



HEMP COOPERATIVE  
IRELAND — EST. 2018

Public Consultation on Reform and Modernisation of Legislation regarding Co-operative Societies.

The Irish Hemp Co-operative Society Limited, trading as Hemp Co-operative Ireland, welcomes the opportunity to respond to this important piece of legislation. We respond to the issues by answering the issues posed.

**1. Transition period.**

We agree that the proposed transition period of 18 months is acceptable.

We would like the legislation to provide for general purpose model rules (with standard provisions in the legislation, and the ability to disapply where allowed, and apply available optional provisions). This would reduce the burden for small societies with adapting to the new legislation.

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

We agree with the changes except for the inclusion of setting up cooperatives by companies only as this undermines the co-operative ethos.

We do think that all body corporates should be able to join, as this would allow the likes of Enterprise Ireland and Western Development Commission to provide equity investment in co-operatives (on a one member, one vote basis of course).

### **3. Content of rules.**

We feel that the content of the rules to be reasonable.

### **4. Legal Reserve.**

We feel that a legal reserve should be implemented once share capital has been raised, excluding basic membership shares.

There is a push to ensure that this is meaningful, at the moment, the 'legal reserve' could be nominal. Other countries across Europe have a minimum contribution from surplus every year (from 5% to 30% of surplus).

This ensures the build-up of common capital, and reserves – and functions as a demutualisation measure (as reduces benefits of a cynical wind up).

### **5. Nomination regarding transfer of property in the event of death of a member.**

We agree that the existing nomination provisions in this area are considered useful.

### **6. Minimum number of directors.**

We feel that a minimum of three directors is appropriate, this will allow transparency and diversity of opinion.

If this legislation is general purpose (with no specially defined rules for specific types of co-operatives) then it will have to be broad, and the membership numbers and involvement vary dramatically across different types of co-ops.

## **7. Approval of Special Resolutions.**

We feel that the two-step process is a necessary part of good governance, as it ensures adequate reflection for the matter raised.

## **8. Audit exemption criteria.**

The requirement to undertake an audit for small and new cooperatives should be abolished. The criteria suggested are reasonable but the additional stipulation that the number of shareholders must not exceed 50 makes no sense. I shall state our own experience as rationale. The Hemp Cooperative has at present 150 shareholder members who pay an annual membership fee in order to pay running costs etc. The quotes that

we receive for audits are all around 7,000 Euro which is a huge drain on our resources. As a new cooperative we need to get professional help with business plans etc. Paying for an audit is certainly clipping our wings, we ask you to delete the 50-member rule.

## **9. Decisions regarding Audit Exemption.**

We feel that audit exemptions should be in the rules and the reversal procedure should be supported by 30% of the members.

## **10. Abridged financial statement criteria.**

This needs to be linked to a definition of what is a small co-operative. We would keep the financial thresholds and remove the membership criteria.

### **11. Certain exemptions in relation to financial statements.**

Again, this is linked to what is the definition of a small co-operative. In this definition suggested there is no mention of number of shareholders and thus confuses the whole issue.

### **12. Additional observations.**

The definition of a small cooperative needs to be clarified. On one hand they are saying that if you have more than 50 members you cannot have an audit exemption but here, they say that if your turnover is less than 700,000 you can etc.

There is another matter that is not raised in the legislation, we appreciate that it may come under the brief of the Department of Finance, and that is the classification of shares in an agricultural cooperative owned by farmers be classified as agricultural assets. (This is something that needs to be clarified for farmers). At present there is a 'grey' market for these shares, and it could be tied in, to a public offering of shares cognisant of the one member one vote rule.