

# **DIRECTIVE ON GOVERNANCE AND ADMINISTRATION**

For the seed to distribution process  
of cannabis for responsible adult  
use

**VERSION: 1.0**

**UPDATED: 30TH JUNE 2023**



## Directive 6 of 2023

In exercise of the power conferred by Article 13(1), 23(2) and 52 of SL 628.01, the Authority for the Responsible Use of Cannabis (“the Authority”) is hereby issuing the following binding instrument in the form of a directive about specific aspects of the associations’ governance and operations.

Directive 5 of 2023 on the Submission of Feasibility & Sustainability Plan and the Guidelines to Outsourcing are being repealed and replaced with this directive.

The Authority reserves the right to amend this instrument at any time. The Authority shall not be held liable for any costs incurred in ensuring compliance to this instrument, including costs incurred in adjusting operations in line with subsequent amendments.

Effective date: 30th June 2023

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# DEFINITIONS

“Administrator” shall mean a person who is appointed or elected to control and administer an Association and as defined in Article 14(5) of the Regulations.

“Approved site” shall mean those premises approved by the Authority to be used by a Cannabis Harm Reduction Association to conduct its operations.

“Association” shall mean a prospective or licenced Cannabis Harm Reduction Association (CHRA) as defined in Article 5 and as set up in terms of Article 7A of the Drug Dependence (Treatment not Imprisonment) Act (Cap. 537).

“Board of Administrators” shall mean the board as defined in Article 14(1) of the Regulations.

“Core Processing” shall include the whole process from the plantation of cannabis seeds and/or the propagation by other means (including clones), cultivation, harvesting, drying, curing, packaging and distribution. It also includes quality control and assurance for these processes, but excludes the testing of cannabis as stipulated in the Directive 1 - Technical Standards and Approved Operating Practices.

“Employee” shall mean any individual working with a formal contract of employment with the Association against remuneration, irrespective whether as a full time, part time, definite or indefinite manner.

“Feasibility” shall mean an analysis of the Association’s possibility and ability to carry out its mission and objectives in a viable manner.

“Founding Member” shall mean a person who is involved in the establishment of an Association or holds out him/herself to third parties as such, and after the establishment of the Association the first associating member.

# DEFINITIONS

“Key Officer” shall mean the individual appointed by an Association in terms of Part VI of the Regulations.

“Non-Core Processing” activities shall include those activities which would be deemed supporting activities to the Association’s Core Processing activities.

“Regulations” shall mean Subsidiary Legislation 628.01.

“Sustainability” shall mean the ability for the Association to maintain or support its mission and objectives over time and is generally looked at from three core aspects: economic, environmental, and social.

# PART 1 – GOVERNANCE


- 1.1. Further to the requirements of article 21 of the Regulations, an association's General Meeting shall be held at intervals of not less than once a year.
- 1.2. Should one of the members of the Board of Administration resign, be dismissed, or otherwise becomes ineligible to continue their tenure a General Meeting must be held within one month from the date when the other members of the Board of Administration become aware of such circumstances.
- 1.3. The date, time and location of the General Meeting shall be determined by the Board of Administrators.
- 1.4. At least once a year, the agenda for the General Meeting shall include, as a minimum :
  - Elections for all positions in the Board of Administrators,
  - Presentation of the most recent annual returns and financial statements compiled as stipulated in articles 26 and 27 of the Regulations. Members shall be allowed to submit their comments about the statements, which shall be duly recorded.
  - Approval of a plan of action for the following period until the next election. If the implementation of the plan requires amendments to the statute, such proposed amendments are to be presented with the plan of action.
- 1.5. The association's Secretary shall compile a list of current paid up members as on the twentieth (20th) working day before the General Meeting, and send an invitation to all members by not later than the fifteenth working day prior to the General Meeting as indicated in article 21(2) of the Regulations.
- 1.6. The invitation shall include the agenda of the meeting and instructions for candidates interested in submitting their nomination for posts in the Board of Administrators. The Secretary shall receive nominations by not later than the fifth (5th) working day before the General Meeting.
- 1.7. Prior to the commencement of the General Meeting the Secretary shall compile a list of the members present and determine whether a quorum has been reached.

- 1.8. If the quorum is not reached, the Secretary shall dissolve the proceedings of the General Meeting and request the Board of Administrators to set another meeting within twenty working days. The Secretary shall notify the members by not later than the fifteenth (15th) working day prior to the rescheduled date. Nominations for positions on the Board of Administrators shall remain valid for the rescheduled meeting.
- 1.9. If the agenda does not include matters which require a revision of the statute, a General Meeting which takes place following a rescheduling as stipulated in the preceding clause may proceed without a quorum.
- 1.10. The Secretary shall open the General Meeting and ensure that the agenda is followed. The Secretary shall promote dialogue amongst members and ensure that all members are given an equal opportunity to express their views. Following the discussions about each item in the agenda, the Secretary shall take note of the members' opinion. Uncontested decisions may be taken with a show of hands whilst contested decisions shall be settled through a formal vote. In such case, the Secretary shall tally the votes and inform the members of their outcome.
- 1.11. If new administrators are elected, the Secretary shall notify the Key Officer of the outcome of the elections. The Key Officer shall notify the Authority of the proposed change and instruct the elected individual/s to submit the relevant documentation as required by the Authority.
- 1.12. The outgoing member/s of the Board of Administrators shall continue serving in their role as caretakers until the new members are approved by the Authority. Caretaker administrators shall only take decisions of an expedient nature to ensure the continuation of the association's operations.
- 1.13. In the eventuality that the newly elected individuals are not approved by the Authority, the Key Officer shall notify the Board of Administrators to call a new election within one month of the Authority's notification.
- 1.14. If the role of Secretary is vacant, the actions indicated in clauses 5, 6, 7, 8, 10 and 11 shall be performed by the Treasurer.

## **PART 2 – PRESENTATION OF ACCOUNTS**

- 2.1. Prospective associations must submit a Feasibility & Sustainability Plan which includes financial projections covering the first three (3) years of operation. The plan must be supported by detailed assumptions underlying the figures presented in the projections.
- 2.2. The Plan must indicate the envisaged period (“Pre-op Period”) the Association would require to implement its plan of action in order for it to proceed from an “In-Principal License” to obtaining an “Operating Permit”.
- 2.3. The financial projections must commence from when the Association is provided with an In-Principal License and cover both the Pre-op Period as well as three (3) years of operations.
- 2.4. The financial projections must comprise the Income Statement, Balance Sheet, and Cash Flow Statement.
- 2.5. The Cash Flow Statement (only) must also be presented on a monthly basis for the full period of projections.
- 2.6. The financial projections and underlying notes and assumptions should be presented using the following headings:
  - Year 1, Year 2, Year 3 and where applicable Month 1, Month 2, Month 3 etc.
- 2.7. The notes and assumptions must cover all line items which generally need further breakdown. The following is a non-exhaustive list of mandatory breakdown items that should be included:
  - Loans broken down by each agreement;
  - Itemised revenue streams indicating volumes and prices for the respective Phytocannabinoid profiles as well as other revenue streams, if applicable;
  - List of property, plant & equipment purchased or leased;
  - Depreciation schedules;
  - Wages and salaries clearly showing the different roles and salaries attributable for each year;
  - Outsourced services and consultancies;
  - Closing stock (in line with IAS 41).



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- 2.8. Draft agreements for any loans, rentals/leases and/or services rendered by the Founding Members, Administrators, Key Officer or individuals in other designated key position must be submitted. Such agreements must include the itemised rates for each item of equipment and/or services being provided.
  - 2.9. The financial projections must also be provided in spreadsheet format including formulae.
  - 2.10. With the exception of the loan provided by the founders, the association shall not enter into any commitment which exceeds the duration of the permit.

## PART 3 – RECRUITMENT

- 3.1. Key function positions, as outlined in Directive 4 – Key Positions, must be occupied by members of the same Association. Said members may be given a contract of employment with the association.
- 3.2. The key function holders may be assisted by other employees of the association to carry out their functions, if appropriate for the size of the association.
- 3.3. The key function holders may also be assisted by outsourced service providers, if the services are required on an occasional basis, for a short duration, or for non-core activities. As part of the operational set up of the Association, the Authority will assess the Association's reliance on outsourced services being provided by third-party individuals and/or entities.
- 3.4. Proposed outsourcing of core activities must be submitted for the Authority's approval prior to commencement of operations. The request must include:
  - a detailed description of the service,
  - the details of the Service Provider (Name, ID / Passport Number and residential address),
  - the duration period of the agreement,
  - the number of hours to be performed by the Service Provider and,
  - the rationale for opting for outsourcing must be provided.
- 3.5. Core activities may only be outsourced to self-employed individuals (not companies). The Authority has the right and full discretion to approve or reject any of the proposed outsourcing services.

- 3.6. As per Article 23 of S.L. 628.01 and section 3.2.1 of Standard III of Directive 1 - Technical Standards and Approved Operating Practices, all service providers including those which provide non-core activities must be registered with the Authority and the following details must be provided as part of the application process, or prior to their first visit on any of the Association's approved sites if such services are being defined post Licensing:
- Name of service provider;
  - Company Registration no or ID Card No as applicable;
  - Full name of the contact person for the service provider;
  - Full name and ID Card No of the person delivering the service on-site;
  - Category of Non-Core Processing services being provided:
    - Maintenance – IT/IS;
    - Maintenance – Other;
    - Cleaning;
    - Supplies – Consumables;
    - Audit, Tax & Advisory;
    - Legal & Professional;
    - Other Non-Core Processing services;
- 3.7. As per section 3.2.1 of Standard III of the Directive 1 - Technical Standards and Approved Operating Practices, the presence of such outsourced service providers shall be kept to a minimum and the service providers shall be accompanied by an employee at all times.
- 3.8. A log of all third parties entering the site, including purpose of visit must be maintained.

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