the correct information to be able to fulfil their role properly. In addition, they must remain sufficiently 'free' to be able to bring in the facts/the 'raw' reality. They keep the focus within the board on the primary task of the cooperative: serving the common interest of the members. Finally, they must on the one hand question the board and supervision in a testing manner, but on the other hand also accept their value by giving them sufficient space.

This decision-making and influence role of the members requires a permanent (willingness to) dialogue between the members themselves and between the members and the cooperative. (see paragraph 5.5 Cooperative dialogue)

3.1.1 General assembly

The general assembly has the powers that are not assigned to another body in the law or in the articles of association. The decision-making tasks of the general assembly are often of a controlling or accountability-requiring nature. This supervision is often exercised retrospectively. Based on the Basic model described in more detail in chapter 4, typical decision-making tasks of the

general assembly: appointing and dismissing directors and/or supervisors; adopting the annual accounts; granting discharge to the board; the destination of the surplus on the exploitation; amending the articles of association and/or the objective of the cooperative; deciding to merge or split the cooperative; deciding to dissolve and to settle the balance. The general assembly is also authorised to approve other decisions that affect the structure and organisation of the cooperative.

Voting rights

Each member in the cooperative has voting rights. The starting point is that each member has one vote (‘one member one vote’). This can be deviated from in a number of ways:

a) granting more votes to a member

It is possible to distinguish between members in the number of votes that they can cast. Often, this voting ratio is determined by the extent to which the member has transactions with the cooperative or the size of the financial relationship. This differentiation makes it possible to involve loyal or involved members more closely in the decision-making process. For example, members can have more votes if they:

- purchase products or services from the cooperative for a higher turnover, or
- supply products or services to the cooperative for a higher turnover.

It is important that:

- the voting ratio is determined objectively;
- the voting ratio is such that no dominance of (groups of) members arises. This also means that the stronger interest of the member is not converted one-on-one into additional voting rights, but that it is capped and maximized, and/or additional votes are awarded in stages based on a scale. The reason for this is that it is not the intensity of the financial or transaction relationship that is central, but the common goal of the members.

b) differentiate by subject:

It is possible to create statutory member groups that take certain decisions. The general decisions such as the adoption of the annual accounts are then taken by the collective, but the decisions that directly concern this member group are reserved for that member group. The strength of the cooperative lies in the collectivity. This form of differentiation entails the risk that the member groups reason mainly from their own group perspective instead of from the collective interest. When this form of voting differentiation is chosen, it is recommended to delimit the relevant subjects on the one hand and to invest extra in the collective on the other hand so that member groups become familiar with each other's perspective. Decisions that affect the structure and organisation of the cooperative must always be taken by the members as a collective.

c) limiting voting rights to electing a members' council

It is also possible to limit voting rights to electing representatives in the members' council. This members' council often takes over almost all powers of the general assembly. Nevertheless, it is desirable that existential subjects, such as decisions to dissolve the cooperative, to merge or to amend the articles of association, are submitted to all members.

3.1.2 Members' council

A number of cooperatives choose to establish a members' council. A members' council is an association body named by the legislator that is established by (indirect) elections and usually takes over the function of the general assembly. The members' council consists of a group of members who, on behalf of all members, exercise the powers that are normally assigned to the general assembly. A members' council can also function as a body for consultation and deliberation. A members' council is often formed by the representatives of districts, circles and/or departments.

Why a members' council?

Scale: A members' council is often set up when a cooperative has many members. A large number of members makes it more difficult to have good collective deliberation. The interaction between members, the board (and the Supervisory Board) is then limited and the subject matter cannot be discussed in depth. A guideline figure here is that when, during a period of three consecutive years, the number of members of a cooperative is more than 500 people and/or the attendance at the general assembly is less than 50% of the members of the cooperative, the board can discuss with the members whether the establishment of a members' council is desirable.

Continuity: A members' council forms a permanent board that meets regularly. This creates a collective memory and, in meetings, previous discussions can be referred to. In a general assembly, this can be more limited, because there is less continuity of permanent participants. This can lead to the members present at the general assembly making a decision, while they were not (all) actively involved in the process of image formation and opinion formation.

Frequency: a members' council can meet more often than a general assembly, this is easier to organise. This makes it possible to anticipate developments sooner and faster.

Better information exchange, coordination and decision-making: the closed nature of the members' council can ensure in-depth discussion of the topics and a better discussion. It is also easier for the board to share confidential information. The members' council is often better informed and generally functions more critically than a general assembly.

Talent pool: in some cooperatives the complexity is great. In that case the step from member to board member or commissioner can be great due to the information deficit. In practice we see that this step becomes smaller when someone has already functioned in the members' council. In addition, it can be better assessed whether someone has the interest and capabilities to fulfil a management or commissioner role.

The other side of having a members' council

The fact that a members' council is actively involved automatically means that members who are not in the members' council become somewhat more distant. Member involvement can decrease, because a member often only votes in the election for the members' council. This can make the member feel more distant from the cooperative. It is therefore important to invest in the cooperative dialogue, both between members and between members and the cooperative.

The most important goal here is to organise member influence: members are informed about developments, but can also indicate where their interests and concerns lie and indicate preferred directions. This can then be used by the decision-making bodies. It is important that not only what is important to the members is collected, but also feedback is given to the members about what is important in other regions or in other sectors and what is done with the input from the members. The members' council can play an active role in conducting this dialogue.

In addition, some cooperatives choose to organise an annual members' assembly. This assembly does not have a formal character (the decision-making tasks lie with

the members' council), but contributes to the connection between member and cooperative and the members themselves.

What is needed for a good members' council?

Good composition:

• The profile of the members' council includes both a collective and an individual profile. This profile is determined by the members' council.

• The composition of the members' council should reflect the membership and aim for a high-quality and mixed composition. A competency matrix can supplement the profile.

• A members' council should be composed in such a way that the most important movements of the members are reflected. In some cooperatives, this is done by composing the members' council via sector or regional representation. If necessary, this can be linked to a quorum, so that one or more regions are not overrepresented.

• In addition, the size of the members' council is important. Most members' councils have between 20 and 40 members. On the one hand, this number is sufficient to guarantee diversity and to still be able to function in the event of a few cancellations. On the other hand, it is compact enough to be able to have a conversation and to gather different opinions.

Knowledge of the field of work and the cooperative enterprise:

the members' council can only function if it has sufficient knowledge of the relevant factors. This concerns factual information on the one hand, but also relevant developments in the cooperative and the environment in which the cooperative operates.

• the board and any supervisory board provide the members' council with all relevant information it needs in a timely manner for the exercise of its powers.

• the board and any supervisory board provide the members' council with all requested information, unless a serious interest of the cooperative opposes this. If the board and the supervisory board appeal to a weighty interest, this appeal will be substantiated.

• the board is responsible for the quality and completeness of the (financial) reports made public to the members. The supervisory board, if present, ensures that the board takes this responsibility.

the board is responsible for the quality and completeness of the (financial) reports made public to the members. The supervisory board, if present, ensures that the board takes this responsibility.

Skills: the members of the member council must be equipped for their task. They must know what their role is and the relationship with other bodies. They must have the skills to hold meetings, to distinguish between main and secondary issues and to work together collegially. Education and training are important instruments to bring the skills to the right level (see paragraph 5.6 Training).

Position: the governance of the cooperative must be in balance. This also means that the members' council must have sufficient position in relation to other bodies and in relation to the members.

Occasion: the members' council meets in the members' council meetings. Most members' councils meet 2 to 4 times a year, with one of the meetings discussing the budget for the following year and one discussing the annual report. In addition, some cooperatives work with thematic meetings where the members' council explores specific market developments or business units.

Mandate and consultation

The members' council members are elected by all members or a selection thereof (for example, sector or region). In particular when a members' council member is elected by a selection of members, the question arises whether a member of the members' council can vote with or without mandate and consultation.

Voting without mandate (i.e. without an assignment) means that a members' council member may not be instructed to take a certain position in a vote and must form a judgment based on his own insight and conviction. Voting without consultation means that one has the right to make a decision without first consulting someone from the constituency (‘consultation’).

It is customary for members of a members’ council to vote without mandate and consultation. The idea behind this is that a members’ council member should not be guided by partial interests, but by the general interest when reaching his/her positions. In addition, much value is attached to the deliberation in the members’ council and then a biased position would be counterproductive. Finally, decision-making is accelerated because members have committed themselves not to consult with others before casting their vote.

Appointment term(s) of members' council members:

There are no legal frameworks for the appointment term of members' council members. The cooperative regulates the appointment term in the articles of association. In order to determine what is an appropriate term, the following factors are often used:

Induction period: it takes time to get used to the role as a member of the member council, but also to the substantive issues that one has to deal with. The complexity of the cooperative and the capacities and management experience of the member council determine how long this induction period is. A member council member often experiences that it takes 1 to 2 years before he/she can function maximally effectively as a member council member.

Freshness: experience comes with time, but this time can also lead to less sharpness in functioning. From that perspective, there is something to be said for maximizing the term of office.

Representativeness: a member council must be a representative reflection of the membership. A term of office that is not too long promotes a certain change of sitting member council members.

Continuity: one of the advantages of a members' council compared to the general assembly is that the members' council can develop a kind of collective memory. Reference can be made to matters that have been dealt with in the past. From that perspective, it is desirable to create continuity by means of a certain term of office. This enables members' council members to recognise matters better and to consider issues from a historical perspective.

The above-mentioned factors apply in principle to every administrative body. In addition to its **decision-making function**, the members' council of a cooperative also has an **influential function**. This means that the members' council represents the voice of the members. In order to fulfil this influential role well, there is something to be said for choosing more rotation for the members' council by means of a shorter term of office. This enables a greater diversity of members' interests to be addressed.

From this perspective, NCR advises to use a term of office of 4 years for members' council members. Re-election can then take place once for a period of up to 4 years. Of course, this re-election is only an option if the member of the council has performed properly and still fits the job profile.

If the council member is a legal entity, this legal entity is eligible for re-election without limitation, provided that the natural person designated by the legal entity to actually take up the seat is replaced by another natural person after no later than eight years (after the first re-election term).

(Schedule of) resignation

The member council draws up a schedule of resignation in order to prevent as much as possible that many council members resign at the same time. The member council itself is best able to make the considerations that lead to a suitable schedule of resignation (which knowledge and competences are necessary, who is available for a longer or shorter period). Therefore, the members' council can determine its own schedule of resignation and we advise that this should not be approved by the body that elects the council members. However, the schedule of resignation should be clearly communicated to the members and, if necessary, explained.

A council member can resign in the interim if his or her performance is inadequate or if, in the opinion of the competent body for the election of the council members is required. The members' council can also submit a proposal to this effect in this body.

Self-evaluation of the members' council

In this context, it is important that the members' council periodically evaluates its own performance, sometimes under the guidance of an external person. Depending on the number of times the council meets per year, the council determines the frequency and depth of this evaluation.

Members' council committees

Some members' councils have set up committees that prepare advice or decision-making for the members' council. These include:

- (financial) committee that prepares the discussion of the annual accounts or rate changes;
- (selection) committee that prepares the nomination of appointments of members of the board, the supervisory board or the members' council;
- (agenda) committee that is involved in the creation of the agenda in consultation with the board and the supervisory board;
- committee that delves into strategic or policy themes.

These committees do preparatory work for the members' council, but do not have a mandate themselves; the members' council remains authorised to issue advice or take decisions.

Chair of the members' council

We see several variants in chairing the members' council meetings:

1. A member of the members' council: the members' council is a fully-fledged and independent body. From that perspective, it can be defended that the meetings are chaired by one of the members' council members. In that case, it is essential that the chair has sufficient (background) information, so that the right focal points are placed in the meeting. The chair must also be able to provide sufficient counterweight to the chair of the board or the supervisory board.

2. The chairman of the board or the supervisory board. This chair has the knowledge required to be able to place the right focal points in the meetings. For that reason, it is often chosen for practical reasons to have the chairman of one of these bodies also chair the members' council meetings. This is then about the technical chairmanship of the members' council meeting. This also makes it possible for all members of the members' council to focus on the substantive discussion of the subject. This model can also work with a system in which the chairmanship rotates among the various members of the board or the supervisory board (in turns).

3. When the agenda or the discussion requires it, the chairmanship will be (temporarily) transferred to a replacement. This applies, for example, to agenda items in which the functioning of the board or supervisory board is discussed.

4. An independent third party: some cooperatives choose to have a non-member of the cooperative technically chair the members' council. The consideration here is often that one attaches importance to the independence of the members' council and therefore does not want to have the meetings chaired by the chairman of the board or the supervisory board. It may also be that there is insufficient knowledge or experience available within the members' council to appoint the chairmanship within the members' council.

Please note: When we talk about chairing a members' council meeting, we are talking about a technical chairman. This chairman only chairs the members' council meetings as such. This is in contrast to the chairman of the members' council as a body.

The function of chairman of the members' council body therefore concerns more than just chairing the members' council meetings. The chairman of the members' council represents the members' council both internally and, where necessary, externally, and is the linking pin to the other bodies and entities of the cooperative. These two functions can possibly be divided between two people.

Remuneration

Members' council members generally receive remuneration for their efforts in the members' council. In practice, this often concerns a remuneration per attended part of the day/meeting, supplemented with a travel allowance. Such remuneration does justice to the efforts that members make for the benefit of the cooperative, and motivates members to attend meetings.

3.2 The Board

role: management

The board manages the cooperative. That is to say: the board is responsible for setting out the main lines and for the small details. A legal entity must have a point of contact. That is the board. The members give the board that mandate by appointing the board members to that position. Often, further agreements are made in the articles of association and in regulations about the limits of the management mandate.

The board is responsible for the realisation of the objectives of the cooperative, the strategy with the associated risk profile, the policy determination and the preparation and implementation of it, the results developments, and the social aspects of entrepreneurship relevant to the cooperative, as well as for the financing and personnel policy.

The board is accountable for the fulfilment of its management task to the general assembly or the members' council and, if present, to the supervisory board. The board provides the supervisory board with all information that is necessary for the performance of the task of that body in a timely manner. the board is responsible for compliance with all relevant laws and regulations, managing the risks associated with the business activities, and for the financing of the cooperative. The board reports on the internal risk management and control systems and discusses the internal risk management and control systems with the supervisory board and -if established- with the audit committee.

Approval of the Supervisory Board

In case the cooperative has a Supervisory Board, the following provision can be used regarding approval. The Board submits to the Supervisory Board for approval:

- the operational and financial objectives of the cooperative;
- the strategy that must lead to the realisation of the objectives;
- the boundary conditions that are used in the strategy, for example with regard to the financial ratios;

- the social aspects of entrepreneurship that are relevant to the cooperative.

The main points of this are stated in the annual report.

If no Supervisory Board is present, it can be agreed within the cooperative that the board of directors submits the above-mentioned points to the general meeting.

Risk management and control system The cooperative has an internal risk management and control system tailored to the cooperative enterprise. The cooperative uses the following as instruments of the internal risk management and control system:

a. risk analyses of the operational and financial objectives of the cooperative;

b. instructions for the design of the financial reporting and the procedures to be followed for the preparation thereof; and

c. a system of monitoring and reporting regarding risk management and internal control.

In the annual report, the board provides with regard to internal risk management:

a. a description of the main risks related to the cooperative;

b. a description of the design and operation of internal risk management and control systems with regard to the main risks in the financial year; and

c. a description of any significant shortcomings in the internal risk management and

control systems that have been identified in the financial year and any significant

changes that have been made to those systems, any significant improvements to those

systems that are planned and that this has been discussed with the supervisory board and, if established, with the audit committee.

With regard to financial reporting risks, the board declares in the annual report that the internal risk management and control systems provide a reasonable degree of certainty that the financial reporting does not contain any material inaccuracies and that the risk management and control systems have functioned properly. The board provides clear substantiation of this.

Whistleblower scheme (legally required depending on the size of the cooperative)

the board draws up a whistleblower scheme in which employees of the cooperative have the opportunity to report alleged irregularities within the cooperative of a general, operational and financial nature to the chairman of the board or to an official designated by the chairman of the board, without endangering their legal position and, if desired by the employee, anonymously. Alleged irregularities concerning the functioning of directors are reported to the chairman of the supervisory board.

Confidential advisor (legally required for employers with 10 or more employees)

the board appoints an internal or external confidential advisor. This person's task is to receive, guide and advise employees in the event of undesirable behaviour, and to refer them to professional help if necessary. In addition, the confidential advisor is responsible for identifying bottlenecks in the implementation of the policy and providing advice to the employer, works council, or employee representation. This advice is not without obligation; the employer must respond quickly and explain any deviations. In addition, the confidential advisor must report annually on his or her findings to the relevant parties. This creates a clear range of tasks to which the works council or employee representation is actively involved. The bill also gives the works council or employee representation explicit right of approval in the appointment of the confidential advisor.

Although the law does not specify specific training requirements for confidential advisors, it does require that employers describe in their risk inventory and evaluation (RI&E) how the confidential advisor has sufficient expertise and experience, can free up time and, above all, can act confidentially.

In addition, in the future, the confidential advisor will enjoy the same dismissal protection as members of the works council, which means that they cannot simply be dismissed.

Documents to be made public

the board will place the following documents on the cooperative's website, which is accessible to members and third parties:

a. the whistleblower scheme as referred to in paragraph 3.2;

b. the contact details of the confidential advisor as referred to in paragraph 3.2;

c. the profile sketches and the competence matrix of the members' council;

d. the schedule of resignation of the members' council;

e. the articles of association;

f. the regulations regarding insider trading as referred to in paragraph 5.12;

g. an annual social annual report to the extent that this is not an essential part of the

general annual report;

h. the board publishes a report on the same website with a sound explanation regarding the application of the Cooperative Code, and gives a reasoned indication of which Principles and/or Regulations are not being complied with.

Composition of the board

The board draws up a profile sketch for its composition, taking into account the cooperative objective and activities of the company as well as the desired expertise and background of the directors.

A collective and an individual profile sketch are drawn up. The collective profile describes what the entire board looks like. In addition, a competency matrix for the directors must be drawn up, taking into account, among other things, the intended diversity and complementarity. The diversity is expressed, among other things, in the gender and age of directors. At least 30% of the seats on the board are occupied by women and at least 30% by men.

The body that appoints the directors must approve the profile sketch and the competency matrix.

The individual profile outline describes that each director must be equipped for his task and must have sufficient time to fulfil his task. In addition, each director has the specific expertise that is necessary for the fulfilment of his task, within his role in the context of the profile outline of the board.

Appointment term(s) of director:

There are no legal frameworks for the appointment term of directors. The cooperative regulates the appointment term in the articles of association.

To determine what is an appropriate term, the following factors are often used:

Training period: it takes time to get used to the role of director, but also to the substantive issues that one has to deal with. The complexity of the cooperative and the capacities of the director determine how long this training period is.

Freshness: experience comes with time, but this time can also lead to less sharpness in functioning. From that perspective, there is something to be said for maximizing the term of office.

Continuity: the board determines the strategy of the cooperative. From that perspective, it is important to create continuity by having a longer term of office.

Types of directors

In cooperatives, we see two types of directors: 1) management-directors and 2) member-directors. The member-directors are the directors who are active in the basic model, the hourglass model or as non-executive directors in the monistic model. The executive directors are directors in the RvC+ model (see chapter 4: Governance models). A distinction is made in the recommended term of office of these two categories of directors.

1. Executive directors in the RvC+ model

For executive directors, appointed in the so-called RvC+ model, a term of office of four years is recommended. On the one hand, this period provides time to ‘establish something’, but also provides sufficient focus to discuss after this term whether the performance and profile give reason for a subsequent term. Reappointment can then take place without limitation.

If the director is not reappointed for a subsequent term, the situation may arise that an employment contract still exists, but that the role of director is no longer executed by this person. This can be an undesirable situation. That is why it is often agreed before the first appointment how the employment contract will be terminated.

2. Member-directors (being cooperative members)

For directors who are cooperative members, the advice is to use a term of four years and the one-time possibility of reappointment for another period of four years. The idea behind these terms is, on the one hand, the experience that such a director usually needs an induction period of approximately one year to optimally fulfil his role, and on the other hand, the experience that replacing such directors in a timely

manner usually benefits the development of the organisation and guarantees new 'fresh' insights.

If special circumstances arise, a second reappointment can take place for a period

of up to four years. Special circumstances can include, for example:

- the continuity of collective knowledge and experience within the board being jeopardised; and/or
- if it concerns a chairman of the board who only became chairman during his second term of office.

If the member board consists of more than one director, the board will establish a schedule of resignation to prevent as much as possible that many directors resign at the same time. The body that appoints the directors must approve the schedule of resignation.

A director will only be reappointed after careful consideration. The aforementioned profile and competence matrix will also be observed in the event of a reappointment.

The following information will be provided for each director in the annual report:

a. gender;
b. age;
c. profession;
d. main function;
e. nationality;
f. secondary functions insofar as these are relevant to the fulfilment of the task as director;
g. date of first appointment; h. the current term for which he or she has been appointed; and
i. whether or not he or she is a member (whether or not via a legal entity in which he or she has direct or indirect predominant control) of the cooperative.

The board evaluates at least once a year its own functioning as a collective and that of the individual directors. At least once every three years this will be done with external guidance.

A director will, before also accepting a position with another legal entity, inform the chairman of the supervisory board (if established) of his intention. To the extent that accepting the position is of material importance to the director and/or the cooperative, as determined by the chairman of the supervisory board, the director will only accept the position after approval by the supervisory board.

The board ensures that the cooperative has a policy regarding the recruitment of young cooperative members who wish to be considered for a management and/or supervisory position within the cooperative. the board also ensures that these young cooperative members receive adequate training and guidance from the cooperative.

Training

the board ensures an adequate training plan for all levels in the cooperative (see paragraph 5.6).

Remuneration

The directors receive remuneration from the cooperative for their work, which is such in terms of level and structure that qualified and expert directors can be recruited and retained. As a rule, an annual fee is used. The appointing body determines the level and structure of the remuneration of the directors. Insofar as a remuneration committee has been established, the appointing body determines the remuneration of the directors on the proposal of the remuneration committee. The objectives for any variable remuneration components, also taking into account the long-term objectives of the cooperative, are analysed prior to drawing up the remuneration policy and prior to determining the remuneration of individual directors.

To the extent that the cooperative has a remuneration system with variable remuneration components:

the assessment body has the authority to adjust conditional variable remuneration components downwards or upwards, if in its opinion they lead to unfair outcomes due to extraordinary circumstances in the period in which the predetermined performance criteria were or should have been achieved.

To the extent that the cooperative has a remuneration system with variable remuneration components:

the assessment body has the authority to reclaim the variable remuneration components in whole or part from the director or the other persons referred to, to the extent that the payment has taken place on the basis of incorrect (financial) information about the achievement of the objectives underlying the variable remuneration components or on the circumstances on which the variable components are made dependent.

The cooperative does not provide its directors with personal loans, guarantees and other security unless in the normal course of business and on conditions applicable to all staff and/or (other) members and after approval by the supervisory board. Loans will not be waived.

Conflicting interests

Any form or appearance of conflict of interest between the cooperative and directors is avoided. Decisions to enter into transactions in which conflicting interests of directors play a role require the approval of the appointing body.

Agreements with directors, or agreements with a legal entity in which the director in question has direct or indirect predominant control, of a type such as those also concluded with (other) cooperative members also require the approval of the appointing body in the event that conditions are agreed that deviate from what is customary within the cooperative.

All transactions involving conflicting personal interests of directors are in any case agreed under conditions customary in the sector.

A director shall immediately report a (potentially) conflicting personal interest to the chairman of the general assembly / the members' council and if established, to the chairman of the supervisory board and the other directors and provide all relevant information about it. The supervisory board and the chairman of the general assembly / the members' council shall determine, without the presence of the director in question, whether there is a conflicting personal interest and shall decide, without the presence of the director in question, whether he wishes to approve the decision to enter into the transaction. If the director with the (potentially) conflicting personal interest is also chairman of the general assembly / members' council, the director shall report such a conflicting interest to the vice-chairman of the general assembly / members' council, unless the articles of association and/or the cooperative code of conduct prescribe otherwise. A director does not participate in the discussion and decision-making on a subject or transaction in which the director has a conflicting personal interest.

3.3 Supervisory board
role: supervision

The third task to be distinguished in cooperative governance is supervision. If a cooperative falls under the structure regime, the supervisory task must be performed by a mandatory supervisory board. As long as this is not the case, the cooperative can choose to leave the supervisory task to the general assembly or voluntarily appoint a third management body to be established:

a supervisory board or a board of commissioners (these are synonyms).

This board then has four important tasks:

1. supervising (the execution of the tasks of) the board and the cooperative as a whole;

2. providing solicited and unsolicited advice to the board and to the general assembly;

3. exercising the 'employership' of the board in whole or in part;

4. a network role and an ambassadorial role.

the supervisory board is accountable for these four tasks to the general assembly / members' council.

The supervisory board supervises, but its advisory function is at least as important. This implies commitment of the individual commissioners to the specific cooperative mission statement. As the cooperative becomes a more closed form of cooperation of, for, by and with the members, a model in which the supervisory board consists (partly) of members is appropriate.

If a supervisory board or a board of commissioners is chosen voluntarily, the cooperative is largely free, from a legal perspective, in the tasks and powers it assigns to this board. The following provisions provide guidance on how to shape and further define the task of the supervisory board. Here too, it should be emphasized that this concerns good practices, and that the cooperative itself must assess whether their application is appropriate for the cooperative in question.

Tasks of the supervisory board

The supervisory board is responsible for supervising the policy of the board and the general course of affairs in the cooperative and the company associated with it, and supports the board with advice. In fulfilling its task, the supervisory board focuses on the interests of the cooperative and the company associated with it, and weighs up the relevant interests of the cooperative members and other stakeholders. The supervisory board also includes the social aspects of entrepreneurship that are

relevant to the cooperative. The supervision of the supervisory board on the management includes, among other things:

- the realisation of the objectives of the cooperative;
- the strategy and risks associated with the
- business activities;
- the design and operation of the internal
- risk management and control systems;
- the financial reporting process;
- compliance with laws and regulations;
- the relationship with the members;
- the social aspects of entrepreneurship that are relevant to the cooperative.

The supervisory board and the supervisory directors individually have their own responsibility to request all information from the management and the external accountant that the supervisory board needs in order to be able to properly perform its task as a supervisory body. If the supervisory board deems this necessary, it can obtain information from officers and external advisors of the cooperative.

The cooperative shall make the necessary resources available for this purpose. The supervisory board may require that certain officials and external advisors be present at its meeting.

The supervisory board shall discuss at least once a year the strategy and the main risks associated with the company, the systematic analysis of the operational risks and the adequate mitigation of these risks, the results of the assessment by the board of directors of the design, the functioning of the internal risk management and control systems, as well as any significant changes therein. The holding of the discussion is reported in the report of the supervisory board.

At least once a year, without the presence of the board of directors, the supervisory board shall discuss its own functioning, the functioning of any separate committees of the supervisory board and that of the individual commissioners and the conclusions that must be drawn from this. At least once every three years, this shall be done under the supervision of an external person. The desired profile and composition and competence of the supervisory board are also discussed. The supervisory board also discusses at least once a year, without the board being

present, both the functioning of the board as a board and that of the individual directors, and the conclusions that must be drawn from this. The report of the supervisory board states how the evaluation of the supervisory board, the separate committees and the individual directors has taken place.

The report of the supervisory board is part of the annual accounts of the cooperative. In this report, the supervisory board reports on its activities in the financial year and includes the specific statements and information required by the provisions of this code.

The division of tasks within the supervisory board and its working methods are set out in a regulation. The supervisory board includes a passage in the regulations for its dealings with the board, the general assembly and/or members' council, and the (central) works council. Without prejudice to the division of tasks and working methods laid down in a regulation, each supervisor remains responsible to the cooperative for the supervision to be exercised by the supervisory board.

Chairman of the supervisory board

The chairman of the supervisory board ensures that:

a. the supervisory directors follow their introductory, education and training programme;

b. the supervisory directors receive all information in a timely manner required for the proper performance of their duties;

c. sufficient time exists for the deliberations and decision-making by the supervisory board, and sufficient time is spent by the board and by the individual members of the board;

[pagina 39]

d. any committees of the supervisory board function properly;

e. the directors and the supervisory directors are assessed at least annually on their performance;

f. the supervisory board elects a vice-chairman; and

g. the contacts of the supervisory board with the management and the works council are proper;

h. the supervisory directors perform their function independently;

i. the supervisory board draws up a supervisory vision.

Secretary of the supervisory board

The supervisory board is supported by a secretary. The secretary ensures that the correct procedures are followed and that action is taken in accordance with the statutory and statutory obligations. The secretary supports the chairman of the supervisory board in the actual organisation of the supervisory board (information, agenda setting, evaluation, training programme, etc.). The secretary is appointed and dismissed by the board of directors, whether or not at the initiative of the supervisory board, after approval has been obtained by the supervisory board.

Composition of the supervisory board

The supervisory board is responsible for the quality of its own performance. The supervisory board must be composed in such a way that it can properly perform its task. A supervisory board must be properly composed:

in terms of discipline, knowledge and experience, as well as availability, role fulfillment, diversity in the broad sense (also in personality) and attitude and behavior (critical, independent, honest).

The supervisory board draws up a profile for its composition, taking into account the cooperative objective and activities of the company as well as the desired expertise and background of the supervisors. Each supervisor must be equipped for his task and must have sufficient time to perform this task. The supervisory board aims for a mixed composition, including with regard to gender and age, which must be evident from the profile. At least 30% of the seats on the supervisory board are occupied by women and at least 30% by men. The profile for the composition of the supervisory board is approved by the general assembly or the members' council.

Each supervisory director must be suitable to assess the main lines of the total policy. Each supervisor has the specific expertise necessary for the fulfilment of his task, within his role in the context of the profile and the competence matrix of the board. At least one member of the supervisory board is a so-called financial economic expert.

Appointment term(s) of supervisory director:

There are no legal frameworks for the appointment term of supervisory directors. The cooperative regulates the appointment term in the articles of association.

To determine what a suitable term is, the following factors are often used:

Induction period: it takes time to become familiar with the role of commissioner, but also with the substantive issues that one will encounter. The complexity of the cooperative and the capacities of the commissioner determine how long this induction period is.

Freshness: experience comes with time, but this time can also lead to less sharpness in functioning. From that perspective, there is something to be said for maximizing the term of office.

Continuity: tasks of the supervisory board are supervision of the management and employership of that management. From that perspective, it is important that continuity is created by a longer term of office. Types of commissioners In cooperatives, we see two types of commissioners:

1) internal commissioners (being members of the cooperative) and 2) external commissioners (being non-members of the cooperative). The above-mentioned factors will be coloured differently for these categories of commissioners. For example, a member commissioner may need less time to oversee the field of work of the cooperative, but will need more time to get into his role. At the same time, we see that external commissioners are often so experienced that they need little time to be able to fulfil their role well, but do need time to immerse themselves in the field of work of the cooperative.

Therefore, no distinction is made in the recommended appointment term of these two categories of commissioners.

The advice is to appoint a commissioner for a period of four years. Reappointment can then take place once for the same term. An appointment term may continue until the day of the next meeting of the body authorized to appoint the supervisory directors, after the four years have elapsed. If special circumstances arise, a second reappointment for a period of up to four years may take place. Special circumstances may include, for example:
a. the continuity of collective knowledge and experience within the supervisory board; and/or

b. if it concerns a chairman of a supervisory board who only became chairman during his second term of office.

A reappointment of a supervisory director will only take place after careful consideration. The aforementioned profile and competence matrix will also be observed in the event of a reappointment.

The supervisory board will establish a roster of resignation in order to prevent, as much as possible, many supervisory directors resigning at the same time.

A supervisory director will resign in the event of inadequate performance or if the supervisory board otherwise deems this necessary.

Before accepting a position with another legal entity, a commissioner will inform the chairman of the supervisory board of his intention. To the extent that accepting the position is materially important for the commissioner and/or the cooperative,

importance, this to be determined by the chairman of the supervisory board, the commissioner will only accept the position after approval by the supervisory board. If the chairman of the supervisory board intends to accept a position with another legal entity, he will report this intention to the vice-chairman of the supervisory board, who will assess whether the position is of material importance to the commissioner and/or the cooperative, after which the supervisory board will grant its approval or not, unless the articles of association and/or the cooperative code of conduct prescribe otherwise.

The report of the supervisory board shall state the following for each commissioner:

a. gender;

b. age;

c. profession;

d. main function;

e. nationality;

f. secondary functions to the extent that these are relevant to the fulfilment of the task as commissioner;

g. time of first appointment;

h. the current term for which the commissioner has been appointed; and

i. whether or not he or she is a member (whether or not via a legal entity in which he or she has direct or indirect predominant control) of the cooperative.

Audit committee

If the cooperative does not have a supervisory board and no auditor's report has been issued on the statement of income and expenditure, the cooperative must have an audit committee according to the law.

The audit committee consists of at least two members, who may not be directors of the cooperative. The audit committee is appointed by the general assembly to examine the documents of one financial year. The audit committee reports to the general assembly on the examination of the balance sheet and the statement of income and expenditure.

Audit committee

the supervisory board may consider appointing an audit committee, a remuneration committee and a selection and appointment committee from among its members. If an audit committee has been established, it will focus on supervising the board with regard to:

- the operation of the internal risk management and control systems, including supervision of compliance with relevant laws and regulations and supervision of the operation of codes of conduct;
- the provision of financial information by the cooperative (choice of accounting policies, application and assessment of the effects of new rules, insight into the treatment of 'estimated items' in the annual accounts, forecasts of the work of internal and external accountants in this regard, etc.);
- compliance with recommendations and follow-up of comments from internal and external accountants;
- the role and functioning of the internal audit function;
- the policy of the cooperative with regard to tax planning;
- the relationship with the external accountant, including in particular his independence, remuneration and any non-audit work for the cooperative;
- the financing of the cooperative; and
- the application of information and communication technology.

Even if an audit committee has been established, the supervisory board remains responsible for the supervision of the management with regard to the topics mentioned. Minutes are made of the meetings of an audit committee, which are always added as an appendix to the agenda of the supervisory board. At least one financial economic expert is a member of the audit committee.

Remuneration committee

If a remuneration committee has been established, it can have the following tasks:

a. making a proposal to the supervisory board regarding the remuneration policy

of the management; and

b. making a proposal regarding the remuneration of the individual directors for determination by the supervisory board, in which proposal, for example, the following are addressed: the remuneration structure and the amount of the fixed remuneration, the variable remuneration components to be awarded, pension rights, redundancy schemes and other compensation, as well as the performance criteria and their application.

Even if a remuneration committee has been established, the supervisory board remains responsible for supervising the management with regard to the mentioned subjects. The chairman of the supervisory board preferably does not also act as chairman of the remuneration committee.

Selection and appointment committee

If a selection and appointment committee has been established, it will in any case focus on:

- drawing up selection criteria, appointment procedures for commissioners and directors;
- the periodic assessment of the size and composition of the supervisory board and the board and making a proposal for a profile of the supervisory board and the board;
- the periodic assessment of the performance of individual supervisory directors and directors and reporting on this to the supervisory board and the board;
- making proposals for (re)appointments;
- and supervising the board's policy plan regarding selection criteria and appointment procedures for senior management.

Even if a selection and appointment committee has been set up, the supervisory board remains responsible for supervising the board with regard to the aforementioned subjects.

Delegated commissioner

A delegated commissioner is a commissioner with a special task. The delegation cannot go beyond the tasks that the supervisory board itself has and does not

include managing the cooperative. It serves to provide more intensive supervision and advice and more regular consultation with the board. The delegated commissionership is only temporary. Delegation cannot take away the task and authority of the supervisory board. The delegated commissioner remains a member of the supervisory board.

The commissioner who temporarily provides for the management in the event of the inability or absence of directors resigns from the supervisory board to take on the management task. The extent to which it is desirable to return to the former position as commissioner after the end of this temporary provision should be assessed with caution.

Training

After their appointment, all commissioners follow an introduction programme, in which attention is paid to familiarisation with the general assembly/members' council and with the works council (if applicable), general financial and legal matters, the financial reporting by the cooperative, the specific aspects that are specific to the cooperative and its business activities, and the responsibilities of the commissioner. The supervisory board annually assesses which components commissioners require further training or education during their appointment period. The cooperative plays a facilitating role in this (see paragraph 5.6).

Remuneration

The policy regarding the remuneration of the commissioners as proposed by the supervisory board is submitted for formal approval to the general assembly or members' council. The remuneration of the commissioners is not dependent on the results of the cooperative. As a rule, an annual fee is used.

Usually, no distinction is made in remuneration between external and internal commissioners. See also paragraph 5.13 for further tax aspects.

Conflicting interests

Any form or appearance of conflict of interest between the cooperative and commissioners is avoided. Decisions to enter into transactions in which conflicting personal interests of commissioners play a role require the approval of the supervisory board.

Agreements with commissioners, or agreements with a legal entity in which a commissioner has direct or indirect predominant control, of a type such as those concluded with (other) cooperative members, also require the approval of the supervisory board in the event that conditions are agreed that deviate from what is customary within the cooperative.

All transactions in which conflicting interests of commissioners play a role are agreed under conditions that are customary in the sector. A commissioner immediately reports a (potentially) conflicting personal interest to the chairman of the general assembly / members' council and to the chairman of the supervisory board and provides all relevant information about it. The chairman of the supervisory board immediately reports a (potentially) conflicting personal interest to the vice-chairman of the supervisory board and provides all relevant information about it. The supervisory board without the presence of the person concerned, determine whether there is a conflicting personal interest.

A commissioner does not participate in the discussion and decision-making on a subject or transaction in which this commissioner has a conflicting personal interest.

The supervisory board is responsible for decision-making on how to deal with conflicting personal interests among directors, commissioners and the external accountant in relation to the cooperative.

Supervision framework and supervisory vision

The supervisory board draws up a supervision framework and supervision vision, preferably in consultation with the board. In the supervision vision, choices are made with regard to the actual and desired division of roles between the board and the supervisory board, about the question based on which values supervision is exercised, and in what way. The supervision framework further elaborates the choices from the supervision vision and serves as a frame of reference for the members of the supervisory board (and for the members of the board). It offers a targeted test for (the assessment of) the policy.

“Any form or appearance of conflict of interest between the cooperative and the commissioners is avoided.”

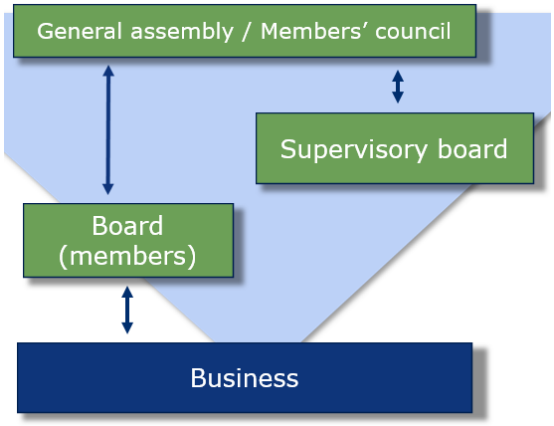
4. GOVERNANCE MODELS

It is important to choose a management structure that matches the conditions of membership. The choices here include the way in which the four member relationships are filled in (chapter 2), such as the obligation to co-finance by members, and whether members are obliged to do business with the cooperative on an exclusive basis, or whether there are no such obligations.

Cooperatives choose very different models when setting up the management, the supervision thereof, and the organisation of member involvement. This is possible because the applicable flexible association and cooperative law allows for this. The choice of a model often has to do with the scale and the degree of member loyalty. The most common four (4) models are briefly discussed below.

4.1 Basic model

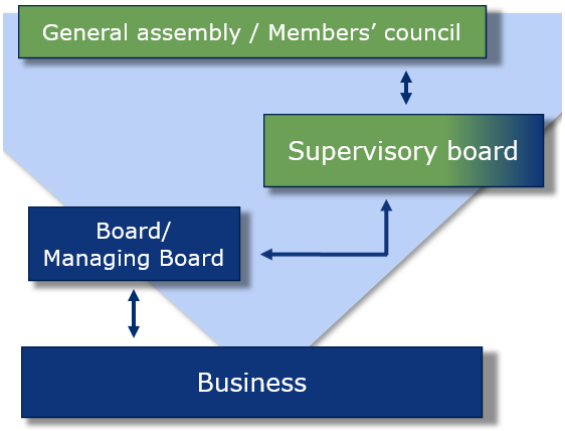
The management consists of cooperative members, who therefore also have a strong executive role, whether or not mandated to a director or to the work organisation. A mandate leaves the ultimate responsibility for the mandated tasks with the board. This maximises the dominance of the members. In addition to the board, a supervisory board can be installed, and sometimes, if the structure regime is in place, which supervises the board and the course of events in the cooperative and the company it runs in the interests of the members, on behalf of the members (general assembly or members' council).



This model is often seen as a pure form of cooperating, because the members themselves form the board. It is literally 'by the members'. A point of attention in this model is the extent to which the board actually manages itself, or has mandated tasks to a managing board.

When the mandated tasks become too large, the board tends to supervise and, in the case of a supervisory board, there may be a case of double supervision. Any problem can be solved by clear agreements on roles (supervision protocol) and regular evaluations on role fulfilment.

4.2 Supervisory Board+ model

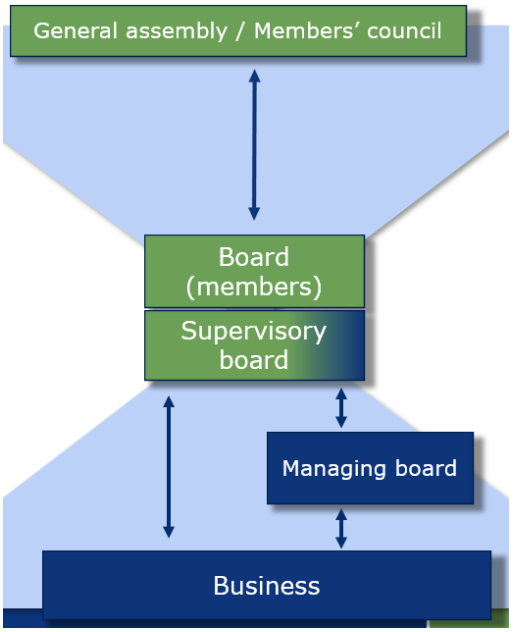


Cooperatives can choose to have the board consist of professional managers, who are not members. This model is often chosen when the management of the cooperative requires too much time from the members of the cooperative, and/or when the management requires specific expertise.

In this model, the management influence of the members is less direct. It is therefore important that this influence of the members is safeguarded in a different way. Not only the general assembly / members' council can play an important role in this, but also the supervisory board. Due to the fact that the board / managing board in this model is filled in by non-members, it is important from the perspective of member influence that members are strongly represented in the supervisory board, with or without external experts. The professional directors are responsible for the general course of affairs, while the supervisory board supervises this and advises the board. In addition, the supervisory board is the employer of the board. Such a model is characterized by a loss of direct member influence on management. There is a risk that members feel a distance from the company because the management is not carried out by the members themselves. This risk is greater if the professional manager has little affinity with the cooperative idea, which causes the company to become alienated from the members. This point can be addressed in the selection of directors and in the management thereof by the supervisory board.

Because the board is in the hands of non-members, it is important that member influence and member orientation are even stronger anchored in the governance than in the basic model, in which this is more direct due to the composition of the board out of members. This is also intended with the designation ‘plus’ in the RvC+ model. The above implies a stronger role for the board. We often see here that a list of board decisions has been drawn up that is subject to prior approval of the board. Think of admitting new members, decisions with a certain financial impact, etc.

4.3 Hourglass model

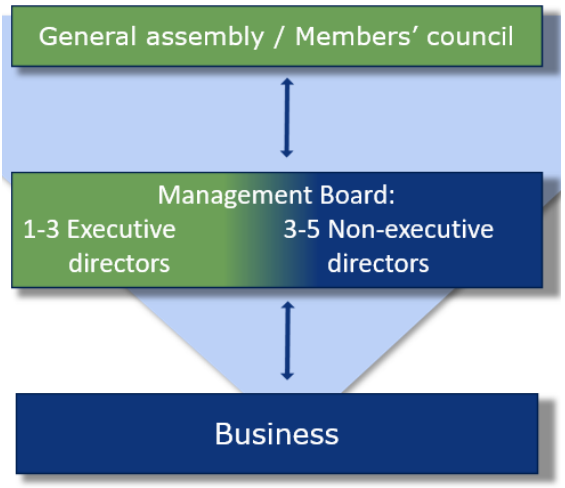


The hourglass model is similar to the RvC+ model, but the main difference is that the business activities are not performed by the cooperative, but by one or more subsidiaries. The cooperative then acts as (sole) shareholder. The (parent) cooperative limits its activities (almost) to management and financing of subsidiaries. In the cooperative, decisions are made that mainly concern member matters. The cooperative also establishes the frameworks within which the company operates. In the company, people are concerned with running the business. Such a group structure offers the possibility of implementing a full or partial personal union in the management and supervisory board of the relevant legal entities, whereby the directors of the parent cooperative take a seat on the supervisory board of a subsidiary. Advantage of this structure: the number of people involved in the top management is limited, the risk of double supervision is eliminated, decisions can be made more quickly at company level, and the structure ensures a consistent line in the policy that is set out at cooperative level. If necessary, it can be chosen to strengthen the supervisory board with external experts.

When do you speak of a Basic Model with a BV below, when do you qualify this as a real Hourglass? If the following criteria are met, we are more likely to think of an Hourglass than of a Basic Model or Supervisory Board+ model with a BV below:

The business activity that is carried out by the BV concerns the business activity that concerns the common objective of the members; Members of the cooperative have a direct or indirect seat in one or more bodies of the BV (this can be seen, for example, in the form of a personal union).

4.4 One-tier board / monistic model



This Anglo-Saxon model is characterised by the fact that management and supervision are combined in one body: the board. This is in contrast to the dualistic model (two-tier), which is used in the other three board models, in which management and supervision are separated.

In a monistic model, the board consists of one or more executive directors (UB) and one or more non-executive directors (NUB). The executive director can be compared to a director who functions in a dualistic board model. The non-executive director's main task is to supervise, but his role and responsibility are greater than those of the traditional commissioner.

A number of principles apply to the division of tasks between the UB and NUB. For example, each director is responsible for the general course of affairs, including financial and administrative management and strategic policy. The specific task for the UB consists of the daily course of affairs. This includes preparing decision-making in the board and then implementing board decisions.

The specific tasks of the NUB are: general management and participation in decision-making in the board, supervising the UB (i.e. the daily management), chairing the board, nominating candidate directors and remuneration of executive directors. the board can make further agreements (in writing) about the division of tasks. When tasks are not (legally or statutorily) assigned to someone (mandated), they concern a collective task. Despite the division of tasks, the dividing line between the UB and NUB is often thin in practice.

Due to the division of tasks, the UB often has more information than the NUB and also at an earlier stage. In addition, the UB has relatively more information about the company and the market. In order to limit the influence of this information asymmetry, the UB has an information obligation towards the NUB. However, the NUB usually has more information than the supervisory board would have in a dualistic model. The time spent is also usually clearly greater.

The articles of association may stipulate that one or more directors can take decisions on behalf of the board. However, the board is and remains collectively responsible. Because the NUB is not only responsible for supervision, but also for all board decisions, this responsibility (and possible liability) is greater than it would be as a supervisory board. To establish a monistic board, it is sufficient for the articles of association to state that board tasks are divided between the NUB and UB.

The appointment of directors takes place – just as in the dualistic model – by the general assembly (or members' council). Suspension or dismissal is also done by the general assembly (or members' council), but the board also has the authority to suspend the UB.

Choice of governance model

No preference is expressed for any particular model here. Cooperatives that are looking for a more suitable governance model often do so because 'something' is not running smoothly. That ‘something’ can very well result from the perceived limitations within the current model. From the structural solution that was chosen in an earlier phase to contribute to the realisation of the cooperative’s goals. However, dissatisfaction can also grow because other frictions have arisen, for example between those who play a role in the governance model: members, directors, supervisors. These frictions can be caused by numerous aspects. Common ones are: insufficient (re)calibration of the cooperative’s goals, inadequate communication, role ambiguity, the way in which actors fulfil their roles or other cultural aspects. Cultural problems are only rarely solved by structural measures. Structural adjustment and the process leading up to it can, however, in turn contribute to greater role clarity. Cooperatives in transition would do well to ascertain both the cultural and the structural contribution to the desired solution.

“No preference is expressed here for any model. Cooperatives in transition would do well to consider both the cultural and the structural part in the desired solution.”

5. VARIOUS THEMES

5.1 Weighing of interests

In a weighing of interests, in principle the interest of the collective prevails over the interest of the individual member.

5.2 Information provision

The duty of the cooperative and its members to actively provide each other with relevant and objective information concerns both the association aspect and the business aspect. It concerns all information that is important for the development of the cooperative and the associated enterprise. When exercising the duty to provide information, the cooperative and its members must act sincerely towards each other.

5.3 Internal deliberation

It is important that each administrative body can operate independently. In practice, other bodies are often invited to their own meeting. Cooperation with other bodies is necessary, but that should not limit independence. Also to maintain sufficient distance and position. In order to find a balance in this, many cooperatives use the practice that the first part of the meeting takes place in private and that others are then invited. This involves, for example, inviting directors to the meeting of the supervisory board and of the supervisory board to the members' council.

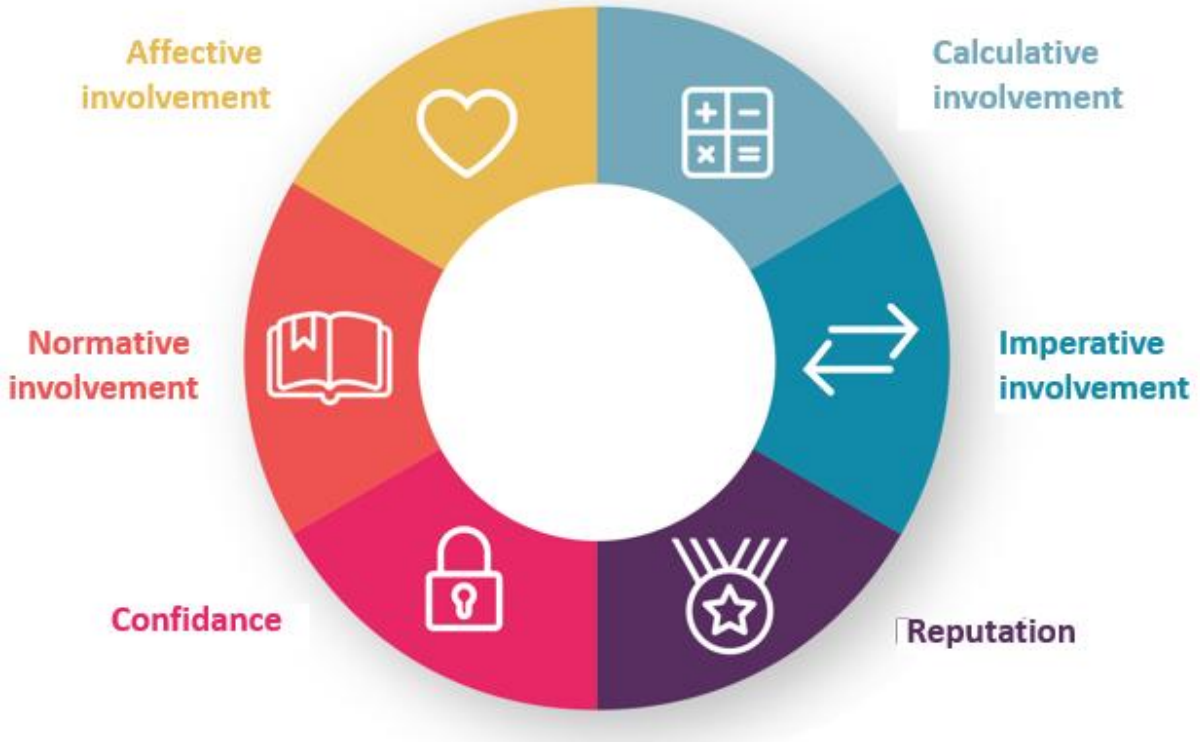
5.4 Member involvement

Member involvement is a broad concept. It has to do with the willingness of members to remain members and the willingness to contribute to the functioning of the cooperative in one way or another. Does the member feel 'involved' in the role that he/she has in the cooperative and does he/she show this in daily practice? Does this lead to the results that may be expected and that matter? Does everyone take their responsibility? Is there good cooperation? Member involvement also involves reciprocity in which the organization does its best for the members and the members appreciate this. This means that the organization must always continue to search for the best way to serve its members and that the members will show genuine interest in the organization, radiate confidence and be positively critical. It is advisable to have insight into the degree of member involvement. This can be measured with regard to the following drivers: calculative, affective, normative, imperative, trust and reputation. Based on the measurement, appropriate measures can then be taken with a view to strengthening a specific driver. Strong member involvement serves the continuity of the cooperative and its members.

5.5 Cooperative dialogue

'Being heard' is an important point for the vast majority of members of cooperatives. However, due to tiered governance structures, the focus of member influence often lies with a (relatively) small part of the members. It is important to continue to innovate in cooperative opinion-forming and decision-making. By increasing member influence and member involvement in opinion-forming and decision-making, the association side of the cooperative can be strengthened. In addition, conducting the cooperative dialogue ensures better and more supported decisions. The cooperative dialogue bridges the gap between the different interests, roles and qualities that can be found within the cooperative. When properly designing the cooperative dialogue, a number of questions are central:

- How can the cycle of image formation-opinion-decision-making be better designed?
- How is the input of members well expressed in the general assembly / members' council?
- How do we ensure transparent opinion formation?
- How do we take action with respect for different



positions a good and supported decision?

How do we get the interests of the other members into view with stepped representation?

It is important to enter into dialogue with each other within the cooperative. You do this by, among other things, involving members before decisions are made. This is possible by involving them earlier in the process of image formation and opinion formation.

It is also good to occasionally find out how the members experience the cooperative. Talk to each other and discuss the following:

- Do you, as a member, have sufficient influence on the cooperative?
- What influence can you, as a member, exert on the course of your cooperative? And how and where can you do this?
- Do you, as a member, have sufficient say in the cooperative?
- Do you feel co-owner of the cooperative?
- What do you think of the cooperation within your cooperative?
- Do you feel involved in the cooperative and if so, what does this mean?

5.6 Training

Many cooperative enterprises have a large, sometimes international, size. This requires appropriate knowledge, skills and experiences. The presence of members at the top of a cooperative organization requires extra care with regard to the quality and background of those members. Both the board and the supervisory board and members' council will have to pay constant attention to the skills that these members do or do not have and the opportunity for these members to develop themselves. To this end, the board will draw up a strategic training plan that will be evaluated and updated every four years. This plan includes members of the members' council, board and supervisory board. This plan includes at least:

a. the profile sketches (collective and individual);

b. a procedure for identifying the training needs of each new member at the start;

c. an introductory programme for all new members of boards. This introductory programme will at least pay attention to general financial and legal matters, the financial reporting by the cooperative, the specific aspects that are specific to the cooperative and its business activities, and the responsibilities of the director;

d. the procedure for an annual plan for collective and/or individual education and training;

e. the manner in which the functioning of the collective is evaluated annually by all bodies;

f. a procedure for performance reviews:

i. in an annual performance review is held with each member by the chairman of relevant board;
ii. the performance review of the chairman is held by the vice-chairman and another member;
iii. the performance reviews address both performance and training needs;

g. the manner in which recruitment of new candidates for vacancies takes place;

h. the manner in which young members of the cooperative are involved in the cooperative and trained.

5.7 Youth council

A youth council is a possible organised group of young people within the cooperative. In practice, a maximum age for participation in a youth council varies from 30 to 35 years. The appointment of the youth council is often done by the youth council itself, based on a profile sketch and a selection interview. The profile sketch ensures that the youth council is a good reflection of the total membership.

Reasons for setting up a youth body are:

- to involve young people earlier and more in the cooperative
- to form a talent pool for younger members with administrative experience, who can progress to, for example, the members' council or the board.

There is a lot of freedom to shape a youth council, there are no fixed rules for this. The most important thing is that the way in which the youth council is organised achieves the objective that the cooperative has in mind. This also includes a certain freedom for the

youth council to give substance to their role. At the same time, the youth council also needs support to organize itself well and to shape the desired activities and their development. It is good practice to let new members of a youth council go through an introduction program at the start in which they become acquainted with the services and governance of the cooperative.

Youth bodies usually do not have a formal role in governance of the cooperative, in the sense that they do not have a decision-making voice. Youth councils often

provide solicited and unsolicited advice to the managing board, board, members' council or supervisory board on themes that affect the cooperative. In some cases, the advisory function is formalized, which means that the managing board or board cannot simply ignore the advice of the youth council. According to the principle of explain, the managing board or board must then motivate why the advice is or is not (partially) followed.

Binding young members to the cooperative

In addition to a youth council, an event is sometimes also organised for all young members to bring the young members into contact with each other and to bring the cooperative to the attention of young members who do not (yet) want to actively participate in a youth body.

In order to allow the young people to gain administrative experience and become more involved, some cooperatives also allow the members of the youth council to be present at meetings of the members' council, or at training days of the members' council or they are given an active role at member meetings.

Some cooperatives also organise joint activities for the youth council and the (organised or not) young employees of the company. This strengthens the involvement of the youth council in the services provided within the company and vice versa the involvement of the young employees of the company in the members.

5.8 Cooperation with other cooperatives

The cooperative adds value to the cooperative movement by pursuing cooperation with other cooperatives where possible.

5.9 Sustainability / Corporate Social Responsibility

The cooperative is committed to the sustainable development of the community in which it is active. the board develops, in consultation with the members, a vision and a matching strategy for corporate social responsibility and sustainable long-term value creation of the cooperative and the company affiliated with it. With this in mind, the board conducts a dialogue with the members and any other stakeholders.

the board reports in the annual report on the policy and vision regarding corporate social responsibility and sustainable long-term value creation, the strategy for realizing this and the objectives formulated in this regard, the effects of the company on people and the environment, how the interests of the members and other stakeholders have been taken into account and the extent to which the set objectives have been achieved.

5.10 Financial: external accountant

The external accountant is appointed by the general assembly or the members' council. If the cooperative uses the basic model, the board makes the nomination, if a board of directors has been established in the basic model, this board makes the nomination. If the RvC+ model or the Hourglass model is used, the board of directors makes a nomination in which the board provides advice to the supervisory board.

the board invites the accountant to the general assembly or the members' council meeting in which the annual accounts will be discussed. The presence of the external accountant at this meeting does not detract from the general accountability obligation of the board and the supervisory board to the general assembly, as well as their obligation – unless a weighty interest opposes this – to provide all requested information to the general assembly. The external accountant can only be questioned about his audit work and about his statement in the annual accounts. The content of the annual accounts is the primary responsibility of the board.

At least once every four years, a thorough assessment of the functioning of the external accountant in the various entities and capacities in which the external accountant functions takes place. The most important conclusions of this are communicated to the general assembly or the members' council respectively for the purpose of assessing the proposal for appointment of the external accountant. The initiative for this evaluation lies with the board (when the basic model is used) or with the board of directors (when the RvC+ model or Hourglass model is used) and, if established, the audit committee.

5.11 Distribution policy and discharge

The cooperative's reserve and distribution policy (the amount and destination of the reserve, the amount of payments, distributions and discounts to the members) will be dealt with and accounted for as a separate agenda item at the general assembly or the members' council respectively.

Approval of the policy pursued by the board (discharge of directors) and approval of the supervision exercised by the supervisory board (discharge of supervisors) will be put to the vote separately at the general assembly or the members' council respectively.

The cooperative can allocate any operating surplus as follows:

a. Payout to the members in accordance with the volume of the transactions with the cooperative;

b. Supporting activities that enjoy the approval of the members;

c. Addition to the general profit reserve/to the equity;

d. Development of the cooperative;

e. Reservation in name by:

1. administratively placing a portion of the equity in the name of individual members without the persons concerned having concrete claims to that equity. This claim only arises if the general assembly takes a decision to that effect in the future;

2. giving the members an individualized claim to a portion of the equity.

If this claim has the character of fiscal equity of the cooperative, then there is no (taxable) profit distribution by the cooperative to the member. However, if there is a member debt account that is qualified as a debt of the cooperative for tax purposes, there is a profit distribution.

5.12 Abuse of inside information

Directors, commissioners and members will, when (deciding whether or not to) enter into transactions with the cooperative and/or fellow members, not improperly use information that they, as involved in determining the daily policy or in co-determining the daily policy or in supervising the policy and general course of affairs at the cooperative or otherwise by virtue of their direct involvement in cooperative entrepreneurship, have acquired, while this information is not (yet) generally known to the other members. These members will not further distribute this knowledge to the extent that this knowledge may not be deemed to be generally known to the (other) members.

To the extent that the cooperative issues participation rights, participation certificates or other negotiable documents as evidence of participation in the members' capital, the board shall draw up regulations regarding the prevention of abuse of inside information in the trading of these participation rights, participation certificates or other documents.

5.13 Commissioners and payroll taxes
(as of November 2024)

As of January 1, 2017, the commissioner does not have an employment relationship for payroll tax. The underlying argument is that the legislation and the articles of association imply that there is no relationship of authority among internal supervisors. Through opting-in, it is still possible to choose to process the remuneration of the commissioners via the payroll administration of the cooperative. This is then a voluntary fictitious employment relationship. The private commissioner is considered an employee for payroll tax purposes, while there is no real employment relationship. For this purpose, a joint declaration from the commissioner and the organization must be submitted to the Tax Authorities (Opting-in notification).

In the event of opting-in, the cooperative must withhold payroll tax and national insurance contributions from the remuneration. The employee insurances do not apply. The Health Insurance Act premium is withheld from the net salary of the commissioner.

For a commissioner who works from his own BV or as a sole proprietorship, opting in is not a logical choice. This is different for a commissioner who is a commissioner as a private individual. Without opting in, the starting point is that the commissioner must include his remuneration in the income tax return under ”other activities”. The income tax, national insurance premiums and the income-related health insurance act premium are then paid after the assessment by the Tax Authorities. However, if the commissioner chooses to opt in, the commissioner only receives his net salary from the cooperative, the cooperative withholds the premiums and the payroll tax. The commissioner declares his salary in the income tax return as salary from employment.

“As of January 1, 2017, the commissioner does not have an employment relationship for payroll tax. The underlying argument is that the legislation and the articles of association indicate that an authority relationship is lacking among internal supervisors."