



An Áit Eile

COOPERATIVE LIMITED

Introduction:

An Áit Eile was directly inspired by the international cooperative movement and the Social and Solidarity Economy. Our Coop is multistakeholder, in the tradition of the Italian Social Cooperative movement, who spearheaded deinstitutionalisation and community integration of disabled persons half a century ago, through the inclusion of people of varying abilities as full members of local Cooperative businesses. Multistakeholder Coops use solidarity as a business model, and to increase community economic empowerment through democratic control of business.

Our membership includes several founders of the Irish Solidarity Economy network, www.solidnetwork.ie, and we are federated through Ripess.eu to the global solidarity economy movement, which believes in 'the globalisation of solidarity, and the ability

to build and strengthen an economy that places people and planet at the centre of its activities.' In light of the European Toledo Declaration on the Social and Solidarity Economy, we believe the traditional and innovative role of the cooperative movement in the development of the social and solidarity economy should be reflected within the drafting.

We are a member of the international multistakeholder cooperative Zebras Unite LCA, and are a Chapter Leader for the global Zebra Movement, a Founder-led ethical business culture. We advocate for an 'Exit to Community' startup approach of Community Wealth Building, where ownership is vested widely throughout the stakeholders the businesses serve. We believe this proven model of economic democracy to be a natural fit for Irish culture, as reflected in the strength of our credit union movement.

Transition period

Question 1

Do you consider that the proposed transition period of 18 months is sufficient to enable existing industrial and provident societies to either register as co-operatives or pursue an alternative option?

If not, please suggest an alternative timeframe and provide a supporting rationale.

Response

Yes.

Expanding the categories of members who can set up co-operative societies

Question 2

Please set out your views on the proposal to expand the categories of members who can form a co-operative society to include companies?

If not in agreement, please set out your reasoning.

Response

We welcome in principle the direction of travel, to further develop innovative multistakeholder models of cooperative corporate governance. Given that a core function of Cooperatives is to align incentives - Principle 3 - we see considerable scope for the use of the Cooperative structure to encourage cooperation and solidarity as a business model. Allowing legal persons to found cooperatives could have highly viable uses in gainshare tendering and alliance contracting, whether at national level or through transnational Cooperative forms such as the Societas Europaea Cooperativa, however ensuring the core democratic principles remain, along with robust guardrails against demutualization, will be critical. We would suggest Non-User Investor Members should be limited to no more than 25% of voting rights, and no more than 25% of board seats.

The complexities of potential use cases requires careful thought in drafting - examples of practice here include Zebras Unite LCA, where Non-User or Investor Shareholders receive limited voting rights to preserve democratic accountability as opposed to a 'shareholder democracy' approach. Similarly, the Zebra Cooperative uses a 'Golden Share' system to lock-in social values, with the Golden Share held by a charitable 501(c)3 to ensure against mission drift or demutualization. In our own case, Investor Members receive voting and dividend rights, along with Labour, User, and Founder Members, to align incentives between Stakeholder Classes within Cooperative Principles.

Content of rules

Question 3

Are there any other matters that should be included in the list of matters set out in legislation that must be dealt with by the rules of a co-operative society?

Please provide supporting rationale for any such additions.

Response

While we welcome the “any lawful purpose” provisions for cooperative aims, we would advocate for a legal distinction explicitly for the 'Community Benefit' style of cooperatives, where an asset lock exists for the broader social purposes, as in the charitable sector - see for instance the differentiation in the UK ecology between public offerings as 'Community Shares' versus as 'Community Benefit Shares', for the distinction between a more business-focused and more socially-focused investment offering. This could be most easily accomplished through adherence to EU Social Enterprise policy in relation to dividend/social purposes ratios on surpluses.

Matters Relating to Corporate Governance

Minimum number of directors

Question 6

Do you support the proposal in relation to the minimum number of directors (at least one director for co-operatives with less than 10 members and at least three directors for larger co-operatives)?

Please provide a rationale in support of your response.

Response

Points of concern include single-director cooperatives, which appears perhaps counter to key cooperative principles, of shared decision-making and distributed power, and raises key risks of 'brass plate' nominal cooperatives bringing the sector into disrepute - a minimum of 3 directors seems sensible and prudent for reasons of good corporate governance and principal/agent problems, especially coupled with the proposal for cooperatives with legal person founders. Alternatively, there are administrative rather than representative models, or the use of a General Assembly, to ensure both the democratic accountability that is key to the Cooperative ethos, along with agile decision-making.

Approval of special resolutions

Question 7

Do you support the proposal to provide for a single general meeting for the consideration of special resolutions, subject to the approval of at least 75% of members entitled to vote at the meeting?

Please provide a rationale in support of your response.

Response

We agree with this provision, to simplify governance and compliance

Matters Relating to Financial Statements, Annual Returns and Audit

Audit exemption criteria

Question 8

Do you agree with the approach set out in relation to eligibility for audit exemption and the proposed thresholds? If not, please set out your proposal, together with a rationale for same.

Response

On audit exemption we believe the criteria are unnecessarily narrow, and lack insight into the use cases and practices of early-stage cooperatives in attempting to mutualise small pieces of finance into a common bond - the framers one suspects have based their thinking on 'conventional' agricultural cooperatives, with little thought for social or community cooperatives.

The proposed method of a statutory right that 10% of members can force an audit gives sufficient 'teeth' that greater leniency should be given, to encourage innovation, especially in the age of digital cooperatives.

Decisions regarding audit exemption

Question 9

Do you support the proposal to require eligible co-operatives to provide for audit exemption in their rules? Do you support the proposal that a decision to avail of audit exemption can be reversed if supported by at least 10% of the members, entitled to vote at a general meeting? Please provide a rationale in support of your responses.

Response

Yes.

Opportunity to Provide Additional Observations

Question 12

Please provide any additional comments you may wish to make to inform the completion of the legislation regarding Co-operative Societies.

Response

We consider it a welcome move of modernization to bring the Cooperative movement forward into the 21st century. As a Cooperative with membership from people with lived experience of mental health challenges, we welcome the move into alignment from outdated concepts such as 'lunacy', in favour of decision-making and positive capacity.

Given the increased interest both nationally and internationally in social enterprise and social business approaches, the historic legacy of the cooperative movement as a 'Gold Standard' for ethical business and collective social entrepreneurship will hopefully be reflected in the drafting, with especial respect to the lines between for-profit, not-for-profit, and non-profit. We believe that provision for these conceptually and economically distinct models of cooperative activity require legal recognition, to ensure a level playing field for cooperatives within these discrete sectors of the economy - fully charitable, social entrepreneurial, and fully commercial. This would be best accomplished through a 'Mission Lock' and 'Asset Lock' on the use of Cooperative Capital - 100% for charitable 51% or greater for social entrepreneurial.

Access to capital for Cooperatives, and access to ethical business investment for communities, is of key concern. A level playing field for Cooperatives would be best reflected by the removal of the restrictions within the 1978 Act in relation to members and the public, within existing regulation relating to public offerings. Similarly Cooperatives should enjoy the same rights as companies to offer debentures, on the same basis as within the Companies Act.

Sub-threshold Local Offerings have been shown through European best practice to be an effective and equitable lever for community ownership, wealth-building, and as a bellweather for local support of projects or initiatives. For cooperatives - in the age of DeFi - to face onerous regulation and a lack of understanding for the simple act of community fundraising for necessary social projects greatly inhibits community investment. Similarly, cooperatives should be more easily able to avail of equity-based impact investment, especially given a clear 'Community Benefit' type approach providing assurance as to the social or ecological values. This could be easily achieved through an optional statutory asset lock to reassure stakeholders, whether grant-funders, user, or non-user investors.

On winding up, we would advocate that for conventional cooperatives, residual assets should go towards a recognised body or bodies that promotes cooperatives. In the case of mission-focused or 'community benefit' cooperatives, we believe the residuals should go towards a body or bodies that promote the primary benefit objectives of the Cooperative, much as in the charitable sector.

In closing, the drafting should seek to address the diversity of the Cooperative movement, and the varied economic, social, environmental, cultural and democratic functions cooperatives provide, rather than attempt the reductionism of 'one size fits all' structure, while giving appropriate and proportionate regard to greater harmonization in treatment between for-profit, not-for-profit, and non-profit cooperatives, and equivalent corporate forms in the charitable, social entrepreneurial, and commercial sectors.