



**THE  
PLUNKETT INSTITUTE  
CO-OPERATIVE SOCIETY LIMITED**

**CODE OF CORPORATE GOVERNANCE**

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## PREFACE

Good governance is critical to the success of all co-operatives. Most academic work on corporate governance has been on ‘investor-owned companies’ with relatively little focus on ‘member owned’ co-operatives. That being said, most governance objectives and provisions specified in the governance codes drafted by various national and international bodies for investor-owned companies are similar for co-operatives.

Any governance code for co-operatives should reflect the differing forms, structures, legislation and principles that characterise the co-operative way of doing business. These differences are poorly understood and in the absence of that understanding co-operative directors would be forgiven for assuming that when it comes to corporate governance, ‘one size fits all’. Much of the Plunkett Institute Code of Governance (the ‘Plunkett Code’) follows the objectives and provisions laid down in the UK Financial Reporting Council (FRC) Corporate Governance Codes (2016 and 2018) and also draws on the work done by the SAOS and Co-operatives UK <sup>1</sup>.

The Plunkett Code re-prioritises some of the objectives in the UK Code and makes changes to certain provisions to cater for the specific attributes of co-operative businesses. These variances in governance objectives and provisions arise from the responsibility of co-operative boards to ensure the cost-effective delivery of quality goods and services to the members who own the co-operative, a responsibility that differs from that of investor-owned companies.

Up to now there has been no specific framework of governance applicable to co-operative societies in Ireland. The Plunkett Institute is inviting all co-operatives to adopt the Plunkett Code within a three-year time frame commencing in 2024. From 2027 onwards, it will be mandatory for any co-operative whose directors seek to become or continue as a member of the Plunkett Institute, to comply with the Plunkett Code.<sup>2</sup>

In addition to publishing the Plunkett Code, the work of the Institute is primarily focused on the continuous professional development of Institute Members and the goal of making membership of the Institute an aspiration for all directors of Irish co-operatives. Among the other goals of the Institute is to monitor the quality of corporate reporting in co-operatives and to promote and train existing and potential directors of co-operatives in high quality corporate governance. This Plunkett Code has been approved by the Board of the Irish Co-operative Organisation Society Ltd as the organisational and promotional body for co-operatives in Ireland.

The Board of the Plunkett Institute is very conscious that, for smaller co-operatives in particular, adherence to the Plunkett Code places a considerable resource burden on the co-operative and on the individual directors who in the case of such co-operatives give of their time in a largely voluntary capacity. Despite this, the Board urges all co-operative boards to study the Plunkett Code and as far as is practical for them within the constraints they face, to comply with as many provisions in the Code as possible and explain why they are not in a position to comply with other provisions in the Code.

**Board of Plunkett Institute Co-operative Society Ltd**

**December 2023**

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<sup>1</sup> UK Corporate Governance Code 2018, as adopted and approved by the UK Financial Reporting Council. This code is designed primarily for publicly quoted companies; SAOS Corporate Governance Code for Agricultural Co-operatives 2013 and the “Corporate Governance Code for Consumer Co-operative societies” drafted by Co-operatives UK (2013) and updated in 2018.

<sup>2</sup> See section in Plunkett Code titled ‘Comply or Explain’

## INTRODUCTION

The International Co-operative Alliance (ICA) at their world congress in 1995 defined a co-operative as:

***An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise.***

A governance structure that is typically characterised by most of its directors being themselves ‘user-members’ and being elected by and from the co-operative membership on the basis of one member one vote, requires a certain refinement of some of the governance principles applicable to private or public companies.

Whilst most co-operatives in Ireland incorporate as Societies under the provisions of the Industrial and Provident Societies Act 1893-2014, and a new Co-operative Act has been in gestation for a number of years, this legislation does not contain a specific definition of a co-operative. Virtually all agribusiness co-operatives incorporate using ‘model rules’ drafted by the Irish Co-operative Organisation Society Ltd. The model rules are designed to ensure that it is the user-member who own, controls and benefits primarily from the co-operative. These rules reflect the current statement of identity, values and principles of co-operation as adopted in 1995 at the ICA World Congress<sup>3</sup> and also capture some but not all of the governance standards espoused in this Code.

To add to the challenge of drafting an appropriate co-operative governance code, while the ICA values and principles provide a harmonising framework for co-operatives, account must be taken of the diverse interpretations of these principles, the diverse scale of operations of Irish co-operatives and the differing forms and structures used by them.

Except for the substitution of the word ‘co-operative’ in place of ‘company’, the Plunkett Code definition of corporate governance mirrors the definition of corporate governance contained in the first version of the UK Corporate Governance Code (the Code) produced in 1992 which defined ‘corporate governance’ as follows;

*“Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders’ role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the co-operative’s strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to members on their stewardship. The board’s actions are subject to laws, regulations and the members in general meeting”.*

The Plunkett Code is a guide to a number of key components of effective board practice. The Code deals primarily with the relationship between the Board and Members, but also keeps in mind that corporate governance includes the relationships between members, non-member customers, creditors, banks and other sources of capital. The Code reflects in its principles and provisions the unique, user-member, user-owner, user-controller, nature of a co-operative business.

Corporate governance is about how the board is structured, ensuring it has a sufficient diversity of skill and experience, what the board of a co-operative does and how it sets the values of the co-operative. It is about ensuring that from the board down that a positive culture, appropriate values and ethics pervades at all levels of the co-operative.

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<sup>3</sup> See Annex 1

## COMPLY OR EXPLAIN

The Plunkett Code, in its format, follows largely on the UK Corporate Governance code, for public companies, in outlining; (i) principles and (iii) provisions which co-operatives must comply with annually to be in conformity with the Code.

Full corporate membership of the Plunkett Institute requires co-operatives to apply the Main Principles in the Plunkett Code and make a statement to that effect in their Annual Report to members.

The basic principle of the Plunkett Code is that co-operative boards should comply with the principles in the Code or explain to the satisfaction of their membership why the board chooses to apply a different principle to that recommended by the Code. Smaller co-operatives may judge that some of the provisions are less relevant in their case. Such co-operatives may nonetheless consider that it would be appropriate to adopt the approach in the Plunkett Code and they are encouraged to do so.

## COMPLIANCE ASSESSMENT

Societies should submit to the Plunkett Institute in the following manner:

- Submit a completed questionnaire, as provided by the Plunkett Institute outlining its implementation of each of the provisions.
- Make a statement in the Annual report in relation to compliance.

### **MONITORING COMPLIANCE**

In order to ensure the integrity, transparency and accountability of the process, every year the annual report and financial statements should include a governance page or section referring to the existence of the Plunkett Code, outlining the co-operative's adherence to the Code and providing reasons for any decisions not to apply any of the provisions of this Code.

The Plunkett Institute reserves the right to expel or suspend any co-operative that fails to comply, or appropriately explain any reasons for non-compliance with the Code.

### **UPDATING THE PLUNKETT CODE**

The Plunkett Institute will ensure that appropriate arrangements are established to ensure that the Code is revised as and when necessary.

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## SUMMARY OF THE MAIN PRINCIPLES OF THE PLUNKETT CODE

### RELATIONS WITH MEMBERS

As member owned and democratically controlled businesses, with the primary goal of benefitting the member, co-operative boards have a responsibility to ensure a high degree of communication and consultation with members.

The board should have a dynamic well-resourced member relations programme creating effective and ongoing communications with members and in particular, encouraging good attendance and communication between members, the board and senior executives at general meetings. Adequate planning and resources should go into the format, content and organisation of such meetings.

The protocols around the holding of ballots and the counting of votes should be clear, fair and transparent.

### LEADERSHIP

Every co-operative should be headed by an effective board which is collectively responsible for the sustainable long-term success of the co-operative.

As set out in the FRC Corporate Governance Code (2018), the board's responsibilities include the following:

- To promote the long-term sustainable success of the co-operative, generating value for members and contributing to wider society.
- To establish the co-operative's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.
- To ensure that the necessary resources are in place for the co-operative to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
- In order for the co-operative to meet its responsibilities to members and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.
- To ensure that workforce policies and practices are consistent with the co-operative's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

There should be a clear division of responsibilities at the head of the co-operative between the running of the board and the executive responsibility for the running of the co-operative's business.

The Chair is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role in particular its responsibility to control the business on behalf of its members.

As part of their role directors are charged with making prudent decisions that deliver benefits to user members whilst at the same time protecting and strengthening the assets of the co-operative.

The key consideration in determining board size should be board effectiveness. Boards that are too large have the potential to have issues with confidentiality, communication and solidarity. Boards that are too small may not reflect the diversity and scale of the co-operative.

Traditionally membership of boards of Irish agricultural co-operatives tends to have been large by comparison to companies and has been most often limited to elected member directors.

The Chief Executive is the highest-ranking executive in the co-operative responsible for managing all day-to-day operations in the co-operative and should also be the chief formulator of strategic and business planning options for consideration and approval by the board.

There should be an effective, formal, rigorous and transparent procedure for the election/appointment of new directors to the board.

All directors should be able to allocate sufficient time to the co-operative to discharge their responsibilities effectively.

All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The board should undertake a regular structured evaluation of its own performance and that of its committees and individual directors.

All directors should be submitted for re-election or re-appointment at regular intervals, subject to continued satisfactory performance.

### **ACCOUNTABILITY**

The board should present a fair, balanced and understandable assessment of the co-operative's position and prospects.

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.

The board should establish an audit committee, where appropriate.

### **REMUNERATION**

Historically board service in all co-operatives was voluntary on the part of those members elected to the board by their fellow members. The Plunkett Institute values the tradition of voluntarism as the method of participation of choice by members in community and smaller co-operatives.

However, we live in an age where each co-operative member has many competing demands on his/her time and where in many instances the scale and complexity of some co-operative businesses imposes a leadership, regulatory and communication burden on co-operative director's way beyond the capacity of many elected/appointed director to commit their time, energy, management skills and experience on a voluntary basis.

Accordingly, for larger co-operatives the Code recommends the establishment of a Remuneration Committee by the Board with a term of reference that permit the Remuneration Committee to deal with issues of remuneration policy for board members and senior executives.

## Section A: RELATIONS WITH MEMBERS

### A.1: DIALOGUE WITH SHAREHOLDERS

#### PRINCIPLES

As member owned and democratically controlled businesses, with the primary goal of benefitting the member, co-operative boards have a responsibility to ensure a high degree of communication and consultation with members.

As customer-owners of the business, the quality, value and sustainability of the service offering from the co-operative to its members will be a significant driver of positive member relations.

The board must ensure that the co-operative has appropriate representation structures and communication channels and protocols to keep the membership interested and involved in their co-operative and that these structures are properly resourced and serviced.

In addition to good communication, the board should ensure that excellent co-operative training programmes are available and attractive to members seeking to participate at representation or board level in the co-operative.

#### PLUNKETT CODE PROVISIONS

- A.1.1. The Board and CEO should identify and prioritise the quality, sustainability and value of the services the co-operative offers to members and report on them in the annual report and at the annual general meeting.
- A.1.2. The Board should establish an appropriate sub-committee of the Board with responsibility for making recommendations to the Board on; (i) Member Relations, and communications; (ii) Training of directors, aspiring directors and members (iii) Establishment of eligibility criteria for persons elected/appointed as directors (iv) Board size and (v) seek to identify and make recommendations to the Board as to suitable non-member director (INED) candidates. The committee may wish to use external consultants in this process.
- A.1.3. The terms of reference of that sub-committee to be approved by the board.
- A.1.4. Directors should ensure that, within the resources available to it, the co-operative has provided for formal and informal communication channels for communication with all of their members.
- A.1.5. The Chair should report to the members on governance and strategy at the annual general meeting and all directors should include information on the co-operatives strategic plan and main goals at meetings with members, at least once annually.
- A.1.6. Within the constraints of the Rules, the Secretary should alert members in a timely and effective manner as to the eligibility criteria for elections to the board or representational tiers.
- A.1.7. The Board should acknowledge the importance of member participation, and in particular, attendance at general meetings, and must make efforts to promote attendance.
- A.1.8. Within the resources available to the co-operative, educational opportunities should be offered to directors, representative committees and members, with outcomes reported on in the Annual Report.



- A.1.9. Where appropriate, and within the constraints of commercial sensitivity, the board should brief regional and other representative committee structures in regard to progress in the attainment of strategic goals.
- A.1.10. Non-member directors should attend scheduled meetings with members.

## **A.2: GENERAL MEETINGS**

### **PRINCIPLES**

The board should have a dynamic well-resourced member relations programme creating effective and ongoing communications with members and in particular, to encourage good attendance and communication between members, the board and senior executives at general meetings. Adequate planning and resources should go into the format, content and organisation of such meetings.

The protocols around the holding of ballots and the counting of votes should be clear, fair and transparent.

### **PLUNKETT CODE PROVISIONS**

- A.2.1. The notice period for general meetings in a co-operatives Rules and the notification processes used should be designed to maximise member attendance.
- A.2.2. The agenda for all general meetings of the co-operative should be circulated to members with the notice and thereafter all appropriate communication channels and methods should be used to encourage member attendance.
- A.2.3. All relevant Agenda items listed for the Annual General Meeting should allow for the possibility of a question-and-answer session between the members and the top table.
- A.2.4. Notice of general meetings should include a clear instruction in regard to how members may submit matters to be raised at the general meeting.
- A.2.5. A copy of the relevant abstract from the rules or such other policy document on voting eligibility, voting procedures and vote counting protocols should be accessible to members at the meeting.
- A.2.6. Where a co-operative consistently fails to attract participation significantly in excess of the quorum at the AGM, as set out in the Rules, the appropriate sub-Committee should examine the issue and make recommendations to the board in relation to the date, location, format or timing of future General Meetings.
- A.2.7. The Chair should arrange for the Chairs of sub committees to be available to answer questions at the AGM and for all directors to attend.

## SECTION B: LEADERSHIP

### B.1: THE ROLE OF THE BOARD

#### PRINCIPLES

Every co-operative should be headed by an effective board which is collectively responsible for the long-term sustainable success of the co-operative.

The board's role is to provide entrepreneurial leadership of the co-operative within a framework of prudent and effective controls which enables risk to be assessed and managed. The board, in consultation with senior management, should set the co-operative's strategic aims, ensure that the necessary financial and human resources are in place for the co-operative to meet its objectives and review management performance. The board should set the co-operative's values and standards and ensure that its obligations to its members and others are understood and met.

All directors must act in what they consider to be the best interests of the co-operative, consistent with their statutory duties.<sup>4</sup>

Procedures should be in place for the regular renewal of the board.

#### PLUNKETT CODE PROVISIONS

- B.1.1. The board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision. The annual report should include a statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.
- B.1.2. The Board, in consultation with senior management, should establish the Co-operative's purpose, values and strategy, having regard to the interests of members. It should also ensure that the necessary resources are in place to deliver on the strategy.
- B.1.3. The annual report should identify the Chair, the deputy Chair, the chief executive, and the Chairs and members of the board committees.
- B.1.4. The co-operative should arrange appropriate insurance cover for its directors in discharging their duties.
- B.1.5. Conscious of trends in international best practice, the specific nature of co-operatives, and subject to the provisions of individual co-op rule books, there should be a maximum limit of 12 years on the tenure of directors.
- B.1.6. The Board should conduct a regular review of the Society's Rule Book, to ensure its ongoing appropriateness.

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<sup>4</sup> The Industrial and Provident Societies Acts 1893-2021 does not deal prescriptively with a director's duties. The Companies Act 2014 has set out in statute the fiduciary duties of a director of a company that is registered in Ireland. See Annex 2 for a list of eight fiduciary duties owed by directors to a company all of which duties are obligatory on any director seeking membership of the Plunkett Institute.

## **B.2: DIVISION OF RESPONSIBILITIES**

### **PRINCIPLE**

There should be a clear division of responsibilities at the head of the co-operative between the running of the board and the executive responsibility for the running of the co-operative's business.

### **PLUNKETT CODE PROVISION**

- B.2.1. Within the bounds of practicality, the major division of responsibilities between the board and chief executive should be clearly established, set out in writing and agreed by the board.

## **B.3: THE CHAIR**

### **PRINCIPLES**

The Chair is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role in particular its responsibility to control the business on behalf of its members.

The Chair leads the board and is responsible for its overall effectiveness and its obligations to the co-operative's members.

The Chair should demonstrate independent and objective judgement throughout their term of office and promote a culture of openness, challenge, debate and effective decision making.

The Chair facilitates constructive board relations, engagement and participation and acts as the primary link between the board, the secretary and the Chief Executive.

The Chair is responsible for setting the board's agenda, in conjunction with the Secretary and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chair should also promote a culture of openness and debate by facilitating the effective contribution of all directors and ensuring constructive relations between all directors and between the board the CEO and senior executives.

The Chair is responsible for ensuring that the directors receive accurate, timely and clear information. The Chair should ensure effective communication with members of the co-operative.

The Chair should ensure that the values and principles of co-operation are embedded in the co-operatives business plan and strategy and endeavour to have those values and principles embedded in the culture of the organisation particularly at executive management and staff level.

### **PLUNKETT CODE PROVISION**

- B.3.1. Unless at least three quarters of the directors on the board agreed to the contrary the Chair should be an active trading member of the co-operative and have the skills to ensure the board operates effectively.
- B.3.2. Unless at least three quarters of the directors on the board agree to the contrary the office of chairperson should not be held by any director for more than eight years without that person standing down from the chair for a period of at least one year.
- B.3.3. The position of chairperson should be subject to re-election annually, or as set out in the Rules of the Society.

## **B.4: DIRECTORS**

### **PRINCIPLES**

As part of their role, directors are charged with making prudent decisions that deliver benefits to user members whilst at the same time protecting and strengthening the assets of the co-operative.

Directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and those financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of the CEO and have a prime role in appointing and, where necessary, removing the CEO and in succession planning.

Directors must be aware that their primary duty is to the co-operative, ensuring its continued growth, the attainment of its key objectives and the maintenance of its co-operative principles and values.

All directors should declare any conflicts of interest or loyalty on their part or that of a connected party and act at all times in the best interests of the co-operative.

All directors, on election or appointment should be required to sign and adhere to a Code of Conduct. Directors alleged to be in breach of the code should be subject to due process and fair procedures and if found in breach of the code to be subject to sanction up to and including removal from the office of director.

### **PLUNKETT CODE PROVISIONS**

- B.4.1. The elected board members should give consideration to the appointment of at least one INED, who might provide a sounding board for the Chair and provide support to the members of the board.
- B.4.2. The Chair should meet, periodically, with the directors without executives present.
- B.4.3. Disregarding day to day member business with the co-operative, the Chair should seek affirmation from all directors at the outset of each board meeting that none of the items on the agenda present a conflict or potential conflict of interest or loyalty for any director.
- B.4.4. Co-operative rules or policy documents should include a due process and suitable sanctions for directors found to have breached board confidentiality, not declared a conflict of interest/loyalty or having committed any other serious breach of the Board's Code of Conduct.
- B.4.5. Decisions of the Board, once agreed on, should be respected and are binding on all directors.
- B.4.6. The Secretary should forward a Code of Conduct for signing to each new director and a letter confirming the appointment/election of each director and outlining the work, time commitment and responsibilities expected from each director.
- B.4.7. Consistent with the resources available to the co-operative, each director should be proactive in seeking training and educational opportunities in topics and skills that would add value to the director's capacity as a board member to lead the co-operative.

## **B.5: BOARD SIZE**

### **PRINCIPLES**

The key consideration in determining board size should be board effectiveness. Boards that are too large have the potential to have issues with confidentiality, communication and solidarity. Boards that are too small may not reflect the diversity and scale of the co-operative.

The democratic and representative nature of the co-operative business model generally warrants a larger board than would be the case in an investor-owned firm. Notwithstanding this fact, overly large boards can undermine the effectiveness of a board.

The board should not be so large as to be unwieldy. It should be of sufficient size that the requirements of the business can be met and that changes to the board's composition and that of its committees can be managed without undue disruption. B.5.2. In general terms, for co-operatives, the Plunkett Institute would recommend a minimum number of seven and a maximum number of fifteen.

### **PLUNKETT CODE PROVISION**

- B.5.1. The Board should review board size periodically and should seek the approval of the members for any change to the Rules of the society with respect to board size.

## **B.6: BOARD COMPOSITION**

### **PRINCIPLES**

Traditionally membership of boards of Irish co-operatives tends to have been large by comparison to investor-owned businesses and has been confined to elected member directors although current best practice suggests the appointment of one or more independent directors to support the board.

As co-operatives have grown in scale, diversity, complexity and risk exposure, there is a growing trend towards ensuring that the board and its committees have a wide balance of skills, experience, independence and knowledge of the co-operative to enable them to discharge their respective duties and responsibilities effectively.

The board should include an appropriate combination of INED's.

The value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account in deciding chairing and membership of committees.

### **PLUNKETT CODE PROVISIONS**

- B.6.1. The overriding consideration with any co-operative board is effectiveness. Effectiveness is most likely to be enhanced when the board has a wide skills matrix and a diversity of experience, gender and independence of thought. The Plunkett Code recommends that all co-operative boards should evaluate the merits of appointing one or more INED's to their board in the context of Member Directors always having majority control of the board.
- B.6.2. The terms and conditions of co-opted INED's should be agreed in writing.
- B.6.3. INED's should be co-opted for a set term, as defined in Rules or Board Policy, during which their performance may be reviewed by the elected members of the board, and they may then be reappointed subsequently.

- B.6.4. The board should satisfy itself that each co-opted INED is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

## **B.7: THE CHIEF EXECUTIVE**

### **PRINCIPLES**

The Chief Executive is the highest-ranking executive in the co-operative responsible for managing all day-to-day operations in the co-operative and should also be the chief formulator of strategic and business planning options for consideration and approval by the board.

The Chief Executive is answerable to the board for the way the co-operative is run and its business performance.

### **PLUNKETT CODE PROVISIONS**

- B.7.1. The Chief Executive's appointment and removal should be a matter for the board as a whole.
- B.7.2. Where resources permit, the position of Chief Executive and Secretary should not be held by one person.
- B.7.3. The board should delegate responsibility to an appropriate sub-committee for the function of CEO succession planning.

## **B.8: APPOINTMENTS TO THE BOARD**

### **PRINCIPLE**

There should be an effective, formal, rigorous and transparent procedure for the election/appointment of new directors to the board.

For co-operatives in Ireland the dominant process for appointing directors is the 'democracy principle' applied on the basis of a candidate being elected to the board by the individual members or by representative committees made up of elected members on the basis on one vote per member. Various 'eligibility criteria' such as; being a member of the society, having served on a lower representational tier, can be stipulated. This has worked well by and large to date as a system for electing directors. However, as co-operatives grow in scale and complexity, reliance solely on an electoral process without some form of vetting or selection protocol for candidates may not in every instance be the optimum method of ensuring recruitment of effective directors.

The board should satisfy itself that the Rules of the Society and board policy in regard to board elections are such that they provide for orderly succession for appointments to the board and so as to maintain an appropriate balance of independence, skills and experience on the board and to ensure progressive refreshing of the board.

### **PLUNKETT CODE PROVISIONS**

- B.8.1. The appropriate sub-committee should identify minimum qualifying criteria for the task, and publish this description with the relevant election notices, where appropriate.

- B.8.2. Eligibility criteria for election to the Board should include a requirement to commit to undergoing/participating in Member Development Programmes, or other relevant requirements.
- B.8.3. INED's should be co-opted for specified terms subject to re-appointment by the elected board members and to provisions under the Rules relating to the appointment and removal of a director.
- B.8.4. The Chair of the relevant Committee responsible for Member Relations, should update each annual general meeting on the work of the Member Relations Committee and the board's policy on diversity, including gender.

## **B.9: COMMITMENT**

### **PRINCIPLES**

All directors should be able to allocate sufficient time to the co-operative to discharge their responsibilities effectively.

### **PLUNKETT CODE PROVISIONS**

- B.9.1. The Terms of Reference for sub-Committees should set out clearly time commitment associated with membership.
- B.9.2. The letter of appointment of INEDs should set out the expected time commitment. All directors should undertake that they will have sufficient time to meet what is expected of them.

## **B.10: DEVELOPMENT**

### **PRINCIPLES**

All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

The Chair should ensure that the directors continually update their skills and the knowledge and familiarity with the co-operative required to fulfil their role both on the board and board committees. The co-operative should provide the necessary resources for developing and updating its directors' knowledge and capabilities.

To function effectively, all directors need appropriate knowledge of the co-operative and familiarity with its operations and staff.

### **PLUNKETT CODE PROVISIONS**

- B.10.1. The Chair should ensure that new directors receive a full, formal induction on joining the board. This process should include a familiarisation with the Rules, structures, finances and operations of the co-operative, as well as the legal responsibilities of a director.
- B.10.2. The Chair should regularly review and agree with each director their training and development needs, and directors should proactively seek the necessary training.

## **B.11: INFORMATION AND SUPPORT**

### **PRINCIPLES**

The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The Chair is responsible for ensuring that the directors receive accurate, timely and clear information. Management has an obligation to provide such information but directors should seek clarification or amplification where necessary.

Under the direction of the Chair, the co-operative Secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and directors, as well as facilitating induction and assisting with professional development as required.

The co-operative Secretary should be responsible for advising and giving impartial advice to the board on all governance matters.

### **PLUNKETT CODE PROVISIONS**

- B.11.1. The board should ensure that directors have access to independent professional advice at the co-operative's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.
- B.11.2. All directors should have access to the advice and services of the co-operative Secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the co-operative Secretary should be a matter for the board.

## **B.12: EVALUATION**

### **PRINCIPLES**

The board should undertake a regular structured evaluation of its own performance and that of its committees and individual directors.

Evaluation of the board should consider the balance of skills, experience, independence and knowledge of the co-operative on the board, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness.

The Chair should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, proposing the inclusion of a number of INED's with specific experience and skills.

Individual evaluation should aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties).

### **PLUNKETT CODE PROVISIONS**

- B.12.1. The board should state in the annual report how performance evaluation of the board, and board sub-committees has been conducted.
- B.12.2. Evaluation of the board of larger co-operatives should be externally facilitated at regular intervals. The external facilitator should be identified in the annual report.



## **B.13: RE-ELECTION**

### **PRINCIPLE**

All directors should be submitted for re-election or re-appointment at regular intervals, subject to continued satisfactory performance.

### **PLUNKETT CODE PROVISIONS**

- B.13.1. All Member Directors should be subject to election by members once per electoral term as provided for in their co-operative rules. A term should not exceed five years. Candidates seeking nomination for election as directors and existing directors seeking re-election should be subject to a verification process to ensure a valid candidacy and the names of those short-listed should be accompanied by relevant information to assist members in taking an informed decision on their election.
- B.13.2. In the case of INED's being co-opted by the board, the board should set out to members in the annual report the rationale for appointing a particular individual.
- B.13.3. INED's shall be co-opted for a three-year term by the Member Directors, or as set out in the Rules of the Society and may be reappointed, but may be removed at any time as prescribed by the Rules.

## SECTION C: ACCOUNTABILITY

### C.1: FINANCIAL AND BUSINESS REPORTING

#### PRINCIPLE

The board should present a fair, balanced and understandable assessment of the co-operative's position and prospects.

The board's responsibility to present a fair, balanced and understandable assessment extends to reports to regulators as well as to information required to be presented by statutory requirements.

The board should establish arrangements that will enable it to ensure that the information presented is fair, balanced and understandable.

#### PLUNKETT CODE PROVISIONS

- C.1.1. The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the co-operative's position and performance, business model and strategy. There should be a statement by the auditor about their reporting responsibilities.
- C.1.2. The directors should include in the annual report an explanation of the basis on which the co-operative generates or preserves value over the longer term, and the strategy for delivering the objectives of the co-operative.
- C.1.3. In annual financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the co-operative's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

### C.2: RISK MANAGEMENT AND INTERNAL CONTROL

#### PRINCIPLE

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.

#### PLUNKETT CODE PROVISIONS

- C.2.1. The directors are responsible for risk management in the Co-operative.
- C.2.2. The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the co-operative, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.
- C.2.3. Taking account of the co-operative's current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the co-operative, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable

expectation that the co-operative will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

- C.2.4. The board should monitor the co-operative's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.

### **C.3: AUDIT**

#### **PRINCIPLES**

The board should establish an audit committee, where appropriate.

The board should establish formal and transparent policies and procedures to promote the viability and long-term success of the co-operative and to ensure the independence and effectiveness of internal (if applicable) and external audit functions, and satisfy itself on the integrity of financial statements. In scrutinising such statements, the board should ensure that its obligations to members are met.

The board should present a fair, balanced and understandable assessment of the co-operative's position, viability and prospects and communicate it to members in a transparent way.

The board is responsible for and should establish procedures to manage risk, oversee the internal control framework, and (with input from the executive leadership if applicable) identify the nature and extent of the principal risks the co-operative is willing to take in order to achieve its long-term strategic objectives and success in accordance with the ICA Values and Principles.

If the co-operative is part of a group structure, or has any subsidiaries or related businesses, the board should ensure it has appropriate means of controlling and receiving information on them and must satisfy itself that it has spent an appropriate amount of time discussing reports on the performance of any subsidiaries and related businesses.

#### **PLUNKETT CODE PROVISIONS**

- C.3.1. The board should establish an audit committee of at least three directors. One of the directors should be an INED where practicable. In smaller co-operatives the Chair may be a member of, but not the chair.
- C.3.2. The audit committee, where possible, should satisfy itself that at least one member of the audit committee has relevant financial experience and that none of the members have any conflicts of interest or loyalty that would impact on their objectivity.
- C.3.3. Every director should receive a copy of the auditor's report which contains the auditor's findings from the external audit.
- C.3.4. The main role and responsibilities of the audit committee should be set out in written terms of reference and should include the functions specified in Annex 3: However, the principal function of an audit committee is to manage the relationship between the Auditor and the Board.
- C.3.5. Where requested by the board, the audit committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the co-operative's position and performance, business model and strategy.

- C.3.6. A statement from the directors should be included in the annual report that:
- outlines how, having taken account of the co-operative's current position and principal risks, the board has assessed the prospects of the co-operative and whether it has reasonable expectation that it is expected to continue in operation and meet its liabilities and obligations to its members.
  - explains their responsibility for preparing the annual reports and accounts, and includes a statement that confirms their belief that the annual report and accounts are fair, balanced and understandable and provides the necessary information for members to assess the co-operative's financial position, performance against strategic objectives and hold the board to account. The audit committee, or the whole board if there is no audit committee, should annually conduct a review of the effectiveness of the co-operative's system of internal controls and risk management and should report to members, in the annual report, that it has done so.
- C.3.7. The audit committee, where appropriate, should review arrangements by which staff of the co-operative may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, within the terms of the protected Disclosures Act 2014. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- C.3.8. The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.
- C.3.9. The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditor to the board. Issues relating to the appointment, dismissal or resignation of the internal auditor, if one is in place, should be considered by the audit committee who should make recommendations to the board.
- C.3.10. The agendas for board meetings should include regular scheduled items and reports related to the performance of material subsidiaries and group businesses.

## SECTION D: REMUNERATION

### PRINCIPLES

Historically board service in co-operatives was voluntary on the part of those members elected to the board by their fellow members. The Plunkett Institute values the tradition of voluntarism as the method of participation of choice by members in community and smaller co-operatives.

However, we live in an age where the scale and complexity of business imposes a leadership, regulatory and communication burden on co-operative director's way beyond the capacity of many Member Directors to commit their time, energy, management skills and experience on a voluntary basis.

Each co-operative board must ensure that it has appropriate formal remuneration structures and policies in place to attract the appropriate calibre of individual to act as director of the co-operative.

Similarly, the making of recommendations to the board in regard to CEO remuneration should be a function of a remuneration sub-committee and should be designed to promote the long-term success of the co-operative. Where recommended, performance-related elements to executive remuneration packages should be transparent, stretching and rigorously applied.

The remuneration committee should judge where to position their co-operative remuneration policy relative to other co-operatives. But they should use such comparisons with caution.

The remuneration committee should take care to recognise and manage conflicts of interest when receiving views from executive directors or senior management, or consulting the chief executive about its proposals. The remuneration committee should also be responsible for appointing any consultants in respect of remuneration.

### D.1: THE REMUNERATION COMMITTEE

#### PLUNKETT CODE PROVISIONS

- D.1.1. The board should establish a remuneration committee ideally consisting of at least three Member Directors and one INED, if available. In addition, the co-operative Chair may also be a member of, but not chair, the committee.
- D.1.2. The remuneration committee should have written terms of reference, explaining its role and the authority delegated to it by the board. Where remuneration consultants are appointed, they should be identified in the annual report and a statement made as to whether they have any other connection with the co-operative.
- D.1.3. No director or manager should determine his or her own remuneration.
- D.1.4. A report from the Remuneration Committee should be included in the annual report, where applicable.
- D.1.5. The committee should make recommendations to the board on the level of remuneration for Directors.
- D.1.6. Levels of remuneration for INEDS and Member Directors should reflect the time commitment and specific skills and workloads of the roles.
- D.1.7. Co-operatives should provide details of the remuneration of key management personnel and directors in accordance with statutory requirements and accounting standards.

- D.1.8. The committee should determine the remuneration and terms of employment of the CEO.
- D.1.9. The committee should approve the principles and methodology of senior management performance related pay schemes operated by the co-operative and receive a report on the total annual payments made under such schemes.
- D.1.10. The committee should agree an expenses policy for directors.
- D.1.11. External information and/or advice on remuneration should be obtained.

## **ANNEXES TO THE PLUNKETT INSTITUTE CODE OF CO-OPERATIVE GOVERNANCE.**

Information contained within the Annexes is for information only, and does not constitute part of the Code, and is not subject to the principle of Comply or Explain.

### **ANNEX 1: THE INTERNATIONAL CO-OPERATIVE ALLIANCE STATEMENT OF CO-OPERATIVE IDENTITY**

#### **DEFINITION:**

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

#### **VALUES:**

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

#### **PRINCIPLES:**

The co-operative principles are guidelines by which co-operatives put their values into practice. All co-operative boards should act in accordance with these following seven principles:

#### **1<sup>ST</sup> PRINCIPLE: VOLUNTARY AND OPEN MEMBERSHIP**

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

#### **2<sup>ND</sup> PRINCIPLE: DEMOCRATIC MEMBER CONTROL**

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.

#### **3<sup>RD</sup> PRINCIPLE: MEMBER ECONOMIC PARTICIPATION**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

#### **4<sup>TH</sup> PRINCIPLE: AUTONOMY AND INDEPENDENCE**

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

#### **5<sup>TH</sup> PRINCIPLE: EDUCATION, TRAINING AND INFORMATION**

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders - about the nature and benefits of co-operation.

#### **6<sup>TH</sup> PRINCIPLE: CO-OPERATION AMONG CO-OPERATIVES**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

#### **7<sup>TH</sup> PRINCIPLE: CONCERN FOR COMMUNITY**

Co-operatives work for the sustainable development of their communities through policies approved by their members.



## ANNEX 2: PRINCIPAL FIDUCIARY DUTIES OF DIRECTORS – SECTION 228, COMPANIES ACT 2014

- To act in good faith in what the director considers to be the interests of the company
- To act honestly and responsibly in relation to the conduct of the affairs of the company
- To act in accordance with the company's constitution and exercise his or her powers only for the purposes allowed by law
- Not to use the company's property, information or opportunities for his or her own benefit, or that of anyone else, unless (a) this is permitted expressly by the company's constitution or (b) the relevant use has been approved by a resolution of the company in general meeting
- Not to agree to restrict the director's power to exercise an independent judgement unless (a) this is expressly permitted by the company's constitution or (b) the case concerned falls within limited exceptions
- To avoid any conflict between the director's duties to the company and the director's other (including personal) interests, unless the director is released from his or her duty to the company in relation to the matter concerned, whether by the company's constitution or by a resolution of the members in general meeting
- To exercise the care, skill and diligence which would be exercised in the same circumstances by a reasonable person having both (a) the knowledge and experience that may reasonably be expected of a person in the same position as the director and (b) the knowledge and experience which the director has
- (As mentioned above) to have regard to the interests of the company's employees in general and its members

### ANNEX 3: THE MAIN ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE:

- To monitor the integrity of the co-operative's financial statements
- Reviewing significant financial reporting judgements contained in the financial statements and seek clarification from the external auditor and management, where deemed necessary
- To ensure that accounts prepared by management are accurate and in compliance with mandatory financial reporting standards and any other higher financial reporting standards that the audit committee may recommend and the board approve
- Consideration of significant accounting policies and any changes to them and any significant estimates and judgements
- To review the co-operative's internal financial controls and, review the co-operative's internal control and risk management systems
- To monitor and review the effectiveness of the co-operative's internal audit function
- To make recommendations to the board, for it to put to the members for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements
- To meet with the external auditors annually, without management. to discuss matters relating to its remit any issues arising from the audit
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken
- To report to the board and to the members on how it has discharged its responsibilities
- A determination of the maximum tenure of the audit engagement partner and of the audit engagement company/partnership