

# What we mean by a cooperative

**An enterprise, freely established,  
that is owned and controlled by a group of legal persons  
for the purpose of equitably  
providing themselves with mutual benefits  
arising from the activities of the enterprise,  
and not primarily from investment in it**

<b>An enterprise</b>	<ul style="list-style-type: none"> <li>• it is an economic organisation</li> <li>• it is not a charity</li> <li>• it operates within a market-based economy</li> <li>• it is not a cartel</li> <li>• it is an organisation based upon self-help</li> </ul>
<b>freely established</b>	<ul style="list-style-type: none"> <li>• membership is entirely voluntary</li> <li>• membership is not based upon any other affiliation (e.g. political, religious, racial)</li> </ul>
<b>that is owned and controlled by a group of legal persons</b>	<ul style="list-style-type: none"> <li>• it is controlled in a way that reflects the relationship the members have to the activity of the group (e.g. voting may be one person/one vote or according to the volume of business transacted)</li> <li>• it is owned and controlled by the persons who benefit from the activities it undertakes</li> <li>• the organisation may be comprised of individuals and/or other legal entities (e.g. other cooperative companies)</li> <li>• it is based on a stakeholder group with a mutual interest (e.g. all consumers, farmers, workers, tenants, etc.)</li> <li>• to function properly the solidarity of the group needs to be maintained and developed (e.g. by communication, education and training)</li> </ul>
<b>for the purpose of equitably</b>	<ul style="list-style-type: none"> <li>• not based on one set of members gaining benefits from other members of the group</li> <li>• based on the concept that benefits are shared fairly between members on the basis of their economic participation in the enterprise</li> </ul>
<b>providing themselves with mutual benefits</b>	<ul style="list-style-type: none"> <li>• it is primarily intended to benefit those who are members, but is not based on exploiting others</li> <li>• benefits from further collaboration between other similar groups may also be sought</li> </ul>
<b>arising from the activities of the enterprise</b>	<ul style="list-style-type: none"> <li>• it undertakes activities that benefit the members</li> <li>• the activity of the enterprise is the primary basis of the benefits to members – not any surplus that may arise from its activities</li> </ul>
<b>and not primarily from investment in it</b>	<ul style="list-style-type: none"> <li>• other than for any fixed interest, benefits are not allocated to members on the basis of their investments</li> <li>• participation in control is not based on the level of investment</li> <li>• this does not mean that a fair market rate of return should not be made to those, including members, who invest in the business</li> </ul>