OLD MUTUAL TOWERS
19th Floor
Upper Hill Road, Upper Hill
P.O. Box 25089-00100,
Nairobi, Kenya
Tel: +254 (20) 2935000
Email: info@sasra.go.ke
Website: www.sasra.go.ke

THE SACCO SOCIETIES REGULATORY AUTHORITY

(SASRA)

GUIDANCE NOTES ON CORPORATE GOVERNANCE

FOR

REGULATED SACCO SOCIETIES IN KENYA

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FOREWORD

Corporate Governance is the cornerstone for the success of any organization and thus a critical success factor for businesses across the world, including but not limited to Banking, Cooperative Financial services, insurance, securities among others. For cooperative financial services such as the SACCO businesses undertaken by Regulated SACCOs in Kenya, good corporate governance practices will continue to inform their successes as it entrenches trust and confidence of the members from whom such SACCOs mobilize deposits. In this regards, corporate governance for regulated SACCOs may be defined as the system of rules, practices and processes by which a Regulated SACCO is governed, managed and or operated by the Board of Directors, Chief Executive Officer and Senior Management, and oversighted and held accountable by the Supervisory Committee and general membership including their relationships, powers, checks and balances.

The prudential regulatory framework for SACCOs in Kenya is now a dozen years and this has seen remarkable growth in membership, assets and deposits with attendant risks across the business spectrum. It is thus imperative to consolidate the international best practices in corporate governance specifically tailored for the unique operating circumstances of SACCOs. This Guidance Note therefore documents some of the international best practices in the world of corporate governance by consolidating the gains made during the last twelve years of prudential regulations as well as integrating the new emergent corporate governance practices and specifically tailored to the needs of the Regulated SACCOs. The Guidance Note is a revision of the 2015 edition and has expanded its scope to include the corporate governance frameworks for SACCOs undertaking specified non-withdrawable deposit taking business as well as Regulated SACCOs' subsidiaries and related entities. Its therefore envisioned that this Guidance Note as revised shall improve the effectiveness and efficiencies in the management and operations of Regulated SACCOs while, promoting transparency and accountability thereby empowering members thereof to hold its officers accountable.

The Guidance Note has been prepared through an extensive process of stakeholder consultations and therefore Regulated SACCOs and their officers are urged to take serious note of the content therein and institute appropriate measures towards compliance therewith. In addition to the existing legal and regulatory framework, the Guidance Note, shall form an integral tool for the assessment of a Regulated SACCOs' performance during onsite and offsite surveillance as provided in the Act.

The Authority however, acknowledges and appreciates that the application of the Guidance Note may vary from one Regulated SACCO to another depending on the size of the SACCO, complexity of the business, diversity of the membership, geographical location and any other unique prevailing circumstances. It is thus the responsibility of the Board and management of the Regulated SACCOs to apply Guidance Notes to the reality of its business to achieve the overall goal of enhanced governance to effectively manage the SACCO business for the best interests of the SACCO and members. Any discretion in the application must be adequately documented while retaining the mandatory minimums as prerequisites.

Any queries or clarifications in regard to this guideline may be submitted to the Authority through policy@sasra.go.ke.

Peter Njuguna

CHIEF EXECUTIVE OFFICER

PART I: PRELIMINARIES

1.0. INTRODUCTION

1.1. Title

This guidance note may be cited as **Guidance Notes on Corporate Governance for Regulated SACCO Societies in Kenya.**

1.2. Interpretations

"Act'' means the Sacco Societies Act.

"Authority'' means the Sacco Societies Regulatory Authority established under the Sacco Societies Act.

"Commissioner'' means commissioner for Cooperative Development established under the Cooperative Societies Act.

"Corporate Governance" for purposes of this Guidance Note means the system of rules, practices and processes by which a Regulated SACCO is governed, managed and or operated by the Board of Directors, Chief Executive Officer and Senior Management, and oversighted and held accountable by the Supervisory Committee and general membership including their relationships, powers, checks and balances.

"DT- SACCOs" means SACCO Societies undertaking Deposit Taking Business in accordance with Sacco Societies (Deposit-Taking Business) regulations 2010.

"NWDT-SACCOs" means SACCO Societies undertaking specified non-deposit taking business in accordance with Sacco Societies (Non-Deposit Taking Business) regulations 2020

"Regulations 2010" means the Sacco Societies (Deposit-Taking Business) regulations 2010.

"Regulations 2020" means the Sacco Societies (Non-Deposit Taking Business) regulations 2020.

"Regulated SACCOs" means a SACCO Society licensed to undertake deposit taking business pursuant to Regulations 2010 and a SACCO Society authorized to undertake specified non- deposit taking business pursuant to Regulations 2020.

1.3. Authority to Issue Guidance Note

This Guideline is issued pursuant to the provisions of Section 50 of the Act which mandates the Authority to issue directions generally, and where necessary with exceptions, for the better carrying out of its functions under the Act and Regulations made thereunder, and with particular regard to;

a) prudential standards to be adhered to by Regulated SACCOs in the conduct of their businesses, and to maintain a financially stable and efficient SACCO industry; and
b) impose minimum standards on significant members and officers of a Regulated SACCO Society.

1.4. Purpose of Guidance Note

1. ***Main purpose of the Guidance Note***

The main purpose of this Guidance Note is to provide the minimum standards required of members of Regulated SACCOs, Members of the Board of Directors and Supervisory Committees and Chief Executive Officers, Senior Management and employees of Regulated SACCOs in promoting good corporate governance standards and practices in the conduct of Regulated SACCO business.

2. ***Specific Purpose of the Guidance Note***

This Guidance Note consolidates good corporate governance practices aligned to the Sacco Societies Act and the Regulations made thereunder, the Cooperative Societies Act, other written laws as well as international best practices and provides frameworks for;

a) underscoring the supremacy of the cooperative identity consisting of the Cooperative Values, Ethical believes and Principles as the foundation of Regulated SACCOs businesses;
b) ensuring effectiveness of corporate governance practices by Regulated SACCOs;
c) entrenching transparency and accountability disclosures in the management of Regulated SACCO business to promote member and public confidence;
d) protecting the interest of the members of the Regulated SACCOs including emphasis on their rights and obligations;
e) demarcating the critical organs of governance of Regulated SACCOs and ascribing roles and responsibilities attendant to such organs of governance;
f) holding elected and appointed officers of a Regulated SACCO Society accountable to the members in respect of the actions undertaken by them, including but limited to the minimum standards of care in the performance of such actions; and
g) other relevant and or incidental matters.

1.5. Application and Scope

This Guidance Note shall apply to all: -

a) Regulated SACCO Societies;

b) Every officer of a Regulated SACCO Society including but not limited members of the Board of directors, Supervisory Committee and Employees;
c) Members of Regulated SACCOs including but limited to person intending to join;
d) Regulated SACCO's Subsidiaries or related entities; and
e) Any other person or entity conducting or transacting any business with a Regulated SACCO Society.

1.6. Limitations of this Guidance Note

This Guidance Note is issued strictly in compliance with the provisions of the Sacco Societies Act and the Regulations made thereunder; and in case of conflict with the Act or the Regulations made thereunder, or any other written law, the Act, Regulations or such other written law shall take precedence.

1.7. Responsibility and Compliance with the Guidelines

The Board of Directors, Supervisory Committee, Chief Executive Officer and all Officers of a Regulated SACCO Society shall be individually, collectively, jointly and severally responsible for ensuring compliance and adherence to with this Guidance Note.

PART II: GUIDELINES ON CORPORATE GOVERNANCE FOR REGULATED SACCOs

2.0. THE CO-OPERATIVE IDENTITY

2.1. Cooperative Values, Ethical beliefs and Principles

1. **Respect and observance the By-Laws**

   Cognizant that Regulated SACCOs are Cooperatives in form and nature, all Regulated SACCOs shall incorporate in its By-laws and strictly operates on the basis of the Cooperative values, ethical beliefs and principles, as established by the International Cooperative Alliance (ICA).

2. **Values and Ethical beliefs**

   The Cooperatives core values includes; self-help, self-responsibility, democracy, equality, equity and solidarity while the ethical beliefs include; honesty, caring for others, openness and social responsibility.

3. **Cooperative principles and their application**

   The Cooperatives principles shall include;

   a) *Voluntary and open membership*: Co-operatives are voluntary organizations, 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

   b) *Democratic member control*: Co-operatives are democratic organizations 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 organized in a democratic manner

   c) *Members economic participation*: Members of Cooperatives 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

   d) *Autonomy and independence*: Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, 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

e) *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.

f) *Cooperation among cooperatives*: Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

g) *Concern for community*: Co-operatives work for the sustainable development of their communities through policies approved by their members.

2.2. Mandatory incorporation in the By-Laws

Any Regulated SACCO society -

a) whose By-laws does not incorporate the cooperative values, ethical beliefs and principles shall be required to amend the By-laws to conform with the same,
b) intending to amend its By-laws shall submit the draft By-laws to the Authority and obtain a prior approval or no objection before submission to the members for adoption.

2.3. Model By-Laws

The Authority may develop and publish a model By-laws for Regulated SACCOs which shall provide the minimum contents of the such By-laws.

3.0. MEMBER REPRESENTATION AND RESPONSIBILITY

3.1. Introduction

The Board of Directors shall ensure that the SACCO By-laws and all its policies provide an adequate and effective framework for member representation and democratic control of the affairs of the Regulated SACCO Society.

3.2. Election of Members of Board of Directors and Supervisory Committee

1. ***Members' obligation to elect only credible persons.***

   Subject to the Act and Regulations made thereunder, members of a Regulated SACCO Society shall ensue that only credible persons are elected as members as Board directors and Supervisory Committee.

2. ***Criteria for qualification to be included in By-Laws and Electoral Policy***

   Regulated SACCO Societies shall ensure that the minimum criteria for qualification for membership in the Board of Directors or the Supervisory Committees are incorporated in their By-laws and or electoral policies which must have been approved by the members prior to implementation.

3. ***General minimum qualifications***

   The minimum qualifications for membership in the Board of Directors and the supervisory Committee shall in include but not limited to -

   a) any minimum qualifications prescribed in the Act or the Regulations;
   b) adequate knowledge and experience in cooperative financial affairs;
   c) good leadership and integrity;
   d) sufficient knowledge of the Regulated SACCO operations and the SACCO system in Kenya generally together with the associated business risks;
   e) demonstrated political neutrality;
   f) good standing with the Authority and any other professional body to which the person is a member; and
   g) any other matter which the Regulated SACCO may consider necessary taking into consideration its operating environment or circumstances.

3.3. Affirmative Action in Representation

The Regulated SACCOs By-laws and Electoral Policies shall as much as is practicable, taking into considerations the unique operating circumstances of the Regulated SACCO integrate measures providing mechanisms for equitable representation of the-

a) vulnerable members of the SACCO as well as ensuring gender parity, youth, and minority representation; and

b) geographical distribution of the membership, ethnicity, race, age, members clusters among others.

3.4. Nomination and/or Vetting Committees

1. ***By-Laws or Electoral Policy to provide for nomination and/or vetting Committees***
   A Regulated SACCO Society is strongly encouraged to incorporate in its By-laws or Electoral Policy a framework for the appointment and/or elections of a Nomination and/or a Vetting Committee, whose role shall be to vet and approve persons eligible for elections for the Board of Directors and Supervisory Committee in the ensuing year following.

2. ***Members of Nomination Committee to be elected by General Meeting***
   Despite the generality of this clause the Electoral Policy of a Regulated SACCO may provide that the -
   a) membership of the Nomination and/or Vetting Committee except for the ex-officio shall be elected during Annual General Meeting; and
   b) tenure of office of the Nomination and/or Vetting Committee other than the ex-officials shall automatically expire during the ensuing Annual General Meeting.

3. ***Restriction for qualifications for elections as a member of the Nomination Committee***
   A member of the regulated SACCO Society who has served as a member of the Nomination and or Vetting Committee shall not be eligible to serve as a member of the Nomination and or Vetting Committee until after three (3) years following the last service.

4. ***Composition of the membership of the Nomination Committee***
   Despite the generality of this clause, a Regulated SACCO Society shall be at liberty to determine the composition of the membership of its Nomination and/or Vetting Committee taking into consideration the unique operating circumstances of the SACCO, but the ex-officio members may include-
   a) Chief Executive Officer who shall provide secretarial services without any voting rights;
   b) a representative of the Commissioner for Cooperatives development or the County Cooperative office where the SACCO is situated;
   c) any reputable institution of governance as the Regulated SACCO may determine including but not limited to Institute of Certified Public Accountant of Kenya (ICPAK), Institute of Certified Secretaries (ICS), Center for Corporate Governance (CCG), Institute of Internal Auditors (IAA) etc; and

d) any other respected member of the community in respect of which the Regulated SACCO operates but not a member of the SACCO.

3.5. General Meetings

1. ***Supreme decision-making organ.***
   Subject to the Act and Regulations made thereunder, the General Meetings of a Regulated SACCO shall be the supreme decision-making organ.

2. ***Members' rights to attend and participate in General Meetings***
   Regulated SACCOs shall take adequate measures to ensure that members are sufficiently facilitated to fully participate in the General Meetings of the Regulated SACCO including but not limited to -
   a) issuance of adequate notice of any General Meetings proposed to be held by the Regulated SACCO in accordance with the Act and the Regulations;
   b) provide the approved audited financial statements of the Regulated SACCO to the members within at least fifteen (15) days prior to the General Meeting incorporating any comments or observations thereon made by the Authority;
   c) publish copies of the notice and any extracts of the approved audited financial statements in conspicuous places within the head office and branches or any other service point of the Regulated SACCO as well as its website where applicable;
   d) where possible and subject to budgetary provision by the SACCO Society, publish a notice of the General Meeting and extracts of the financial statements in Newspapers of wide circulation; and
   e) where possible and subject to budgetary provision send the notice with the extracts of the audited financial statements digitally to the electronic address of the members.

3. ***Members' rights to ask questions during General Meetings***
   During the General Meetings of a Regulated SACCO Society, members shall be given ample opportunity to raise any concerns that they may have regarding the performance of the Regulated SACCO, as well as its governance, and to receive responses to their enquiries.

3.6. Voting During the General Meetings

1. A General Meeting of a Regulated SACCOs shall not be deemed to have been legally held unless duly presided over by an authorized officer from the office of the Commissioner for Cooperative Development as provided in the Cooperative Societies Act.

2. The voting during the General Meeting of a Regulated SACCO on any matter or proposal or recommendation shall be deemed to be valid upon certification by an authorized

officer from the Commissioner for Cooperative Development who presided over the General Meeting.

3. Except as otherwise provided in the Act or directed by the Authority, all voting at the General Meetings shall be conducted in accordance with the Act, the Regulations made thereunder and the SACCO By-Laws.

3.7. Delegated Representation

1. ***Framework for participation of members at the Electoral Zones***

   Where a Regulated SACCO has adopted delegated mode of representation through delegates meeting, a framework for members participation at the Electoral Zones for each elected delegate shall be developed and implemented.

2. ***Minimum contents of Framework for participation of members at the Electoral Zones***

   A Framework for members participation at the Electoral Zones prior to General Meeting shall include but not limited to -

   a) presentation and discussion by the members at each Electoral Zone of the agenda proposed for the General Meeting;
   b) resolutions by each electoral Zone on the agenda proposed for the General Meeting; and
   c) conveyance of the resolutions of each Electoral Zone to the General Meeting by the elected delegates of such Zones.

3. ***Resolutions reserved for the entire membership.***

   Despite the generality of this clause decision relating to the following matters shall be exclusively discussed adopted and resolved at General meeting of the entire membership and not delegates -

   a) dissolution or voluntary liquidation;
   b) amalgamation or division;
   c) proposed change in the core business or objects for which the Regulated SACCO was incorporated or registered;
   d) formation of subsidiary companies; or liquidation or winding up of such companies;
   e) acquisition of majority shareholding in Companies or other entities or takeover of such companies; and
   f) any other matter as the Authority may prescribe.

3.8. Member's Obligations

1. ***Participation at the General Meetings***

The members of a Regulated SACCO Society shall jointly and severally protect, preserve and actively exercise the supreme authority of the Regulated SACCO Society in general meetings.

2. ***Elections of credible persons only***
   The members of a Regulated SACCO Society shall to the extent possible ensure that only credible persons who can add value to the Regulated SACCO Society business are elected or appointed to the Board of Directors or members of the Supervisory Committee;

3. ***Members obligations to hold officers accountable***
   The members of a Regulated SACCO Society shall ensure that, in and/or during General Meetings and other related forums, the Board of Directors, Supervisory Committee and Management are constantly held accountable and responsible for the efficient and effective governance of the Regulated SACCO Society, and its SACCO business.

4. ***Members' obligation to remove officers***
   The members of a Regulated SACCO Society shall, in the event that the Board of Directors, Supervisory Committee and Management does not perform to expectation or in accordance with the mandate of the Regulated SACCO Society, take appropriate action through a resolution for the change or removal of any such officer from the Board of Directors, Supervisory Committee and Management

5. ***Scrutiny of Annual reports and Audited Financial Statement***
   The Members of a Regulated SACCO are obligated to-
   a) obtain and ascertain receipt of the audited financial statements at least fifteen (15) days prior to the General Meeting and incase on non-compliance resolve the adjournment of the meeting until compliance is attained;
   b) ensure all audited financial statements have a proper approval of the Authority as prescribed in the Act, and any comments or observations made by the Authority on the financial statements are duly communicated to the members during the General Meeting; and
   c) scrutinize the disclosures made in the annual reports and audited financial statements for accuracy, correctness and or completeness and where necessary demand for clarifications in respect thereof, including but not limited to making resolutions on such clarifications.

6. ***Special Policies to be approved by General Meetings***
   The Members of a Regulated SACCO Society shall be obligated to-

a) approve an appropriate Compensation Policy as maybe recommended by the Board of Directors providing a framework to compensate members of the Board and Supervisory Committee, and ensure that no compensation is made to the Board of Directors and Supervisory Committee except as provided in the Compensation Policy.
b) Approve any Electoral Policy to supplement the election procedures contained in the By-Laws.

7. *Considerations and approval of Budgets*

The Members of a Regulated SACCO Society shall be obligated to-

a) consider and approve the SACCO's budget for the ensuing year including any amendments thereof at a general meeting; and may where necessary seek clarifications on the variances appearing on the budget estimates provided or make resolutions amending the proposed budget as maybe necessary; and
b) hold the Board of Directors, jointly or severally liable for any expenditure incurred outside the approved budget.

8. *External Borrowings*

The members of a Regulated SACCO Society shall not approve any borrowing or proposed borrowing or any increase in the borrowing powers of the Regulated SACCO Society unless the Board of Directors have provided written statement –

a) confirming that the SACCO Society's existing Borrowing does not exceed the prescribed threshold of 25% to its total assets; and
b) the Authority has no objection to such increase in the borrowing or proposed borrowing or any increase in the borrowing powers.

9. *Approval of Borrowing/Guarantorship etc on behalf of third Parties*

The members of a Regulated SACCO Society shall-

a) ensure that the Board of Directors does not incur any borrowing, guarantorship, undertakings or obligations whatsoever for and or on behalf of any third-party entity including any subsidiary or related legal entity, except with a prior resolution passed by the members ta duly constituted General Meetings;
b) ensure that the Board of Directors and or management does not incorporate and or register any third-party legal entity and or takeover any such third-party legal entity and or acquire majority stake or interest in any such third-party legal entity except with prior resolution passed by the members ta duly constituted General Meetings; and
c) hold the Board of Directors, jointly or severally liable for any expenditure incurred by the SACCO Society in violation of this clause.

10. Distribution of surpluses and payment of dividend

The members of a Regulated SACCO Society shall a right to share any the surplus of the made by the Regulated SACCO Society by way of payment of dividend or bonus as may be recommended by the Board of Directors; but shall prior to making any resolution for the payment from such surplus, be obligated –

a) obtain confirmation from the Board of Directors that the SACCO Society has made sufficient provisions for the prescribed statutory reserves;
b) verify that the Regulated SACCO Society is fully compliant with the prescribed minimum core capital and capital adequacy ratios;
c) consider and approve a time-bound Capital Restoration Plan where the SACCO is non-compliant with regulatory capital requirements; and
d) confirm that the audited Financial Statements of the Regulated SACCO Society in which such proposals for payment of surpluses is contained, have been duly approved by the Authority as provided in the Act and the Regulations made thereunder.

11. Convening of a General Meeting

The members of a Regulated SACCO Society may in accordance with the Cooperative Societies Act as read with its By-Laws convene or cause to be convened a General Meeting.

4.0. THE STRUCTURE, ROLES, AND RESPONSIBILITY OF THE BOARD OF DIRECTORS

4.1. Structure of the Board of Directors

1. ***Board Composition and Structure to comply with written laws at all times***
   In electing members of the Board of Directors as provided in the By-Laws and Electoral Policy, the Regulated SACCO shall ensure that the Board composition and structure conforms with the requirements of the Act, regulations, and best practices.

2. ***Maximum number of members of Board of Directors***
   The maximum number of members of the Board of Directors shall be nine (9) except where an exemption has been provided in writing to the Regulated SACCO under the Cooperative Societies Act.

3. ***Minimum number of members of Board of Directors***
   The number of members of Board of Directors shall not be less than five (5) at any given time and where such occurs, the Board may co-opt other qualified person to the membership as provided in the Act and its By-Laws.

4. ***Chief Executive Officer to be ex-officio member of the Board of Directors***
   The Chief Executive Officer of the SACCO appointed in accordance with the Act and Regulations shall attend all Board meetings as ex-officio member but shall have no voting rights.

5. ***Corporation secretarial governance and legal services***
   Regulated SACCOs-
   a) with assets amounting to and or exceeding Kshs.5 Billion encouraged to recruit and appoint a qualified officer to provide professional corporate legal and governance services to the SACCO and such a person may attend Board meetings as ex-officio member but shall have no voting rights; provided such an officer shall have been approved by the Authority as an officer of the SACCO Society; while
   b) other Regulated SACCOs may at their discretion engage the professional corporate legal and governance services, considering the critical professional guidance they may provide to the Board of Directors and the SACCO in general.

4.2. Board Charter

1. ***Development of Board Charter***
   The Board of Directors of a Regulated SACCO shall develop and implement a Board Charter which at the minimum conforms to the Act, Regulations and the SACCOs By-Laws and provides for -
   a) roles of Directors;

b) demarcations of roles, functions, responsibilities and powers of the Board;
c) maximum number of Board committees including the composition, membership, minimum qualifications for the membership of the committees and elections to the Committees;
d) constitution of ad hoc committees including the determination of their scope of work as well as their terms of reference;
e) manner of declaration of conflict of interests and execution of codes of conducts, including maintenance of a conflict of interest register by various Committees;
f) procedure for identification of persons to represent the interest of Regulated SACCO to any affiliated body;
g) provide a framework for identification of training needs and development of a Board development program;
h) provide a framework for Board evaluation and induction;
i) provide for the manner of suspension and recommendation for removal of a member of the Board of Directors;
j) provide the frequency of the Board meeting as well as the Board Committee meetings; and
k) segregation of roles between the Board of Directors and management.

2. ***Model Board Charter***
The Authority may develop a Model Board Charter to be applied as the minimum thresholds for Regulated SACCOs.

3. ***Periodic Review of the Board Charter***
The Board of Directors shall ensure its Board Charter is reviewed periodically to address any emergent issues affecting the complexity of the Regulated SACCO business, as well as emergent good corporate governance practices.

4.3. Responsibility of the Board of Directors

1. ***Standard of care***
The Board of Directors shall -
a) exercise prudence and diligence of ordinary men of business in running and in the best interest of Regulated SACCO as well as the members thereof while managing the affairs of the SACCO Society; and

b) be held jointly and severally liable for any loss occasioned by their actions which are contrary to the Act, the Regulations made thereunder, SACCO Society By-Laws or any direction issued by the Authority or the General Meeting or pursuant to any other applicable law.

2. ***General Responsibility***
   The Board of Directors shall have the overall responsibility for the Regulated SACCO including approving and overseeing the implementation of the SACCO's strategic objectives, risk strategy, corporate governance, and values as well as appointment and oversight of senior management; but shall not exercise the powers that are reserved for the General Meeting.

4.4. Specific Responsibilities of Board of Directors

1. ***Constitution of the Board Office Bearers***
   The Board of Directors shall at the first meeting following the Annual General Meeting constitute itself by electing office bearers namely the Chairperson, Vice Chairperson, Treasurer and Secretary and the prescribed Board Committees.

2. ***Promotion of good corporate Governance and positive image***
   The Board of Directors shall promote good corporate governance and maintain positive image of the Regulated SACCO society, SACCO system and the financial industry as a whole.

3. ***Periodical review of the Performance of the SACCO***
   The Board of Directors shall be informed on a regular basis through appropriate Board papers as provided in the Regulations on the business condition of the Regulated SACCO for the purpose of deliberation on such information and providing guidance to the management, including but not limited to independent reviews of the operations of the SACCO through third party reports such as-
   a) External and internal audit reports;
   b) Supervisory Committee reports;
   c) Inspection/inquiry reports by the Authority and or Commissioner for Cooperative development; and
   d) Any other expert report.

4. ***Continuous Development of Skills and Knowledge***
   Once elected, members of the Board of Directors as well as the Supervisory Committee shall be expected to acquire, maintain, and deepen their knowledge and skills to fulfill their responsibilities through access to programs, tailored initial training e.g induction and continuous professional development on relevant issues.

5. ***Oversight of Management***
   The Board of Directors shall-

a) define the duties of management and appoint those persons who are competent, qualified and experienced to administer the Regulated SACCO affairs effectively and soundly;
b) obtain regulatory approvals from the Authority and any other regulatory body for the appointment of the Chief Executive Officer and any other senior management staff;
c) ensure the Chief Executive Officer and the senior management execute Codes of Conduct as prescribed in the Sacco Societies Act and any other applicable law;
d) exercise independent judgement in evaluating the performance of the management;
e) dispense with the services of staff considered undesirable including replacing senior management where necessary and have in place an appropriate succession plan for management;
f) monitor that senior management's actions are consistent with the strategy and policies approved by the Board, including the risk tolerance/appetite;
g) meet regularly with senior management in accordance with the Board Charter through the Board committees;
h) question and review critically explanations and information provided by senior management;
i) set formal performance standards for senior management consistent with the long-term objectives, strategy and financial soundness of the Regulated SACCO, and monitor senior management's performance against these standards.

6. *Compliance with Laws and Regulations*

The Board of Directors shall-

a) provide effective accountability to the regulatory authorities for proper management of the affairs of the Regulated SACCO, including but not limited to the Authority, Financial Reporting Centre (FRC), Kenya Revenue Authority (KRA), Unclaimed Financial Assets Authority (UFAA), Ethic Commission for Cooperatives (ECCOs) etc;

b) ensure the Regulated SACCO and every officer thereof comply with all statutory and legal requirements, including this Guideline, Third Schedule Code of Conducts prescribed in the Regulations, Public Officer Ethics Act and any other relevant law; and

c) ensure that the Chief Executive Officer transmits all the regulatory and statutory returns to the Authority as prescribed in the Act and the Regulations thereunder, and to any other government agency as may be prescribed in any other written law.

7. ***Policies, Processes, and Internal Controls***

   The Board of Directors shall-

   a) regularly review policies, processes and controls with senior management and/or internal control functions (including internal audit, risk management and compliance) in order to determine areas needing improvement, as well as to identify and address significant risks and issues;
   b) ensure that the control functions are properly positioned, staffed and resourced and are carrying out their responsibilities independently and effectively; and
   c) monitor the effectiveness of the internal control and risk management systems.

8. ***Notification of Changes in Chief Executive Officer and Senior Management***

   The Board of Directors shall notify the Authority of al changes in the office of the chief Executive Officer and senior Management staff within fourteen (14) days of such changes, including but not limited to-

   a) The resignation or suspension or removal of the Chief Executive Officer or any other Senior Management staff including reason thereof;
   b) The retirement of the Chief Executive Officer or any other Senior Management staff; and
   c) The appointment of the Chief Executive Officer or any other Senior Management staff.

9. ***Approval of Audited Financial Statements***

   The Board of Directors shall be responsible for the preparation and approval of the audited financial statements before presentation to the Authority for approval including making recommendations on the payments of dividends, rebates honoraria, bonus and any other matter.

10. ***Recommendations to the General Meeting for the Appointment of External Auditors***

    The Board of Directors shall recommend to the General Meeting the names of at least three (3) external auditors for appointment as the external auditors of the regulated SACCO for the ensuing year, and cause the management of the SACCO to report to the Authority such appointment within thirty (30) days after such appointment.

11. ***Going Concern***

    The Board of Directors shall at all times-

    a) maintain adequate information and periodically publish and publicize that information on the going concern on the Regulated SACCO to the members;

b) deal fairly and transparently with other stakeholder interests, demands and expectations, including those of employees, suppliers, creditors and the general community; and
c) allocate sufficient and appropriate resources to achieve its strategic goals.

12. *Additional Disclosures in the Financial Statements*

The Board of Directors may at their discretion, and should as a best corporate governance practice disclose in the approved audited financial statements-

a) compensation including allowances, fees, travel or meeting expense or reimbursement paid to each Director and member of Supervisory Committee;
b) number of full meetings attended by each Director and member of Supervisory Committee;
c) number of Committee Meetings attended by each Director and member of Supervisory;
d) distinct governance expenses for the members of the Board and Supervisory committee;
e) any declared dividends and or interest on deposits declared in the previous financial year but not paid out to the members and any reasons thereof; and
f) distinct expenses on general meetings, education and training activities for the general membership.

4.5. Board Work Plan

The Board of Directors shall develop and implement an Annual Board Work Plan which at the at the minimum provide for-

a) consideration of the statutory periodic financial performance reports as prescribed in the Act and Regulations;
b) consideration and approval of the audited financial statements for submissions to the Authority for approval;
c) consideration of the audited financial statements as approved by the Authority before publication and submission to the General Meetings;
d) a review of management's implementation of strategies, policies and plans;
e) calendar of events and activities for the year including budget, timelines and persons in-charge;
f) monitoring and evaluation;
g) Board Evaluation and induction where applicable;
h) strategic planning and review;
i) competence development for Board members, members and management; and
j) member meetings, engagement and consultation.

4.6. Board and Supervisory Committee Meetings

1. ***Meetings of the Board of Directors***

   The Board of Directors shall meet as regularly as the demand of the SACCO business may require provided that the Board shall meet not more than fifteen times in a financial year and not more than two months shall lapse between the date of one meeting and the date of the next meeting, excluding any Board meeting constituted under the direction of the Authority or Commissioner for Cooperative Development.

2. ***Meetings of the Supervisory Committee***

   The Supervisory Committee shall meet as regularly as the demand of the SACCO business may require, provided that they shall meet not more than eight times in a financial year; and one quarter shall not lapse between the date of one meeting and the date of the next meeting, excluding the joint meetings with the Board of Directors and any meeting constituted under the direction of the Authority or Commissioner for Cooperative Development.

3. ***Notices of Meetings***

   Except in special circumstances, the notices of all meetings of both Board of Directors and Supervisory Committee shall be circulated to the members at least fifteen days prior to the date of the meeting.

4. ***Minutes of the Meetings***

   The minutes of Board and Supervisory Committee meetings shall be recorded accurately as possible and confirmed as the first agenda in the subsequent meeting, and where required by law, submitted to the Authority within the prescribed timelines.

5. ***Special Meetings***

   The Board Charter shall prescribe the manner and procedure for constitution of special meetings including but not limited to the identification of unique or special circumstances which may occasion such special meetings.

4.7. The Role of Chairperson of the Board of Directors

1. ***Presiding over meetings***

   The chairperson, and in the absence of the chairperson, the vice-chairperson or such other person as may be prescribed in the By-Laws of the Regulated SACCO shall preside at the Board Meetings and General Meetings of the SACCO.

2. ***Specific responsibilities of the Chairperson***

   The Chair of the Board of Directors shall play a crucial role in the proper functioning of the Board by providing effective leadership and entrenching appropriate checks and balances within the board including but not limited to-

   a) act as the spokesperson of the Regulated SACCO on policy matters while day to day operational activities shall be addressed by the Chief Executive Officer;
   b) ensuring that board decisions are taken on a sound and well-informed basis by encouraging and promoting critical discussions and ensuring that dissenting views can be expressed and discussed within the decision-making process;
   c) ensuring the smooth functioning of the board, the governance structure and inculcating positive culture in the board;
   d) ensuring guidelines and procedures are in place to govern the board's operation and conduct;
   e) in consultation with the secretary and Chief Executive Officer set the agenda for all board meetings;
   f) ensuring sufficient notice of the board meeting is issued to each board member and appropriate board papers are shared in sufficient time to enable effective deliberations avenues;
   g) providing opportunities for all directors to participate openly in the discussion;
   h) providing leadership to the board and is responsible for the developmental needs of the board; and
   i) any other role, duty or responsibility as the SACCO Society may prescribe in the By-Laws or any other governance instrument.

4.8. Restrictions on Constitution and changes in the Board

1. ***Cooling off period before serving in the Supervisory Committee***

   A person who has served or is serving as a member of the Board of Directors shall not be eligible to be-

   a) elected as members of the Supervisory Committee of the SACCO Society until after the expiry of five (5) years after ceasing to serve as a member of the Board of Directors; or
   b) appointed as an employee of the Regulated SACCO Society.

2. ***Chairman not to serve as a member of a Committee of the Board of Directors***

   A regulated SACCO may as a best corporate governance practice restrict the chairperson from being a substantive member of any of its committees but provide a framework for allowing the chair to attend and participate in the meetings of any committees upon invitation or on a need be basis.

3. ***Notification to the Authority of changes in the Board***
   A Regulated SACCO shall notify the Authority of any changes in its Board of Directors within seven (7) days of such changes including election of a new chair person, reconstitution of committees, retiring of members and or removal of any member of the Board.

4.9. Board Induction and Continuous Skills Development

1. ***Induction Programmes for Board and Supervisory Committee***
   Regulated SACCOs shall develop and implement an induction programme for their newly elected members of the Board of Directors to enable them familiarize with their individual and collective responsibilities and empower them to-
   a) have a clear understanding of their role in corporate governance and exercise sound and objective judgment about the affairs of the Regulated SACCO;
   b) possess, both as individual board members and collectively, appropriate experience, competencies and personal qualities, including professionalism and personal integrity; and
   c) understand the nature and unique characteristics of the Regulated SACCO business.

2. ***Minimum requirement for Orientation Programme***
   An induction programme shall at the minimum provide the newly elected members of the Board with an orientation of the SACCO Society, its strategic plans and policies, financial status, risk management framework, compliance requirements, and Code of Conduct and Ethics.

3. ***Continuous Competency Programme***
   Regulated SACCOs shall in addition, develop and implement a continuous development Programme for their members of Board of Directors in accordance to their Charter, Workplans and budgets, to address any emergent competence needs and skills gaps.

4. ***Facilitation of Board Members in Continuous Development Programme***
   The Board continuous development should at the minimum facilitate the Board Members to have access to, or notice of relevant continuing financial Cooperative development programs, that are designed to keep them abreast emergent business risk,

best corporate governance practice and any other critical issues affecting the operations of the SACCO individually and as an industry.

5. ***Model Continuous Development Programmes***
The Authority may in consultation with industry stakeholders develop Board induction and or Board continuous development and training programs which a Regulated SACCO and or its members of the board of Directors and senior management may adopt.

6. ***Disclosures of Trainings Attended in Annual Reports***
The Board of Directors shall include the particular details of the Board inductions, continuous development and trainings attended by individual members of the Board of Directors in the Regulated SACCOs' annual report, including the name of the program, location and duration.

7. ***Knowledge Management***
The Board of Directors shall ensure that individual members of the Board of Directors who are facilitated to attend continuous development and training programs, submit back to office reports including sensitization of the other Board members as well as management on the key lessons experiences and best practices learned.

8. ***Induction/Continuous Development Programme for Supervisory Committee***
An induction and continuous development and training programme for the members of the Board of Directors shall apply to members of the supervisory committee as if they were members of the Board of Directors and the Chairman shall ensure that members of the Supervisory Committee are afforded same opportunity for induction, continuous professional development and training.

4.10. Compensation of Board of Directors and Supervisory Committee

1. ***Compensation Policy***
Regulated SACCOs shall develop and implement a Compensation Policy for its members of the Board of Directors and the Supervisory Committee which shall be subject to prior approval by the Authority before presentation to the General Meeting of members for adoption.

2. ***Consideration in developing a Compensation Policy***
A Compensation Policy for its members of the Board of Directors and the Supervisory Committee shall take into account the size of the SACCO, complexity of the business,

comparative market rates for similar SACCOs, financial performance, operating environment.

3. ***Disclosures of compensations***
   The Board of Directors may as a matter of best corporate Governance practice disclose the compensation paid to the members of the Board of Directors and Supervisory Committees including but not limited to any allowances earned or benefits paid in the SACCOs' Audited Financial Statements.

4. ***Payments of all compensations shall be through FOSA Accounts for DT-SACCOs***
   The Compensation Policy for DT-SACCOs shall require all Compensations or any other payments to the members of the Board of Directors and Supervisory Committees to be made through the individual Board member's withdrawable savings account (FOSA) held at the DT-SACCO.

5. ***Payments of all compensations shall not be through Cash for NWDT-SACCOs***
   The Compensation Policy for NWDT-SACCOs shall require all Compensations or any other payments to the members of the Board of Directors and Supervisory Committees to be made through their designated bank accounts or cheques drawn in their favor. And no compensation or any other payments due to the members of the Board of Directors and Supervisory Committees shall be made in cash whatsoever.

6. ***Amendments of Compensation Policy to be with prior approval of the Authority***
   A Regulated SACCO shall not revise or amend or change the approved Compensation Policy except with prior written approval by the Authority and consequent adoption by the General Meeting.

5.0. BOARD COMMITTEES

5.1. Constitution of the Board Committees

1. ***The mandatory statutory Committees***

   Regulated SACCOs shall constitute Committees of the Board of Directors in accordance with the Act and the Regulations made thereunder, and in particular -

   a) DT-SACCOs shall constitute Committees of the Board consisting of Credit Committee, Audit and Risk Committee and any other two Committees as maybe defined in their By-Laws; and

   b) NWDT-SACCOs shall constitute Committees of the Board consisting of Credit Committee and any other two Committees.

2. ***Other discretionary Committees of the Board***

   Other than the statutory prescribed committees of the Board, Regulated SACCOs should ensure that the establishment of other committees of the Board is informed by the need to increase efficiency in its operations and allow deeper focus in specific areas, but such committees shall not exceed the prescribed maximum and may include Finance and Administration and Education Committee.

3. ***Discretionary application of Reg. 58 of the Regulations 2020 to DT-SACCOs***

   The functions of an Audit and Risk Committee of the Board of Directors of NWDT-SACCOs shall be performed by the Supervisory Committee of the NWDT-SACCO in accordance with the requirements of the Reg 58 of Regulations 2020, whereas the DT-SACCOs may at their discretion allow the functions of their Audit and Risk Committee to be performed by their Supervisory Committees, in which case Reg.58 of Regulations 2020 shall apply *mutatis mutandis*.

4. ***Board Committees to have Charters.***

   Each Committee of the Board of Directors shall have a charter that sets out its mandate, scope and working procedures, including appropriate annual workplans, calendar of meetings and budgetary implications of its activities.

5. ***Expert and professional advice to Committees***

   Board Committees may invite and receive independent and expert professional advice or opinion where necessary, and the head of the functional unit may attend the Board Committee meetings to provide clarifications and technical advice as maybe necessary.

6. ***Board of Directors retain overall responsibility***

   Despite the generality of this clause, the Board of Directors shall not delegate any matters to a board committee, chief executive officer, executive directors, or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the board as a whole to discharge its functions.

7. ***Skills, qualifications and experience to inform membership of Committees***
In deciding members of each Committee, the Board of Directors shall take into consideration qualifications, competency, and experience of each member of the Bord to effectively discharge the mandate of the Committee in respect of which he/she is proposed to be a member.

5.2. Audit and Risk Committee

1. ***Constitution of the Audit and Risk Committee***
Regulated SACCOs shall constitute Audit and Risk Committee of the Board in accordance with the Act and Regulations made thereunder, and in particular -
   a) DT-SACCOs shall constitute Audit and Risk Committee consisting of the elected members of their Board of Directors or may at their discretion delegate the functions of the Audit and Risk Committee to the Supervisory Committee in accordance with this Guidelines and any other advisory as the Authority may issue from time to time; and
   b) NWDT-SACCOs shall constitute an Audit and Risk Committee consisting of the Supervisory Committee in accordance with Reg, 58 of the Regulations 2020.

2. ***Restriction of membership in other Committees***
The members of the Audit and Risk Committee of the board (where the functions are not performed by the supervisory committee) shall no serve as members of credit and/or finance and administration committee.

3. ***Responsibilities of the Audit and Risk Committee***
The Audit and Risk Committee shall in addition to the statutory responsibilities prescribed in the Act and Regulations made thereunder be responsible for -
   a) reviewing the financial conditions of the SACCO Society, its internal controls, performance, and findings of the internal auditor and to recommend remedial actions regularly;
   b) establishing an effective and independent internal audit function commensurate with the size, nature and complexity of the SACCO operations, including necessary resources, budget and authority to enable it discharge its functions;
   c) ensuring that senior management establishes and maintains an adequate, effective and efficient internal control and risk management framework;
   d) review the SACCO's audit plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the SACCO, including

reviewing correspondence from the Authority and other regulatory agencies and management's responses;

e) investigate all complaints, allegations and or violations of the SACCO's Code of Conduct, and any whistle blower/ confidential information against and or by officers of the SACCO to recommend appropriate sanctions to the Board;

f) reviewing internal controls, including the scope of the internal and audit programme, the internal audit findings, and recommend action to be taken by management;

g) review and monitor the external auditors' independence and objectivity, taking into consideration relevant professional and regulatory requirements;

h) review the external auditors' terms of reference management reports and recommendations; and

i) performance assessment of the Head of Internal Audit. Additionally, the committee should be consulted on the appointment and dismissal of the internal auditor.

4. ***Outsourced Internal Audit Services***

Where the internal audit activities are outsourced, the Audit and Risk Committee remains ultimately responsible for ensuring that the system of internal control and the internal audit function are adequate and operating effectively.

5. ***Procurement for External Auditors***

In accordance with the SACCOs Procurement Policy, select and recommend to the Board of Directors the names of at least three (3) external auditors drawn from the published list of approved external auditors for SACCO Societies by the Authority.

5.3. The Credit Committee

Regulated SACCOs shall constitute Credit Committee of the Board of Directors in accordance with the Act and Regulations made thereunder, and which shall be responsible for -

a) performing all functions duties and roles prescribed in the act and regulations made thereunder as well as the SACCOs By-Laws;

b) develop and recommend to the board of directors for approval an appropriate Credit Policy for the SACCO Society;

c) reviewing lending practices by the Management including periodic sampling of processed loan applications to satisfy itself that Management is adhering to the lending policies of the SACCO;

d) ensuring that there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss and maximize recoveries;

e) directing, monitoring, reviewing and considering all issues that may materially impact on the present and future quality of the Regulated SACCO's credit risk management;
f) periodically review the performance and quality of the loan portfolio and make appropriate recommendations to the Board of Directors for implementation including but not limited to insider lending, high exposures, non-performing loans, adequate provisioning, foreclosures, write-offs, sectoral lending etc;
g) consider recommendations from management for the introduction of new loan products and/or changes in existing loan products, and ensuring that any such new loan products or changes are incorporated in the credit policy;
h) regularly monitor adherence to the approved Credit Policy and where necessary make recommendations to the Board of Directors for amendments taking into consideration any changes in the operating environment;
i) ensure that all insider lending is undertaken within the confines of the law and all insider lending reports are duly submitted to the Authority; and
j) deliberate and consider loan applications beyond any discretionary limits as may be prescribed.

5.4. Finance, Human Resource and Administration Committee

1. Constitution

Regulated SACCOs may constitute in accordance with their By-Laws a Committee of the Board of Directors responsible for Finance, Human Resource and Administration matters.

2. Financial Responsibilities

A Committee of the Board of Directors responsible for Finance, Human Resource and Administration matters shall undertake the following financial responsibilities-

a) receive and consider the SACCO's annual budget and revisions of the same prior to its submission to the General Meetings for approval;
b) receive and consider for approval and recommendation to the General Meeting any proposed capital development projects, provided that such Capital development may not be commenced or proposed to be commenced without prior written approval of the Authority;
c) develop and oversee implementation SACCO's Procurement and Disposal Policy which should be aligned to any guidelines or directives issued by the Authority; and
d) review, recommend, do or cause to be done in consultation where necessary with other relevant Board Committees, all measures considered necessary to rationalize the SACCO's expenditure.

3. ***Investment responsibilities***

A Committee of the Board of Directors responsible for Finance, Human Resource and Administration matters shall undertake the following financial investment responsibilities -

a) develop and recommend to the Board of Directors for adoption an Investment Policy for the SACCO Society;
b) oversee the implementation and adherence to the Investment Policy and submit period reports to the Board of Directors with appropriate recommendations for implementations;
c) develop and recommend to the Board of Directors for adoption Dividend Policy for the SACCO Society and oversee its implementation and adherence;
d) ensure that the SACCOs assets are duly insure as may be necessary;
e) Submit periodic report on their deliberations to the Board of Directors for adoption; and
f) undertake any other functions, roles or duties as maybe prescribed in the By-Laws or as may be directed by the Authority.

4. ***Strategic planning responsibilities***

A Committee of the Board of Directors responsible for Finance, Human Resource and Administration matters shall undertake the following strategic planning responsibilities-

a) ensure the Board of Directors is regularly informed about the key strategic plans and progress thereof including any changes in such plans;
b) ensure the availability of adequate resources to the Management to implement the business plans, financial, operational and human resources as may be necessary;
c) oversee annual strategic review planning events involving the SACCO's strategic planning process; and
d) ensure regular reviews of the status of execution against strategic objectives through reviews at Board meetings of product plans, development, execution and customer service.

5. ***Human Resource and Administration responsibilities***

A Committee of the Board of Directors responsible for Finance, Human Resource and Administration matters shall undertake the following human resource and administration responsibilities-

a) develop and recommend to the Board for adoption an appropriate Human Resource Management Policy providing for among others human resources development, organizational structure, compensation principles, retirement benefits and practices;

b) review salary structures, bonus, benefits and other remuneration of Management and Staff in accordance to the Human Resource Management Policy;
c) undertake interviews for appointment of the Senior Management including the Chief Executive Officer and recommend to the Board of Directors for appointment; and
d) develop and recommend to the Board of Directors for adoption of an appropriate Succession Plan and oversee the implementation.

6. ***ICT Governance responsibilities***

A Committee of the Board of Directors responsible for Finance, Human Resource and Administration matters shall be responsible for the ICT governance of the Regulated SACCO in accordance with clause of this Guideline.

5.5. Committee responsible for education and training of Members

1. ***Constitution of the Committee***

Regulated SACCOs may constitute a Committee of the Board of Directors in accordance with their respective By-Laws, and which shall be responsible for providing education to the members of the Regulated SACCO as well as other key stakeholders.

2. ***Responsibilities of the Committee***

The Committee responsible for education and training of members may undertake all and/or all of the following educational and/or training functions -

a) develop and recommend to the Board of Directors for adoption of an appropriate Education and Training Policy for its members and oversee the implementation;
b) in consultation with management, identify and determine the education needs of the members and develop annual programmes to educate and train the members in observance with the Cooperative principles, and oversee the implementation of such programmes;
c) identify and recommend for acquisition relevant literature and resource materials on behalf of the Regulated SACCO, with a view to setting up a well-stocked resource center including but not limited to the SACCO Societies Act and the Regulations made thereunder, the Cooperative Act and the Rules made thereunder; the By-laws of the Regulated SACCO and any amendments thereto; Policies of the SACCO Society; other relevant cooperative financial texts and journals;
d) organize and arrange for education and exchange programmes for SACCO delegates within the approved budgetary limits;
e) recommend to the Board of Directors the Key thematic areas to undertake research for purposes of ensuring the SACCO Society and its members and business are kept abreast with development in the policy and legal environment;

f) recommend the allocation of adequate resources for education and training of the members in accordance with the members annual education and training plan;
g) identify, collect and prepare of co-operative news on behalf of the SACCO Society including recommending such news for publication in any internal or external media;
h) in consultation with the Board of Directors, undertake such other corporate governance and corporate social responsibility initiatives as may be necessary or desirable; and
i) ensure that members of the Regulated SACCO Society are supplied with all relevant and current educational and training materials including but not limited to the operating statutes, SACCOs By-Laws, policies, financial statements and any other matter.

6.0. SUPERVISORY COMMITTEE

6.1. Constitution and independence of the Supervisory Committee

1. ***Quorum of the Supervisory Committee***

   Supervisory committees of Regulated SACCOs shall be elected and constituted in accordance with the Act and Regulations made thereunder, following an election at the General Meetings and shall consists of a maximum of three (3) members and a minimum of two (2) members.

2. ***Co-option of persons to the Supervisory Committee***

   Where the membership of the supervisory committee falls below the minimum quorum of two (2) members, the Supervisory Committee in consultation with the Board of Directors coopt a person to the membership of the Supervisory Committee to enable it to discharge its function until the vacant position is filled in the ensuing General Meeting.

3. ***Objectivity and independence***

   Members of the Supervisory Committee shall at all time exercise objectivity and independence in the performance of their functions and shall not be influence by any external factors.

4. ***Restrictions of members of Supervisory Committees serving in the Board***

   A person who has served or is serving as a member of the Supervisory Committee shall not be eligible to be-

   a) elected as members of the Board of Directors of the SACCO Society until after the expiry of five (5) years after ceasing to serve as a member of the Supervisory Committee; or

   b) appointed as an employee of the Regulated SACCO Society.

6.2. Duties and Responsibilities of Supervisory Committee

1. ***General Duties and Responsibilities***

   The Supervisory Committee of a Regulated SACCO shall perform the duties and functions assigned to it under the Cooperative Act, the Sacco Societies Act and the Regulations made thereunder, and in particular-

   a) The Supervisory Committee of a NWDT-SACCO shall be the Audit and Risk Committee of the SACCO Society reporting to the Board of Directors in accordance with Reg. 58 of Regulations 2020; and

   b) The Supervisory Committee of a DT-SACCO may perform the functions of an Audit and Risk Committee of the SACCP reporting to the board of Directors, where the DT-SACCO has in its By-Laws assigned such functions to the Supervisory Committee.

2. ***Specific Duties of the Supervisory Committee Undertaking Statutory Functions***

   The specific duties and responsibilities of the Supervisory Committee when performing its statutory functions and shall include-

   a) verifying all transactions effected on behalf of every member;
   b) undertake periodic internal audits of operational areas throughout the year;
   c) submit reports of its findings to the Board of Directors at Joint Meetings, the Commissioner, the Authority and the General Meeting; and
   d) visit operational areas to evaluate the books and records of accounts for accuracy.

3. ***Specific Duties of the Supervisory Committee Undertaking Internal Audit and Risk Functions***

   The specific duties and responsibilities of the Supervisory Committee when performing the Internal and Audit Risk functions and shall include-

   a) review internal controls including the scope of the internal audit program, the internal audit findings, and recommend action to be taken by management;
   b) review internal audit reports and their overall effectiveness, the scope and depth of audit coverage, reports on internal control and any recommendations and confirm that appropriate action has been taken;
   c) ensure that accounting records and financial reports are promptly prepared to accurately reflect operations and results;
   d) review management reports, and reports from the internal and external auditors concerning deviations and weaknesses in accounting and operational controls;
   e) monitor the ethical conduct of the Sacco society and consider the development of ethical standards and requirements, including -
      i) effectiveness of procedures for handling and reporting complaints;
      ii) reviewing any related party transactions that may arise within the Sacco Society; verifying that relevant plans, policies, and control procedures are established and properly administered;
      iii) investigating members complaints and making recommendations for redress;
      iv) considering any matter of significance raised by members during the annual general meeting or the Authority.

4. ***Reports of the Supervisory Committee***

   The Supervisory Committee shall-

   a) prepare and submit quarterly reports for discussions with the Board of Directors in quarterly joint meetings;
   b) prepare and submit reports to the commissioner as provided in the Cooperative Society Rules;

c) prepare and submit statutory reports to the General Meetings as prescribed in the Cooperative Society Rules; and

d) where the Supervisory Committee performs the audit and Risk Committee functions, the supervisory committee shall submit or cause to be submitted to the Authority all quarterly reports of the supervisory committee, together with comments and actions made by the board of directors, within thirty days, after presentation to the board of directors.

5. Technical and Secretarial Support to the Supervisory Committee

a) The internal audit function of the Regulated SACCO shall provide support, technical and secretarial services to the supervisory committee in the performance of its duties and responsibilities.

b) The Chief Executive officer in consultation with the Board of Directors shall facilitate the Supervisory Committee in the discharge of its functions, duties and responsibilities including provision of adequate resources within the approved budget, working space etc.

c) The Supervisory Committee in consultation with the CEO and Internal Audit function shall develop a workplan for its activities for the ensuing year which should be approved during a joint meeting with the Board of Directors prior to the commencement of the ensuing financial year.

7.0. REGULATED SACCOs' SUBSIDIARIES AND RELATED ENTITIES

7.1. Prior Approval of the Authority to establish Subsidiaries

A Regulated SACCO shall not establish or propose the establishment of a corporate body or any other legal entity as its subsidiary without a written approval from the Authority, provided that where the subsidiary is a limited liability company, the subsidiary shall not be a public company.

7.2. Subsequent mandatory approval by the General Meeting

Where a Regulated SACCO Society has obtained a prior approval of the Authority to establish a subsidiary, such approval shall be submitted to the General Meeting of the entire membership for consideration and approval before implementation.

7.3. Framework for representation in Subsidiaries

Where a Regulated SACCO Society has obtained a prior approval of the Authority and the General membership resolution to establish a Subsidiary, the Board of Directors shall develop a framework for the representation of the SACCO Society's interest in the subsidiary, which shall be incorporated in the SACCO Society's By-Laws, provided that the chairman, treasurer and secretary of the SACCO Society shall not be eligible to be a member of the board of the subsidiary company or legal entity.

7.4. Minimum contents of framework for representation in subsidiaries

A Framework for representation of the SACCO's interest in Subsidiary company of related entities shall include but not limited to-

1. General Meetings for the subsidiaries and reporting framework to the SACCO;
2. qualifications and eligibility criteria for appointment of representatives of the SACCO to the subsidiary;
3. management and governance structure of the subsidiary;
4. tenure of representation in the subsidiaries and the procedure for removal of such representatives after the lapse of their tenure;
5. requirement for such a representative to seek guidance and position of the SACCO Board of Director in critical decisions of the subsidiary;
6. mandatory reporting of the subsidiary's performance and consolidation subsidiary's financial statements in the Regulated SACCO's annual audited financial statements prior to submission to the Authority for approval;
7. independence and segregation of business and governance operation of the subsidiary from the operations of the SACCO Society;

7.5. Restrictions on additional Investment in Subsidiaries

Other than the initial capital investments in the Subsidiaries or related entities, a Regulated SACCO shall not make any further or additional capital injected into a subsidiary or related entity except with prior written approval from the Authority and subsequent resolution in the General Meeting.

7.6. Restrictions against inter-entity financial dealings

A Regulated SACCO Society shall not provide, guarantee or provide a credit or loan facility or make an undertaking securing a credit or loan facility or any other obligation on behalf of its subsidiary or related entity; or place any deposits with and or in favour of any subsidiary or related entity, except with a prior written resolution obtained from the General Meeting in that particular regard.

7.7. Consolidated Financial Statements for Regulated SACCO

The Authority shall not consider for approval the Audited financial statements of a Regulated SACCO Society which has a subsidiary or related legal entity but which has not presented the financial statements of the subsidiary or legal entity as part of the Regulated SACCOs consolidated financial statements.

7.8. Presentation of Audited Financial Statements of Subsidiaries at the General Meetings

The board of Directors shall ensure that the audited financial statements of a Regulated SACCOs subsidiary are separately presented to the members at the General Meeting, distinct from the audited financial statements of the Regulated SACCO to highlight to the members the performance of the subsidiary and whether the subsidiary is meeting the objectives for which it was incorporated.

7.9. Role of the Board in Governing Subsidiaries and Related Entities

Where a Regulated SACCO Society has established subsidiaries or related entities, the Regulated SACCO Society shall remain the holding or parent entity, and the Board of Directors of the Regulated SACCOs shall have the overall responsibility for adequate corporate governance across the group and ensuring that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its entities.

7.10. Guidelines on establishment of Subsidiaries

The Authority may issue specific or general guidelines or directives to be complied with by Regulated SACCOs intending to establish subsidiary corporate or legal entities

8.0. CHIEF EXECUTIVE OFFICER AND SENIOR MANAGEMENT

8.1. Overall functions of the Senior Management

Under the direction of the Board of Directors, the senior management of shall ensure that the Regulated SACCOs' activities are consistent with the business strategy, risk tolerance/appetite and policies approved by the Board of Directors.

8.2. Members of senior management

The Senior management of a Regulated SACCO Society include but not limited to senior officers who are responsible and shall be held accountable for overseeing the day-to-day management and critical functions of a Regulated SACCO, and may include the -

a) Chief Executive Officer and or Deputy Chief Executive Officer where applicable;
b) head of Internal Audit function;
c) head of Credit function;
d) head ICT and or Risk functions;
e) head of Finance functions including operations, BOSA, FOSA etc;
f) head of Corporate Secretarial, legal and governance Services (where applicable); and
g) any other head of a significant unit or function of the Regulated SACCO.

8.3. Management Committees

Depending on the size or complexity of the business, the management of a Regulated SACCO may set up suitable management committees to support its decision-making structures, in order to increase efficiency and allow detailed deliberation on specific issues.

8.4. Duties and Responsibilities of Management

The Management of a Regulated SACCO shall under the direction of the Chief Executive Officer operate and administer the affairs of the Regulated SACCO on a day-to-day basis paying attention to the:

a) implementation and adherence to the policies, practices and standards as laid down by the Board of Directors;
b) systems that have been established to facilitate efficient operations and communications;
c) planning process that has been developed to facilitate achievement of targets and objectives;
d) all staff matters, particularly human resource development and training;
e) adherence to the established code of conduct and with all the Act, Regulations and Guidelines;
f) maintain adequate records to comply with all the reporting requirements;
g) designing, implementing and monitoring a risk management framework; and

h) any other duties as may be assigned by the Board of Directors

8.5. Appointment and responsibilities of the Chief Executive Officer

1. ***Prior and/or consequential approval of the Authority.***

   Subject to prior or consequential written approval of the Authority, the Board of Directors shall-

   a) appoint the Chief Executive Officer, and the Chief Executive Officer shall not be confirmed in appointment until such approval has been obtained; and

   b) in consultation with the Chief Executive Officer, appoint senior management officers or the head of functional units of the Regulated SACCO Society in accordance with its Human Resource Management Policy.

2. ***General Responsibilities of the Chief Executive Officer***

   The Chief executive officer shall be wholly responsible to the Board of Directors for the day to day running of the SACCO Society and shall hold the collective responsibility of the entire management bearing ultimate responsibility for all management functions.

3. ***Specific Responsibilities of the Chief Executive Officer***

   The Chief Executive Officer shall be responsible for-

   a) performing all the functions, responsibilities and duties and roles of a Chief Executive Officer as prescribed in the Act and the Regulations made thereunder or any other law;

   b) promptly implement any administrative directives issued by the Authority in the manner in which the business of the SACCO Society is conducted and apprise the Board of Directors accordingly;

   c) ensuring that the policies spelt out by the Board of Directors in the Regulated SACCOs' overall corporate strategy are implemented;

   d) coordinating the operations of the various departments within the SACCO;

   e) acting as the principal spokesperson of the SACCO on operational matters;

   f) establishing and maintaining efficient and adequate internal control systems;

   g) ensuring effective management of the SACCO business in the best interest of the SACCO and other stakeholders.

   h) designing and implementing the necessary Management Information Systems in order to facilitate efficient and effective business operations and communication within the SACCO;

   i) submitting all statutory and regulatory returns to the Authority within the prescribed timelines, including but not limited to monthly Board minutes, quarterly joint Board and supervisory committee minutes and any other report or return as the Authority may require;

j) ensuring that the Board of Directors is frequently and adequately appraised about the operations of the SACCO through presentation of relevant board papers, which must cover, but not limited to, the following areas-
   i) actual performance compared with the past performance and the budget together with explanations of all the variances;
   ii) capital structure and adequacy;
   iii) advances performance in particular problem loans, losses, recoveries and provisions;
   iv) income and expenses;
   v) deposits: sources and distribution profile;
   vi) all insider transactions that benefit directly or indirectly any officer of the SACCO;
   vii) report on violation of laws and remedial activities undertaken to ensure compliance with the SACCO laws and Guidelines;
   viii) large exposures;
   ix) non-performing insider loans;
   x) the Authority, external, internal and audit committee reports;
   xi) ensure that the Regulated SACCO complies with all the relevant SACCO business and other applicable laws in the execution of its operations; and
   xii) any other duties as may be assigned by the board from time to time.

4. General Procedure for recruitment of Chief Executive Officer

In recruitment and appointment of the Chief Executive Officer and Senior Management, the Board of Directors shall -

a) adopt a competitive selection process and in accordance with the SACCOs Human Resource Management Policy;
b) undertake a thorough background and due diligence check of the prospective candidates for the offices of the Chief Executive Officer and Senior Management, including-
   i) certificates of good standing from professional bodies;
   ii) no objection letter from the Authority;
   iii) clearance certificate from former employers;
   iv) no objection letter from the office of the Commissioner for Cooperative Development / county cooperative offices;
   v) validation of professional and academic certificates; and
   vi) any other matter as the Board of Directors may deem fit.

c) prepare a detailed job description for the Chief Executive Officer and Senior Management including their key result areas and key performance indicators

9.0. ORGANIZATIONAL VALUES AND CODE OF CONDUCT

9.1. Tone at the Top

The Board of Directors shall inculcate an ethical ana value-based climate for all operations of a Regulated SACCO Society, including setting professional and ethical standards and corporate values that promote integrity for the SACCO society, Board of Directors, Supervisory Committee, management and any other employees.

9.2. Confidentiality

The members of the Board of Directors, Supervisory Committee and Senior Management shall maintain strict confidentiality of all deliberations undertaken during the Board and Committee meetings, and shall execute appropriate confidentiality and non-disclosure undertakings prior to assuming office.

9.3. Compliance with the Third Schedule Code of Conduct

The Board of Directors shall ensure that the Third Schedule Code of Conduct is duly developed and every Officer of the SACCO Society subscribes, observes and strictly adhere to the Code; and any violations or breach of the Code is reported to the Authority and appropriate remedial actions undertaken against the Officer.

9.4. Compliance with Public Officer Ethics Act

All officers of Regulated SACCOs shall comply with the Code of Conduct established for Cooperative Officers pursuant to the Public Officer Ethics Act 2003, including but not limited to submission of declaration of individual Assets and Liabilities to the Ethics Commissions for Cooperatives (ECCOS).

9.5. Indemnity

All members of the Board of Directors and Supervisory Committee of a Regulated SACCO shall upon being elected, execute an Indemnity in such manner and form as prescribed in the Cooperative Societies Act and Rules and ensure such indemnity are duly submitted to the Office of Commissioner for Cooperative Development and a Copy thereof retained in the individual files for such member.

9.6. Compliance with Bribery Act 2015

Regulated SACCOs shall take appropriate measures to fully comply with the Bribery Act 2015 and the Regulations made thereunder, including but not limited to the development of Bribery Corruption and Risk Mitigation Plan.

9.7. Compliance with Fit & Proper Test Framework

1. Regulated SACCOs shall-
   a) determine the suitability and propriety of every person seeking to serve as a member of the Board of Director or Supervisory Committee or employee thereof and shall ensure that such suitability and propriety is maintained throughout the service of such Officer; and
   b) cause to be submitted a Fit & Proper Test Form in the prescribed format to the Authority within thirty days of election of a new member of Board of Directors or supervisory committee and within fourteen days of appointment of a senior management employee including the Chief Executive Officer.

9.8. Conflict of Interest

1. ***Avoidance of Conflict of interest***

   All Officers of a Regulated SACCO Society with decision making powers shall exercise care to avoid situations that may give rise to a conflict-of-interest situations and where such conflict of interest arises, the officer affected shall promptly declare interest in writing to be recorded in a conflict-of-interest register and shall thereafter ensure that the matter is dealt with at arm's -length.

2. ***Procedures for dealing with conflict of interest***

   The board of Directors shall establish procedures to address conflicts of interest situations and ensure that senior management implement policies to identify, prevent or appropriately manage and disclose potential conflicts of interest situations that may arise.

9.9. Prohibition against Insider dealings

All Officers of a Regulated SACCO shall not use or misuse any confidential or insider information obtained in the course of their work for personal gain.

9.10. Other Fiduciary Responsibilities

All Officers of a Regulated SACCO shall have fiduciary duties and responsibilities to-

a) protect SACCO's properties and assets, including information technology, intellectual property, products and services;
b) avoid pecuniary embarrassment;
c) acts honestly and in good faith and not to seek personal gain in the course of their professional duties;

d) ensure that the SACCO Society does not engage in any improper or illegal activity, such as money laundering, fraud, bribery or corruption; or in excessive risk-taking activities.

10.0. INTERNAL AND RISK CONTROLS

10.1. General requirements for Internal and risk Controls

1. Regulated SACCOs shall-
   a) develop and implement effective internal and risk control systems;
   b) regularly review policies, processes and controls with senior management and/or internal control functions (including internal audit, risk management and compliance) in order to determine areas needing improvement, as well as to identify and address significant risks and issues; and
   c) ensure that the control functions are properly positioned, staffed and resourced and are carrying out their responsibilities independently and effectively.

2. The frequency of the review shall be clearly stated in the Regulated SACCOs internal policies.

10.2. Internal Controls

The Board of Directors of a Regulated SACCO shall -

a) maintain a sound system of internal control arrangements and external verification that should be proportionate to the size, complexity and risk profile of the SACCO;
b) ensure it acts expeditiously on the reports of the Supervisory Committee on any internal control issues that need to be dealt with;
c) ensure that mechanisms are put in place for an effective segregation of duties, avoidance of conflicts and proper checks and balances;
d) discuss the external Auditor's report each year and implement any corrective actions necessary;
e) recommend to the General Meeting the names of at least three duly qualified of external Auditors for the appointment to provide external auditing services to the SACCO Society for the ensuing year;
f) put in place appropriate access controls and limit including physical access or access to ICT infrastructure;
g) establish an internal audit function headed by a person possessing the qualifications prescribed in the law;
h) establish an Audit and Risk Committee where the functions are not performed by the Supervisory Committee and facilitate their proper functioning; and
i) ensure the SACCO has in place an appropriate Procurement and Assets Disposal Policy.

10.3. Risk Management

1. ***Role of Board in Risk Management***

   The Board of Directors of a Regulated SACCO shall-

   a) be responsible for determining the nature and extent of the significant risks which the SACO is able to tolerate and take in undertaking its activities to achieve the set strategic objectives;
   b) develop and oversee the implementation of a sound risk management framework including appropriate Risk Management and Business continuity policies; and
   c) taking into account the size of the SACCO Society and the complexity of its business designate an appropriate staff with requisite qualifications to undertake the risk management functions.

2. ***Role of Audit and Risk Committee***

   The Audit and Risk Committee and or the Supervisory Committee where applicable shall oversight the risk management function of the SACCO society, and shall submit period reports to the Board of Directors with appropriate recommendations on key Risk exposures and risk management activities.

3. ***Risk management framework***

   A Risk management framework for a Regulated SACCO Society shall generally encompass but not limited to-

   a) identifying key risks;
   b) assessing these risks and measuring exposure to them;
   c) Monitoring the risk exposures and determining the corresponding capital needs on an ongoing basis;
   d) monitoring and assessing decisions to accept particular risks, risk mitigation measure and whether risk decisions are in line with the board-approved risk tolerance/appetite and risk policy; and
   e) reporting to Senior Management, and/or having unfettered access to the Audit and Risk Committee and/or Board as appropriate.

4. ***Internal Communication of Risks***

   Regulated SACCOs shall have a robust internal communication framework covering the risks exposures and strategies to mitigate such risks in a timely, complete and accurate manner to all officers of the SACCO Society but on a need-to-know basis.

11.0. PLANNING FOR THE FUTURE

11.1. Development of Strategic Plans

The Board of Directors and Management shall establish through a Strategic Plan, the long-term view of the future of the SACCO Society and put in place appropriate strategies to ensure financial stability and sustainability.

11.2. Strategic Plan aligned to Strategic Objects of Registration

A Strategic Plan for a Regulated Sacco Society shall determine, ascertain and direct the Sacco Society's objects of registration, with particular regard to meeting the members socio economic needs through appropriate Mission, Vision and Values.

11.3. Periodic Review and Monitoring of Strategic Plan

The Board of Directors shall develop mechanisms and procedures for periodic monitoring and evaluation of the efficiency and effectiveness of its strategies and overall strategic direction; and make appropriate recommendations to remedy any shortcomings.

11.4. Strategic Plan aligned to Cooperative Values, Ethical Beliefs and Principles

The Strategic Plan and activities of a Regulated SACCO shall integrate and take into consideration the application of Cooperative Values, Ethical Beliefs and Principles to ensure or avoid any intended or unintended mission drift.

12.0. GOVERNANCE OF INFORMATION COMMUNICATION TECHNOLOGY (ICT)

12.1. Objective of ICT governance

The Board of Directors shall be responsible for Information Communication Technology (ICT) Governance of the Regulated SACCO Society and ensures that its ICT governance framework supports effective and efficient management of operations to achieve its strategic objectives.

12.2. ICT Governance Charter and Policy

The Board of Directors shall develop and oversee the implementation of an appropriate ICT Governance Charter and Policy which outlines the decision-making rights and accountability framework for ICT governance that will enable the desirable culture in the use of ICT within the Regulated SACCO.

12.3. Responsibilities of Board of Directors in ICT Governance

The Board of Directors shall-

a) oversee the cultivation and promotion of ethical ICT governance and management culture and awareness;
b) provide the required leadership to achieve this Regulated SACCO's strategic objective;
c) ensure that an ICT internal control framework is adopted and implemented and that the board receives independent assurance on the effectiveness thereof;
d) ensure processes are in place to facilitate complete, timely, relevant, accurate and accessible ICT reporting;
e) ensure that the ICT strategy is integrated with the Regulated SACCOs strategic and business processes; and ICT should be seen to add value by enabling the improvement of the Regulated SACCOs performance and sustainability;
f) appoint an ICT steering committee or similar forum or function from the management to assist with its governance of ICT, with relevant representation from core business and ICT functions;
g) consider a suitable strategy, structure and size of its ICT function, considering what is appropriate for the adequate management of the ICT function and associated risk of the particular Regulated SACCO and having regard to any legislative requirements that apply to the ICT function;
h) oversee the proper value delivery of ICT and that the expected return on investment from significant ICT investments and projects is delivered and that the information and intellectual property contained in the information systems are protected;
i) ensure there is a competent and suitably qualified ICT officer responsible for management of ICT function;

j) ensure the Regulated SACCO is fully compliant with the prevailing ICT laws and applicable rules, codes, guidelines and standards; and
k) ensure that all personal information is identified and managed appropriately in accordance with the Data Protection Act and the Regulations made thereunder.

12.4. Establishment of ICT function

The structure of the ICT function of a Regulated SACCO, its role, and its position in terms of reporting lines, should reflect the Regulated SACCOs' decision on how IT is integrated with its operations.

12.5. Outsourced ICT services

Where the responsibility for the provision of ICT goods or services has been delegated to a third party, the Board of Directors and management shall remain accountable for enforcing and monitoring effectiveness of ICT governance.

12.6. Disaster Recovery and Business Continuity

The Management should regularly demonstrate to the Board of Directors and Supervisory Committee that the Regulated SACCO has adequate business resilience arrangements in place for disaster recovery and business continuity.

12.7. Cyber-Security Policy and Framework

The Board of Directors and Management shall develop and oversee the implementation of an appropriate cyber security policy and frameworks capable of safeguarding and protecting the SACCO Society's ICT infrastructure, transactions, and other resources, and such policies or frameworks shall conform to any guidance or guidance note the Authority or any other government agency may issue from time to time.

12.8. Systems Audit

The Board of Directors and management shall cause to be undertaken regular systems audit of the Regulated SACCO Society in accordance in accordance with international standards, best practices and any other guidance as the Authority may issue from time to time, taking into account the level of the SACCO Society's ICT infrastructure, digitization and service provision.

13.0. TRANSPARENCY AND ACCOUNTABILITY DISCLOSURES

13.1. General transparency and disclosures

In general, the Board of Directors shall –

a) be responsible for considering the legitimate interests and expectations of the institution's stakeholders in its deliberations, decisions and actions; and
b) disclose information in a manner that enables stakeholders to make an informed analysis of the SACCO Society's performance, and sustainability

13.2. Specific transparency and disclosures

In particular, the Board of Directors shall –

a) maintain a formal and transparent strategy for engaging its key stakeholders in the decisions and development of the SACCO Society as a business and as a Co-operative enterprise;
b) ensure each year it prepares and publishes an Annual Report on the business and financial performance and position statement of the SACCO Society;
c) ensure it is rigorous and transparent in ensuring that decisions taken on behalf of the SACCO Society are informed, objective and in the best interest of the members;
d) ensure it conducts a regular review of who the key stakeholders in the SACCO Society are and how their needs should be met;
e) ensure the SACCO Society has in place a fair system for dealing internally with accusations from whistle blowers so that honest individuals do not feel threatened when making an allegation;
f) ensure it manages the impact of its activities on the local community, in which it operates in a responsible manner, believing that sound and demonstrable performance in relation to corporate social responsibility policies and practices is a fundamental part of the co-operative identity of the SACCO Society;

13.3. Accountability to Members and responsibility to stakeholders

The Board of Directors shall at times -

a) remain accountable for its decisions and actions to members of the SACCO Society and any other stakeholders;

b) assume responsibility for the assets and actions of the SACCO Society and be willing to take corrective actions to keep the SACCO Society on a strategic path that is ethical and sustainable;
c) ensure they exercise the degree of care and diligence in the discharge of their duties that a reasonable person in a similar position would exercise in these circumstances;

d) ensure they give necessary attention to the affairs of the SACCO Society and this also includes exercising a degree of supervision over officers of the SACCO Society within the prescribed policy framework;
e) ensure the SACCO Society complies with the requirements of the Law and that SACCO Society maintains a transparent relationship with government regulatory agencies;
f) designate an officer to act as Compliance Officer to maintain a checklist of requirements in complying with its regulatory and legal requirement and reports regularly to the Board of Directors on any changes to the law or regulation and how those changes may be implemented;

14.0. CORPORATE GOVERNANCE REPORTING

14.1. Adoption of Corporate Governance Reporting

Regulated SACCO Societies shall adopt corporate governance reporting frameworks which communicates the SACCO Society's corporate governance standards, policies and practices; and to provide true overview of the SACCO Society's business model and operations, structure, and performance.

14.2. Recommended Thresholds for Corporate Governance Reporting

Regulated SACCO Society's annual reports shall therefore integrate best practices in corporate governance reporting including but not limited to-

a) compliance with cooperative principles, values and ethical beliefs;
b) compliance with all the relevant and/or applicable laws;
c) compliance with the prescribed financial indices;
d) information of Composition of the Board of Directors and Supervisory Committee including compensation, meetings attended, training attended; performance and evaluation of the members of the Board of Directors and Supervisory Committee etc;
e) regularity and frequencies of Board and Board Committee meetings;
f) succession planning;
g) nature of the SACCO Society's business and future prospects which should at the minimum include growth, sustainability, innovation, and future outlook;
h) any other matter of corporate governance reporting as the SACCO Society may adopt.

15.0. GOVERNANCE AND LEGAL AUDIT

15.1. Periodic Governance and Legal Audits

The Board of Directors may conduct or cause to be conducted periodic governance and or legal audit of the Regulated SACCO Society and its activities and operations to ensure that the SACCO complies with and or conforms the best governance practices as well as prevailing laws.

15.2. Parameters for Governance and Legal Audit

The governance and legal audit may cover the following parameters among others-

a) Leadership and strategic management;
b) Transparency and Disclosure;
c) Compliance with Laws and Regulations;
d) Communication with stakeholders;
e) Board independence and governance;
f) Board systems and procedures;
g) Consistent shareholder and stakeholders' value enhancement,
h) Corporate social responsibility and investment; and
i) Any other relevant matter as they may deem necessary.

16.0. CORPORATE SOCIAL RESPONSIBILITY OF REGULATED SACCOs

16.1. Establishment of Corporate Social Responsibility Policy

A Regulated SACCO Society intending to participate in corporate social responsibility shall develop a Corporate Social Responsibility Policy, which upon approval shall guide all its corporate social responsibility activities.

16.2. Priority areas in Corporate Social Responsibility activities

Despite the generality of this clause, Regulated SACCOs shall endeavor to meet their corporate social responsibilities through their Policies and allocation of resources through the budgets including but not limited to –

a) ensuring fair, just, and equitable employment opportunities;

b) identification of the cause that the Regulated SACCO may support and promote, giving priority to the Sustainable Development Goals (SDG's);

c) preservation and protection of the natural environment;

d) ensure balancing gender interests and concerns;

e) protection and promotion of the interests and rights of children and other vulnerable SACCOs;

f) promotion of the interests and rights of the host communities; and

g) any other relevant community concern.

16.3. Reporting on Corporate Social Responsibilities

The Board of Directors and Management shall regularly monitor the extent to which the SACCO Society is meeting its social responsibilities, and report to the members according at the General Meetings;

16.4. Alignment with the Budget

The Board of Directors shall ensure that the Regulated SACCOs Corporate Social Responsibilities are subject to its financial performance and aligned to the approved budgets by the members.

17.0. REGULATION AND SUPERVISION OF SACCO SOCIETIES

17.1. Powers of the Authority

Nothing in this Guidance Note shall or limit or restrict the powers of the Authority to regulate and supervise Regulated SACCOs to which this Act and the Regulations made thereunder

17.2. Supervisory enforcement actions

The Authority may in accordance with the provisions of Section 49.50.52 and 52 of the Act as read with the regulations made thereunder, institute appropriate enforcement actions against any Regulated SACCO Society or any Officer or any third party which violates this guidance note and or causes the SACCO Society to violate the Guidance Note resulting into loss of members funds and or undermining the best interests of members or members of the public, or undercapitalization of the SACCO Society.