

## Annex E – Cooperative BOND

### Summary of answers of the members of BOND project on the cooperative questionnaire.

#### 1. Italy

##### Aim/Concept:

According to the Italian legislation cooperative is an economic and cultural cooperation satisfying public needs.

Article 45 of the Italian Constitution (Costituzione della Repubblica Italiana 27 dicembre 1947)<sup>234</sup> conation provisions of cooperatives: “The Republic recognizes the social function of mutuality cooperation without private speculation. The law promotes and encourages them through the most appropriate means and secures, through appropriate controls, their character and purposes.”

Article 2511-2545 of the Italian Civil Code (Art. 2511 - Art. 2545 Delle imprese cooperative e delle mutue assicuratrici, Codice civile, Libro V, Titolo VI)<sup>235</sup> regulates the cooperatives.<sup>236</sup>

Cooperative is a company - in the form of a society - in which the aim and foundation of economic activity is the satisfaction of the needs of the person (the member): at the base of the cooperative there is therefore the common will of its members of protect the interests of consumers, workers, farmers, cultural operators, etc.

The distinctive and unifying element of each type of cooperative - regardless of any other sectoral distinction - can be summarized in the fact that, while the ultimate goal of both partnerships and corporations is the realization of profit and takes shape in the allotment of the patrimonial profits, the cooperatives have instead a mutualistic purpose, which consists - according to the type of cooperative - in assuring the members work, or consumer goods, or services, at better conditions than those they would get from the free market.

##### Types:

In Italy the form of the cooperatives may be:

- a) private limited-liability companies
- b) consortium of cooperative societies
- c) small cooperative societies.

Article 2518 In cooperative societies only society is responsible with its assets for social obligations.

##### Membership:

Article 2522 of Civil Code

At least nine members are necessary to form a cooperative.

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<sup>234</sup> <https://www.altalex.com/documents/news/2013/12/19/diritti-e-doveri-dei-cittadini-rapporti-economici>

<sup>235</sup> <https://www.altalex.com/documents/news/2014/11/27/delle-imprese-cooperative-e-delle-mutue-assicuratrici>

<sup>236</sup> Article 2511: Cooperatives are companies with variable capital, with mutuality purposes registered in the register of cooperative companies.

Article 2512: Cooperatives with prevalent mutuality, due to the type of mutual exchange, are those which:

- 1) carry out their activity mainly in favour of the members, consumers or users of goods or services;
- 2) mainly avail themselves, in carrying out their activity, of the members' job performance;
- 3) mainly use the contributions of goods or services on the part of the shareholders, in carrying out their activity.

At least three shareholders can also establish a cooperative when they are natural persons and the company adopts the rules of the limited liability company; in the case of agricultural activity, simple companies can also be members.

If the number of members becomes lower than nine, the number of members must be integrated within a maximum period of one year, after which the company is dissolved and must be placed in liquidation.

The Civil Code determines that in specific sectors the statute of the cooperative may regulate the minimum number of members.

#### Investor members:

In Italy the Act Number 59 of 1992<sup>237</sup> introduced the figure of “funding member” (socio sovventore).

The funding members, following the corporate law reform, would fall within the category of holders of financial instruments with voting rights pursuant to Art. 2526 of the Civil Code.

The statutes of the cooperative may provide for issue financial instruments pursuant to the provision of limited company. The statutes shall determine the financial and organizational rights attributed to the holders of the financial instruments and any conditions to which their transfer is subjected.

The privileges provided for the distribution of profits and the repayment of capital do not extend to the indivisible reserves pursuant to Art. 2545.

Cooperatives for which the rules of limited liability companies shall be applied, can offer instruments to qualified investors without administrative rights.

#### Voting rules of investor members:

The votes of investor members may not, in any case, exceed one third of the votes of all members; furthermore, these shareholders may be appointed as directors, even if the majority of the directors shall be cooperative members.

The withdrawal of the holders of financial instruments provided with the right to vote is governed by Art. 2437 and the following articles.

#### Capital:

There is no required capital minimum.

#### Voting rules:

Art. 2538 of Civil Code regulates the voting rules.

Those who have been registered for at least ninety days in the register of shareholders have right to vote at the meetings. Each shareholder has one vote, irrespective of the value of the share or the number of shares held. The statute may limit the voting rights related to the shares/securities at its subscription to the members. The statutes may assign more votes, but not more than five, for the legal person members in relation to the amount of the quota or to the number of members. Cooperatives in which the members carry out the mutualistic purpose through the integration of companies or certain phases of them, the statutes may provide that the right to vote is based on participation. The statutes limits the multiple votes of shareholders, none of them can have more than one tenth of the votes in each general assembly. Furthermore,

<sup>237</sup> <https://www.gazzettaufficiale.it/eli/id/1992/02/07/092G0082/sg>

the number of their votes cannot be exceed one third of the votes of all members presented or represented in the general meeting.

In the meeting of the decision-making body a quorum shall exist when the majority of the members with voting right are present and the majority votes of the members is required for the validity of the decisions. The statutes shall determine the rate of votes, which is in line with the number of members.

The statutes may provide for the vote to be expressed by correspondence, or by other means of telecommunications. In this case the convocation notice shall contain the proposed resolutions. If the members vote on proposals other than in the notice, the votes expressed by correspondence are not counted.

#### Ownership share:

Art. 2525 of Civil Code regulates the ownership shares.

The nominal value of each share or quota may not be less than twenty-five euros, but may be not more than five hundred euros. Unless the law provides otherwise, in a cooperative no member can have a quota of more than one hundred thousand euros, even if the nominal value of shares exceeds this sum. In cooperatives with more than five hundred members the statutes can raise this limit up to two percent of the capital. Shares exceeding this limit may be redeemed or sold in the interests of the shareholder by the directors. In any case, the relative patrimonial rights are assigned to the indivisible reserve pursuant to Art. 2545. The limit referred to in the previous paragraphs do not apply in the case of contributions in goods or credits according to Art. 2545 and to shareholders other than natural persons and subscribers of financial instruments with administrative rights.

The provisions of articles 2346, 2347, 2348, 2349, 2354 and 2355 apply to the shares. However, the amount of the capital and the partial payments of shares not completely paid, are not indicated in the shares.

#### Dividing profit:

The Civil Code determines the division of the profit:

- 30% shall be allocated to the legal reserved fund;
- 3% shall be allocated to the mutual funds for the promotion and development of the cooperative;
- the part of the residual profit can be allocated by resolution of the members' meeting: dividends, revaluating of the value of the quotas/shares, rebating in favour of the shareholders, purchasing quotas/equity capital, other statutory reserves within the limits established by law.

Furthermore, cooperatives with prevalent mutuality, the amount of profit divided for members cannot exceed the limit established by the Civil Code. The same applies to the prohibition of distribution of reserves between the shareholders in any form. In the case of dissolution of the cooperative, the entire remaining net assets shall be allocated to mutual funds for the promotion and development of cooperation after the reimbursement of shares to the shareholders and the revaluation of the capital.

Art. 2454 of Civil Code

The statutes determines the methods and the maximum amount of distributable profit among the members. Dividend can be distributed, quotas or shares can be purchased, or shareholders' reserves can be divided if the proportion of the cooperative's net profit and the total debt exceeds one quarter. This condition does not apply to holders of financial instruments.

#### Reserves:

Art. 2545 of Civil Code

Whatever the amount of the legal reserve fund is, at least thirty percent of the annual net profit shall be allocated to it. A part of the annual net profit shall be allocated to mutual funds in favour of the promotion and development of the cooperation to the extent and in the manner provided by the Act.

The divisible reserves, due to the member in the event of termination of the relationship, can be assigned, if the by-laws do not provide otherwise, through the issue of freely transferable financial instruments and must be so where the ratio between the net assets and the total debt of the company is less than a quarter. The provisions of the second and third paragraphs do not apply to cooperatives with shares listed on regulated markets.

#### Distribution of reserves:

Art. 2545 of Civil Code

Reserves cannot be divided among the shareholders according to the act or the statutes, even in the case of dissolution of the cooperative, they are indivisible. The indivisible reserves can be used for cover losses but only after that the cooperative had allocated reserves for capital increase and the distributable reserves had been distributed among shareholders in the case of the dissolution of the cooperative.

The statutes can enable the assembly to assign members reserves that can be divided by:

- a) the issue of the financial instruments referred to in Art. 2526;
- b) a proportional increase of shares subscribed and paid, or by issuing new shares to a maximum twenty per cent of the original value of the share.

#### Distribution of capital:

Art. 2535

The liquidation of the quotas or the reimbursement of the shares is based on the financial statements for the year in which the withdrawal, exclusion or death of the shareholder occurred.

The liquidation of the shares, the possible reduction in proportion to the losses, is based on the criteria of the statutes. Unless otherwise provided by the Act, settlement also includes reimbursement of the surcharges, if they were paid and available in the company's assets and have not been allocated for capital increase.

Payment must be made within one hundred and eighty days from the approval of the financial statements. The statutes may provide that, the quota or the shares assigned to shareholders may be paid in several instalments within a maximum term of five years.

#### Cooperation with other non-cooperative partner:

In principle it is not possible to cooperate with a non-cooperative partner. But agricultural cooperatives can cooperate under strict regulation.



It's possible in the fruit and vegetables sector, when there is a producer organisation.

In Italy Regulation (EU) No 1308/2013 and the Commission Delegated Regulation (EU) 2017/891 (see: Art. 13 and 22) is applied.<sup>238</sup>

## 2. Romania

### Aim/Concept:

According to the Cooperative Act No. 1/2005 (Legea nr. 1/2005 privind organizarea și funcționarea cooperăției)<sup>239</sup>, cooperative serves the economic, social and cultural interests of members.

The Act No. 566/2004 (Legea cooperăției agricole nr. 566/2004)<sup>240</sup> on agricultural cooperation regulates cooperative in the field of agriculture.

The aim of the cooperative is to increase the competitiveness of farmers on the market, create jobs and increase incomes, consolidate land in economically viable exploitation surfaces, access EU funds, promote social economy, use jointly machineries, purchase expensive technologies.

### Types:

A cooperative is a legal person registered at the Romanian Company registry, having its own statutes and internal rules.

There are two types of cooperatives in Romania:

- a) TIER 1: Cooperatives which carry on economic, technical or social activities in order to supply goods, services and employment for their members (minimum 5 members). These cooperatives are called TIER 1 cooperatives.
- b) TIER 2 (vertical integration): The members are either individuals and/or legal persons from the TIER 1 cooperatives or outside of them.

A cooperative may be an autonomous association or a cooperative company.

The following cooperative types exist in Romania: small-scale, consumer, marketing, agricultural, housing, fishing, transport, forestry cooperatives.

### Membership:

A cooperative can be established with minimum 5 members.

- a) Cooperatives are established with a minimum of 5 natural persons and carry on economic, technical or social activities in order to supply goods, services and employment for its members. These are named TIER 1 cooperatives.

<sup>238</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32013R1308&qid=1572687588299&from=HU>  
<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017R0891&qid=1572687438789&from=HU>

<sup>239</sup> <https://lege5.ro/Gratuit/gy4tinrz/legea-nr-1-2005-privind-organizarea-si-functionarea-cooperatiei>

<sup>240</sup> <https://legestart.ro/cooperativele-agricole-functioneaza-dupa-reglementari-noi/>

This Act was modified by the Act No. 21/2019 <https://lege5.ro/Gratuit/gmytkmbyggya/legea-nr-21-2019-pentru-modificarea-si-completarea-legii-cooperatiei-agricole-nr-566-2004>

- b) Cooperatives can have as members also legal persons. These are named TIER 2 cooperatives, which have minimum 5 individuals and/or other legal persons members from the TIER 1 coops or not.

Investor members:

The Romanian Cooperative Act doesn't regulate it, so cooperatives may not have investor members.

Voting rules of investor members:

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Capital:

In Romania the members have obligation to provide cash payment for the cooperative, minimum 500 RON, which shall be minimum 10 RON by each share. The statutes shall contain provision about cash. In addition to cash payment, members may provide non cash contribution too.

Voting rules:

In Romania the principle of one member one vote exists.

Ownership share:

A cooperative member can have a maximum of 20% of the capital of the cooperative.

Dividing profit:

Cooperative members are entitled to dividends in proportion to their participation in the share capital and/or to the annual income of the agricultural cooperative.

Reserves:

In Romania cooperatives shall make reserves in proportion of 5% of the annual profit, which may not exceed 1/5 of the minimum capital.

Distribution of reserves:

The Act contains specific regulations on reserves, but it is very unclear, how reserve can be distributed. The only thing that the Act determines that in the case of dissolution and liquidation of the cooperative the indivisible reserve can be distributed among members.

Distribution of capital:

The subscribed capital may not be distributed among members and shall not be remunerated. The investor share may be distributed among the members and paid out any sums in dividends.

Cooperation with other non-cooperative partner:

The Act states only that cooperatives can and should cooperate with other cooperatives.

### 3. Czech Republic

#### Aim/Concept:

The Business Corporation Act No. 90/2012<sup>241</sup> regulates the cooperatives in the Czech Republic.

Section 552 determines the concept of cooperatives: A cooperative as a community of undefined number of persons, which is established for the purpose of mutual support of its members or third parties, possibly for the purpose of business. The Cooperative shall have at least three members. The name shall include the word “družstvo” (cooperative).

A cooperative (formerly a community) is a legal form for bringing people together to support its members. Sometimes they can be understood as classic trading companies or as associations. Cooperatives and business companies are considered to be corporations. The differences between cooperatives and business companies are that cooperatives can acquire members in the original way without changing the founding document; the members have equal votes and the variable capital (equity).

#### Types:

Cooperative - as a special form of business company

Housing cooperative

Social cooperative

#### Membership:

A cooperative shall have at least 3 members. Maximum is unlimited.

Membership in a cooperative shall only be acquired when all the conditions prescribed by this Act and statutes of the cooperative have been fulfilled: (a) when a cooperative is being established, on the date of incorporation of the cooperative, (b) on the date when the competent body of the cooperative decided to admit a member or on a later date specified in such a decision, or (c) upon the transfer or passing of the cooperative share.

#### Investor members:

Cooperatives cannot have investor members.

#### Voting rules of investor members:

#### Capital:

The Act does not determine a minimum amount of membership contribution.

#### Voting rules:

Section 575

A member shall have the right to vote and be elected for a body of the cooperative, and to participate in the management and decision-making within the cooperative.

#### Ownership share

Section 595

A cooperative share shall represent the rights and duties of a member arising from his or her membership in a cooperative. Each member may have 1 cooperative share only.

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<sup>241</sup> <http://obcanskyzakonik.justice.cz/images/pdf/Business-Corporations-Act.pdf>

### Dividing profit:

#### Section 586

The statutes can provide that a member or some members are entitled to receive a profit share under the conditions provided for therein. If the articles of association do not provide for the method of determining a member's share of the profit to be distributed among the members, it shall be determined in the proportion of the member's fulfilled contribution obligation related to the membership contribution to the paid-up registered capital of the cooperative. In the case of a member whose membership in the relevant year lasted for a part of the accounting period only, the profit share shall be reduced proportionally.

### Reserves:

In the Czech Republic there is no requirement for reserves.

Housing cooperatives hold a certain reserve, but it is not regulated by law.

### Distribution of reserves:

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### Distribution of capital:

Profit is used for further operation of the cooperative according to the statutes, and it is not distributed for the members.

In the case of a housing cooperative the profit may only be used to accommodate the housing needs of its members and for further development of the housing cooperative.

### Cooperation with other non-profit cooperative partner:

In accordance with the statutes of the cooperative, it is possible between cooperatives with business purposes, as they are lawfully considered as commercial companies.

## 4. Norway

### Aim/Concept:

In Norway the Act of 2008 on cooperatives<sup>242</sup> regulates cooperatives.<sup>243</sup> The Cooperative Act covers all sectors and must be considered as a neutral relating the aims of the cooperative.

<sup>242</sup> <https://lovdata.no/dokument/NL/lov/2007-06-29-81/>

<sup>243</sup> A cooperative entity is defined in 1. § of the act as follows:

(2) By a cooperative society is meant a group whose main objective is to promote the economic interests of its members by the members taking part in the society as purchasers, suppliers or in some other similar way, when

1. the return, apart from a normal return on invested capital, is either left in the society or divided among the members on the basis of their share of the trade with the group, and

2. none of the members is personally liable for the group's debts, either in whole or for parts which together comprise the total debts.

(3) A cooperative society also exists if the interests of the members as mentioned in subsection two are promoted through the members' trade with an enterprise which the cooperative society owns alone or together with other cooperative societies, including a secondary cooperative pursuant to section four, second subsection. The same applies if the interests of the members are promoted through the members' trade with an enterprise which the secondary cooperative owns alone. The King may in an individual decision in special cases state that a cooperative society exists even if the interests of the members are promoted through the members' trade with groups other than those mentioned in this subsection.

(4) The Act does not apply to:

1. private limited companies  
2. public limited companies

Cooperative as a corporate form can operate in the case of all kinds of economic activity where they can serve the members' economic interests.

The Cooperative Act does not apply to some branches of cooperatives. These have specific legislation directly for the branch (housing, mutual insurance, ...), but very much corresponding with the provisions of the cooperative law.

Some of the main cooperatives in the agricultural sector have certain role in implementing agricultural policy and the goals for this. This is regulated in special legislation for agriculture, agreements between the organizations in agriculture and the government, and in the competition regulations.

### Types:

Cooperative is an autonomous corporate form, and it operates as such. The transactions with the members can also be carried out through a limited company wholly owned by the cooperative or jointly owned with one or more other cooperatives.

In Norway the concept of a cooperative includes both traditional cooperatives (with cooperative member shares) and "economic associations" without member shares.<sup>244</sup> Cooperatives can also cooperate with other cooperatives in a federative cooperative model. An example is that local and regional cooperatives create a cooperative on national level. This still exists in consumer coops. It was also very common in agriculture, but most of the cooperatives in each branch have now merged into one single national entity where the farmers are direct members.

The law includes all cooperatives, irrespective of size.

### Membership:

A cooperative must have minimum 2 members. There is no maximum.

In nationwide cooperatives with more than 100 members, the statutes may determine that the members are represented by delegates at the annual meeting. In such case, the statutes shall stipulate how the delegates are to be chosen. The overall principles are usually being followed also here.

Membership, right to vote and economic rights are based on economic trade with the cooperative.

### Investor members:

Cooperatives may have no investor members.

The capital of the cooperative entity can only come from the members or from retained profit.

### Voting rules of investor members:

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3. building associations

4. housing cooperatives

<sup>244</sup> In Norway until 2008 there was no cooperative act. Most of the old cooperatives were traditional organizations with an obligation for the members to contribute with a cooperative share. However, some of the organizations considered to be a part of the cooperative family, turned out not to have cooperative shares. They were "economic associations/organizations", organized similar to an ideal association, but with an economic purpose. This is why the Norwegian Cooperative Act defines cooperatives without a mandatory cooperative share.



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### Capital:

The capital of the cooperative entity can only come from the members or from retained profit. There is no required minimum capital for establishing a cooperative.

#### Section 25

It is up to the cooperative itself to make sure the entity has an adequate amount of capital. If it is ascertained that the equity is less than that which is adequate based on the risk involved in and scope of the enterprise's operations, the board must discuss this issue immediately. The board shall within a reasonable period give notice of an annual meeting, provide a report on the financial position and propose measures that will give the enterprise an adequate equity.

The statutes of the cooperative shall decide whether deposits of capital from the members (member shares) are required or not.

The agricultural cooperatives do have member shares, but relatively small.

### Voting rules:

#### Section 38

The general rule is one member has one vote.

Persons that have a joint membership only have one vote.

The statutes may contain provisions stating that members may have several votes if the votes are divided among the members according to their trade with the enterprise. In a secondary cooperative, the statutes may also determine that the votes are divided according to the membership or the geographical area to which the primary cooperative belongs.

One member may not have a majority of the votes in the enterprise.

### Ownership share:

According to Act, the subscription of member shares is not mandatory. There is no regulation of ownership shares in the law. The rules for shares shall be determined in the statutes of the cooperative.

In the case of agricultural cooperatives members traditionally had member shares, often diversified according to the size of the farm/expected trade with the cooperative. In most cases this is now simplified to one share per member.

Paying a share is an obligation for the member in order to take part in the responsibility for the economy of the cooperative. However, shares do not give any rights to the member. Membership, right to vote and economic rights are based on economic trade with the cooperative.

### Dividing profit:

The use of the profit is decided at the annual meeting, based on the proposal of the board. The board shall consider how much shall be kept to secure the adequate amount of capital. The annual meeting cannot overrule this.

The general capital of the cooperative is indivisible. Only the profit of the previous year can be divided. Some capital schemes make it possible to keep some part of the annual profit in the company for a later distribution among the members.

The part of the profit not used for capital/reserves can be used as follows:

- a) subsequent payment, based on trade last year
- b) subsequent payment reserve (being kept as equity in the coop, but can be at disposal later)
- c) member's capital account (delayed subsequent payment, divided on members)
- d) interest on membership contributions and members' capital accounts (limited to three percentage points above the interest payable on government bonds with a five-year term to maturity)

Reserves:

There are no special requirements for reserves.

This is regulated by the requirement for adequate capital (section 25).

Distribution of reserves:

"Temporary" reserves, subsequent payment reserves and member's capital account can be distributed among members. Other reserves cannot be distributed.

Distribution of capital:

The general rule is that the assets remain after liquidation shall be spent on the social or non-profit purposes of the cooperative. See Section 135 (4).

However, the statutes can provide the distribution of the remained assets among the members. The distribution is based on the trade between the cooperative and the member. See Section 135 (5). This rule is used in all agricultural cooperatives.

Cooperation with other non-profit cooperative partner:

Cooperatives can cooperate both with members and non-members. In the cooperative law there is no limit for it. However, according to taxation rules for certain cooperatives, cooperation with members shall take at least 50%.

In operations not including the members directly (industry, sales etc.), cooperatives can act like any other company and can cooperate with any partner.

## 5. Poland

### Aim/Concept:

The Farmers' Cooperative Act 4 of October 2018<sup>245</sup> regulates the cooperatives in Poland.

#### Art. 4

A cooperative is a voluntary association of natural or legal persons:

- 1) running a farm within the meaning of the provisions on agricultural tax or conducting agricultural activities in the field of special departments of agricultural production, being producers of agricultural products or groups of these products or conducting fish farming or farming, hereinafter referred to as "farmers",
- 2) who are not farmers, conducting activities in the field of storage, sorting, packaging or processing of agricultural products or groups of these products, or fish, produced by farmers referred to in point 1, or agricultural support service activities including provision for farmers, referred to in point 1, services with the use of machines, tools or devices for the production by these farmers of agricultural products or groups of these products, or fish, hereinafter referred to as "non-farmers" - with variable composition and variable share fund which, in the interest of their members, carries out joint business activities.

A cooperative of farmers is established on the basis of agricultural products or groups of these products, or fish, hereinafter referred to as "products or groups of products", the list of which is determined by the provisions issued pursuant to Art. 6.6.

The name of the cooperative shall include the designation "Cooperative of Farmers".

#### Art. 6

The aim of the cooperative is to conduct business activities in favour of the members in the field of:

- 1) planning the production of products or groups of products and adapting it to the market conditions, with particular regard to its quantity and quality;
- 2) concentration of supply and organizing the sale of products or groups of products;
- 3) concentration of demand and organizing the acquisition of means necessary for farmers to produce products or groups of products.

The cooperative, in addition to the activities referred to in par. 1 may conduct business activities in the field of:

- 1) storing, packaging and standardizing products or groups of products;
- 2) processing products or groups of products and marketing the thus obtained processed products;
- 3) providing services for farmers related to the production of products or groups of products;
- 4) selling products or groups of products;

<sup>245</sup> [http://orka.sejm.gov.pl/proc8.nsf/ustawy/1425\\_u.htm](http://orka.sejm.gov.pl/proc8.nsf/ustawy/1425_u.htm)

5) disseminating environmentally friendly cultivation methods, production technologies or waste management methods;

6) conducting service activities other than the services referred to in point 3.

A cooperative may also conduct social, educational and cultural activities in favour of its members and its environment.

The minister, competent for agricultural markets shall determine in regulation the list of products or groups of products under which a cooperative may be established, taking into account the economic importance of individual agricultural products from the point of view of domestic agricultural production and farming or fish farming.

#### Types:

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#### Membership

##### Article 6

Each member of a cooperative may belong to one cooperative with regard to specific products or groups of products.

##### Art. 7

The founders of a cooperative may be farmers whose number may not be less than 10.

If the members of a cooperative are only legal persons and the statute determines other rules for the number of votes than specified in the Cooperative Act, none of the members may have more than 20% of the total number of votes at the general meeting,

indirectly:

1) by holding directly or indirectly a majority of votes at the general meeting, general meeting of shareholders or general meeting of members, also as a pledgee or user, or on the board of another legal person being a member of a farmers' cooperative, also on the basis of agreements with other persons;

2) if the members of the management board of a legal person who is a member of a farmers' cooperative constitute more than half of the members of the management board of another legal person who is a member of the farmers' cooperative.

Art. 8. Members of the farmers' cooperative who are farmers are elected to the supervisory board of farmers' cooperatives.

#### Investor members:

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#### Voting rules of investor members:

#### Capital

The Act does not determine the minimum capital of a cooperative, BUT according to Art. 10 statute may provide that the entry fee is:

1) a specified amount or

2) the quotient of the resource fund of the cooperative specified in the statute and the number of members - as at the end of the calendar year immediately preceding the year of accession of the member to the farmers' cooperative.

### Voting rules

#### Art. 7

If the members of a cooperative are only legal persons, and the statute determines other rule for the number of votes than specified in article 36. 2 of the Cooperative Act, none of the members may have more than 20% of the total number of votes at the general meeting, also indirectly:

- 1) by having directly or indirectly a majority of votes at the general meeting, general meeting of shareholders or general meeting of members, also as a pledgee or user, or on the board of another legal person being a member of a farmers' cooperative, also on the basis of agreements with other persons;
- 2) if the members of the management board of a legal person who is a member of a farmers' cooperative constitute more than half of the members of the management board of another legal person who is a member of the farmers' cooperative.

### Ownership share

#### Art. 11

The statute may provide the possibility of setting the number of shares of the members to which they are entitled to annually.

The statute may provide the possibility of determining the number of shares in a manner other than specified in para. 1.

In the case referred to in para. 1:

- 1) the number of shares to which individual members are entitled is determined on the basis of a resolution of the general meeting adopted by a majority of at least 2/3 of votes in the presence of at least half of those entitled to vote;
- 2) the statute specifies the manner and deadlines for the implementation of additional payments for shares or the return of payments for shares.

### Dividing profit

#### Art. 13

Part of the balance sheet surplus remaining after separating funds referred to in para. 2, shall be allocated to the purposes indicated in the resolution of the general meeting.

#### Art. 14

The general meeting of the cooperative may allocate part of the balance sheet surplus of the cooperative to the interest on the shares. The interest rate may not exceed the highest amount of rediscount rate of bills of exchange in the given calendar year accepted by the National Bank of Poland, plus a maximum of three percentage points. The rules for determining the interest rate and the method of its payment are set down in the statute.

### Reserves

#### Art. 13



Cooperatives create basic own funds:

- 1) a share fund which consists of contributions from membership shares;
- 2) a resource fund, which consists of entry payments by members and which may not less than 10% of the balance sheet surplus;
- 3) a mutual fund, which consists of payments of not less than 3% of the balance sheet surplus.

The farmers' cooperative may create other own funds provided for in separate regulations or in its statutes.

In the case referred to in Art. 11, the right to the share fund is transferred to a new member, unless the parties agree otherwise.

The heirs of the deceased member are entitled to the share fund.

The statute may exclude the right to a participatory fund of a member who has been excluded from the cooperative of farmers.

#### Distribution of reserves:

Art. 13

The decision on the distribution of the balance surplus shall be taken by the general meeting.

The funds accumulated on the mutual fund account shall be allocated to the development and promotion of farmers' cooperatives.

Balance sheet losses of the cooperative are covered from the resource fund, and in part exceeding the resource fund - from other funds of the cooperative, excluding the mutual fund, in the manner and under the conditions specified in the statute.

If the losses incurred in the financial year could not be covered in the manner specified in para. 9 may be covered in succession of the following five financial years.

#### Distribution of capital:

Art. 17

In the case of liquidation of a cooperative, the assets of farmers' cooperatives remaining after the refund of contributions and satisfaction of creditors shall be distributed in proportion to the shares held by the members of the farmers' cooperative.

#### Cooperation with other non-cooperative partner:

Art. 9

Cooperatives may establish cooperative associations or join such relationships on behalf of and for the benefit of their members in the scope referred to in Art. 6.

The cooperative association may also conduct social, educational and cultural activities for the benefit of the members being a member of this association.

The provisions of the Act concerning cooperatives of which cooperative members are exclusively legal persons shall apply to the union of cooperatives.

The National Cooperative Council registers the cooperative associations. The principles of keeping the register and the data shown therein are specified by the National Cooperative Council.