



**PHAPHAMANI MASWATI SAVINGS & CREDIT COOPERATIVE
SOCIETY LIMITED**

BOARD CHARTER

TABLE OF CONTENTS

1. INTRODUCTION	3
2. PURPOSE OF THE BOARD CHARTER	3
3. ROLES AND RESPONSIBILITIES	3-5
4. BOARD COMMITTEES	6
4.1 Ad Hoc Committees	6
4.2 Executive Committee	6-7
4.3 Credit Committee	8
4.4 Education Committee	8-9
4.5 Supervisory Committee	9-11
4.6 Procurement Committee	11-12
4.7 Investment Committee	12-13
5. CHARACTERISTICS AND COMPETENCIES OF BOARD MEMBERS	13-15
6. MANAGEMENT AND ADMINISTRATION OF THE BOARD	15-18
7. COMPOSITION AND TERMS OF THE BOARD	18-21
8. RELATION OF THE BOARD AND SACCO MANAGER	21-25
9. SACCO BEST PRACTICES AND CORPORATE GOVERNANCE ISSUES	25-26
10. CODE OF CONDUCT AND CONFLICT OF INTEREST POLICY	27-28
11. BOARD CULTURE AND REPORTING REQUIREMENT	29-32
12. CHARTER AMENDMENT & REVIEW	32
ADOPTION AND DECLARATION	32

1.0 INTRODUCTION

The Board of Phaphamani Maswati Savings and Credit Co-operative Society Limited ('the Society') has developed a Board Charter ('Charter') which is a policy document that defines the respective roles, responsibilities and authorities of the SACCO Board (individually and collectively) in setting the direction, the management and the control of the SACCO. It is meant to complement the provisions of the Cooperative Societies Act, 2003, Financial Services Regulatory Authority Act, 2010, SACCO By-laws, SACCO Guidelines, 2018 and FSRA Fit and Proper Guideline, and Rehabilitation Criteria, 2014 and any other applicable law or regulatory provision. The Charter sets out:

- a) The roles, functions, obligations, rights, responsibilities and powers of the Board; and
- b) The policies and practices of the Board in respect of its duties, functions and responsibilities.

2.0 PURPOSE OF THE BOARD CHARTER

The Board Charter is essential as it serves as:

- a) **One-source reference**- it is a one-source document, which clearly sets out how the Board members are to perform their roles.
- b) **As an induction tool** - it acts as an induction tool for new Board members and senior managers.
- c) **Team development** - development and review of the Board charter provides time to discuss those 'not mentioned' issues that are often left unattended and can lead to conflict and poor corporate governance.
- d) **Standard key Board documentation** - it contains documentation templates for such things as the Board meeting agenda and Board paper format.

The Board Charter shall contain guidelines, policies and Internal Rules and Regulations that be observed at all times.

3.0 ROLES AND RESPONSIBILITIES

3.1 Structure and Size

The highest decision-making organ of the SACCO is the Annual General Meeting (AGM) which elects ten (10) officials from amongst the delegates to sit in the Board as Members and an oversight (Supervisory) Committee of three (3) members. The Board is the governing body of the SACCO as a core oversight function, to take all reasonable steps to ensure the safety, stability and sustainability of the SACCO. The Board shall have not less than five (5) members and not more than thirteen (13) including supervisory committee members.

Members of the Board hold office for a period of two (2) years or as determined by the By-laws with half of the Board members stepping down but eligible for re-election after a lapse of one (1) term. After completing two consecutive terms a member may stand for election again following a period of two years of not serving on the Board.

3.2 Board Responsibilities

- a) The Board shall manage the affairs of Phaphamani SACCO as directed by the applicable legislation and the directives of the Annual General Meeting and, the Commissioner of Co-operatives and the FSRA.
- b) The Board shall take appropriate steps to protect and enhance the value of the assets of the Society in the best interests of the members. The Board will ensure

that at the heart of the organisation there is a culture of honesty, integrity and excellent performance.

- c) The Board shall be the governing authority of the Society and subject to any directions from the General Meeting; it shall direct the affairs for the Society. Its procedures, powers and duties shall be as prescribed in the Co-operative Act and By-laws and in particular, **the Board shall:**
- i) Observe in all its activities the Co-operative Societies Act, FSRA Act, By-laws, SACCO Guidelines, Fit & proper Guideline and this Charter.
 - ii) Generally direct and monitor the affairs of the Society.
 - iii) Ratify all applications for membership.
 - iv) Establish appropriate policies including but not limited to *human resource policy, accounting and finance policy, credit policy, investment policy, savings policy, liquidity policy, pricing policy, anti-money laundering policy, dividend policy and risk management policy.*
 - v) Ensure that true and accurate records and accounts of the SACCO funds, and its assets, capital reserves, liabilities, income and expenses are kept.
 - vi) Cause monthly, quarterly, and annual returns and annual financial statements to be submitted to the Commissioner and the Financial Services Regulatory Authority.
 - vii) Cause the preparation of estimates of the Society's income and expenditure including recurrent and capital estimates for approval by the General Meeting.
 - viii) Cause proper books of accounts to be prepared in accordance with International Financial Reporting Standards (IFRS).
 - ix) Display audited accounts in a conspicuous place at the registered office at least two (2) weeks before presentation of the accounts to members at the General Meeting.
 - x) Ensure that the Society makes adequate provisions for known and probable losses likely to occur as required by the SACCO Guidelines, 2018.
 - xi) Ensure that the SACCO maintains a positive image within the industry and the economy as a whole.
 - xii) Draft or cause to be drafted the Internal Regulations, which shall include all matters, which have not been taken care of in the By-laws. These shall incorporate any rule, procedure, work instruction, and internal requirement that has been defined, established and made compulsory.
 - xiii) Determine from time to time: the interest rates on loans, the maximum maturities and terms of payment or amortisation of loans to member; and the maximum amount they may be loaned with or without security and when, by action of the Credit Committee, the interest rates on future loans are reduced, similar action may be taken with regard to collection costs (10% interest rate on loan arrears).
 - xiv) Lay before the Annual General Meeting a Statement of Comprehensive Income, Statement of Financial Position, and Budget for the following year.
 - xv) Recommend to the Annual General Meeting the Dividend Rate to be paid on Shares.
 - xvi) Fill vacancies occurring in the Board and Board committees.
 - xvii) Authorise investments of the SACCO and make capital expenditure.

- xviii) Submit Proposals to the General Meetings and provide information necessary to enable the members deliberate and take actions.
- xix) Employ, terminate and fix compensation of staff in accordance with the Employment Act and Industrial Relations Act.
- xx) Impose fines on errant members.
- xxi) Determine the Interest rates, which shall be paid on member savings and deposits.
- xxii) Be responsible to the members for the preparation and publication of the SACCO's annual audited financial statements which shall be presented at an annual general meeting not later than three months after the end of the financial year 31 July.
- xxiii) Review monthly delinquency reports and supervise the collection of loans to members and authorise the write-offs of uncollectible accounts.
- xxiv) Recommend three names of external auditors to the annual general meeting.
- xxv) Perform such other duties as are necessary to preserve the sound management of the Society.
- xxvi) Perform or authorise any action consistent with the Co-operative Societies Act, FSRA Act, By-laws, SACCO Guidelines, Fit & Proper Guideline, unless specifically reserved for the General Meeting.

3.2.2 In order to ensure that the Board is able to properly discharge the responsibilities highlighted above, all Board members will be expected to attend Board orientation full-time and without fail, because this shall form the basis of a strong Board, thus setting the tone and culture of Phaphamani's governance.

3.3 Board Remuneration

- a) The Board shall establish and approve formal and transparent remuneration policies and procedures for Board members. No member of the Board shall receive remuneration in the form of a salary for services rendered to the SACCO.
- b) No Board member shall be paid any fees in addition to their regular remuneration established by the Board Compensation Policy. These fees will be reviewed at least every two (2) years.
- c) All policy proposals and amendments shall be formally approved by members at general meetings through the budget approval process and recorded in a formal resolution.
- d) A member of the Board may be reimbursed for necessary expenses incurred in course of discharging lawful duties which are beneficial to the Society.
- e) The remuneration package shall be adequately disclosed in the SACCO's annual Board or governance remuneration report, containing a statement of the Board Compensation Policy and details of the remuneration and benefits of Board and senior management and it shall retroactively be approved by shareholders in an Annual General Meeting.
- f) No person shall be permitted to hold the position of a Board member in more than one SACCO registered under the Co-operatives Societies Act and licensed under the FSRA Act. This is to ensure effective participation by Board members in board meetings.

4.0 BOARD COMMITTEES

The Board shall also form committees to improve on governance matters. Delegation of powers to a committee shall be made official, in order for the members to have formal terms of reference to determine the scope of their powers, and the responsibilities they bear. The terms of reference shall include details pertaining to:

- a) The composition of the committee;
- b) The objectives, purpose and activities;
- c) The powers that have been delegated;
- d) Any mandate to make recommendations to the Board;
- e) The lifespan of the committee; and
- f) How the committee reports to the Board.

The main Board committees shall be as established by the Co-operatives Act, 2003 and customised to the needs, size and complexity of the SACCO in its By-laws. The main sub-committees are; Executive, Credit, and Education. There shall also be established a Supervisory Committee.

4.1 Ad Hoc Committees

- a. Board members shall not sit in more than two committees.
- b. A Board member shall not chair more than one committee.

The Board shall also operate through specialised ad hoc committees responsible for various SACCO activities. Additional committees may be established as the Board meeting may determine. It may delegate to these committees its power and duties under the By-laws as it deems fit and proper.

4.2 Executive Committee

4.2.1 Responsibilities

The Executive Committee shall provide SACCO direction and act on behalf of the Board by acting as a steering committee for decision-making in emergency situations.

- It shall monitor and evaluate progresses toward the SACCO's strategic goals and initiatives, and make periodic and timely presentations to the Board on progress).
- The Committee is also responsible for providing SACCO oversight (on the daily implementation of Board policies and making sure that the Board is able to establish and maintain good governance practices.
- It shall manage high-level workplace issues of a serious nature and decide whether to solve them or escalate them to board level.
- To a certain extent, the Committee is the glue that facilitates cohesiveness by keeping everyone in the loop with alignment and decision-making (communicating with board, committees and staff) and it takes the lead on issues such as Board development, mentoring and conducting annual board members evaluations.

a. Chairperson

- i) Presides at the Annual General Meeting.
- ii) The Chairperson shall not sit in any of the Board committees, but may attend any committee meeting upon invitation by the committee.
- iii) Sign all documents, contracts and payments.
- iv) Represents the society as its leader.

- v) The Chairperson shall meet all minimum competency and industry experience requirements listed in the Fit & proper Guideline.
- b. **Vice Chairperson**
- i) Assists and stands for the Chairperson in his absence
 - ii) Supervisor to the Credit and Education Committees
 - iii) Sign all documents, contracts and payments
- c. **Secretary**
- i) Ensure that notices of the meetings are prepared and sent out.
 - ii) Cause minutes of the General Meeting, Board meetings and joint meetings with the Supervisory Committee to be recorded.
 - iii) Ensuring that the society correspondence is promptly and correctly attended to.
 - iv) Calling Board Committee and membership meetings.
 - v) Signing documents, payments and contracts.
 - vi) Perform such other duties as may be directed by the Board.
- d. **Treasurer**
- i) The Treasurer occupies a key role in the SACCO, and his election should be in line with the SACCO's Board Election Policy and observe the Fit and Proper Guideline and Rehabilitation Criteria. As provided in By-Laws, the treasurer generally manages the SACCO affairs.
 - ii) The Treasurer must have knowledge of Accounting. He/she must be able to determine whether the books are being kept properly.
 - iii) He/she is the Chairperson to the Investment and Procurement Committees.
 - iv) The Treasurer shall meet all minimum competency and industry experience requirements listed in the Fit & proper Guideline.

Treasurer's Specific Duties

- ✓ The Treasurer manages, or causes to be managed, the financial affairs of the SACCO.
- ✓ **Recording:** Ensures that proper record is kept of all monies received and disbursed by the SACCO.
- ✓ **Safe - Keeping:** Ensure the safe-keeping of the Society's money.
- ✓ **Signatory:** Sign all documents, contracts and approves payments.
- ✓ **Compliance:** Ensure compliance with all directives of the Board and the Commissioner.
- ✓ **Financial Reporting:** Ensures financial statement showing the condition of the SACCO at the end of each month are prepared and submitted to the Board in line with internal policies and SACCO Guidelines.
- ✓ **Overdue:** Ensures regular presentation to the Board an up-to-date listing of over-due borrowers.
- ✓ **Supervision:** Ensures supervision of persons employed by the Society.

4.3 Credit Committee

The Credit Committee consists of three members of the Board. The Supervisor of the Credit Committee shall be the Vice-Chairperson. It shall hold such meetings as the business of the SACCO may require but not less frequently than once a month.

4.3.1 Responsibilities

- a) Providing oversight over the credit function.
- b) Ensuring establishment and review of the SACCO's credit policy consistent with the relevant provisions of the Consumer Credit Act, SACCO Guidelines, By-laws and other relevant regulations.
- c) Ensuring that problem loans are adequately identified and classified as prescribed in the loan loss classification and provisioning policy of the SACCO.
- d) Ensuring adequate provisions for potential loss is maintained.
- e) Promoting thrift and wise credit management.
- f) Recommending changes in policy, procedures and underwriting guidelines to the Board.
- g) Reviewing periodic loan portfolio and portfolio reports of the Society before submission to the Board.
- h) Endeavour diligently to assist members to solve their financial problems.
- i) May at its discretion, appropriately delegate part of its responsibilities to any employee, e.g. credit officers/senior management, where necessary, to facilitate loans processing.
- j) Ensuring timely repayments of loans as per loan agreements.
- k) Observing the loan policy and By-Laws when acting on Loan applications.
- l) Keeping minutes of their meetings.

4.4 Education Committee

4.4.1 Responsibilities

The Education Committee shall consist of three members appointed from the Board. It shall work under the supervision of the Vice-Chairperson and is expected to perform the following responsibilities:-

- a) Identification and determination of education needs of the members, the Board, employees and of the potential members, in the principles and techniques of cooperatives, both economic and democratic, ensuring that training remains relevant and beneficial to the SACCO.
- b) Reviewing and recommending education programs for members and Board members for approval by the Board.
- c) Acquiring literature on behalf of the SACCO, with a view to setting up well stocked library. This could comprise of the various Acts, Rules, Regulations, By-laws, policies, cooperative texts and journals.
- d) Arranging for education and tours, and providing advice on general matters within jurisdiction, e.g. changes in legislation, in liaison with other members of the Board.
- e) Advising the Board and members in general on matters within their jurisdiction, such as in event of any changes in the policies and legislation.
- f) Ensuring that adequate funds have been allocated for education purposes and utilised properly, for the benefit of the whole SACCO.

- g) Representing the SACCO in other bodies carrying educational functions.
- h) Preparation of periodic educational reports depending on the needs of the SACCO.
- i) Identification, collection and preparation of co-operative news on behalf of the SACCO.
- j) Monitoring the implementation of educational programmes formulated to ensure that the members and the Board are well trained and prepared for the tasks they are entrusted with.
- k) Advising the Board on necessary revisions and/or amendments to the Society's strategic direction in view of emerging business and market trends.
- l) Reviewing, monitoring and recommending to the Board new and revised prices, products and services.
- m) Receiving and reviewing regular reports of various marketing and customer service related matters and guide management on continuous improvement efforts.

4.5 Supervisory Committee

4.5.1 Composition

- a) The Supervisory Committee has an important role to play working in partnership with the Board for efficient management of the SACCO. The role stretches from audit of the Board functions to recommending appropriate internal checks and balances to ensure safety and soundness.
- b) The members of the Supervisory Committee shall not be individuals serving in the Board. This committee shall be completely independent from any control of the Board. The Committee shall always be alert to ensure that the transactions are carried out with accuracy and honesty. All this shall be within the requirement of the Co-operative Societies Act, Rules and By-laws. It is for this reason that the Supervisory Committee organises regular audits of affairs of the SACCO. Apart from the formal auditing of the SACCO, the committee shall also be on the lookout for potential problems.
- c) Since the duties of the Supervisory Committee are largely technical, it shall be appropriate if at least a number of the people elected to it have some experience or training in auditing, accounting or bookkeeping. It is from whoever has some knowledge that the other members of the committee can be guided.

4.5.2 Responsibilities of Supervisory Committee

- a) The Supervisory Committee provided for under the Role of the Cooperative Societies Act, 2003 shall, in addition to the duties assigned, perform the following committee functions:
 - i) review internal controls including the scope of the internal audit program, the internal audit findings, and recommend action to be taken by management;
 - ii) 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;
 - iii) ensure that accounting records and financial reports are promptly prepared to accurately reflect operations and results;

- iv) review management reports, and reports from the internal and external auditors concerning deviations and weaknesses in accounting and operational controls;
 - v) monitor the ethical conduct of the SACCO and consider the development of ethical standards and requirements, including;
 - effectiveness of procedures for handling and reporting complaints;
 - reviewing any related party transactions that may arise within the SACCO;
 - verifying that relevant plans, policies, and control procedures are established and properly administered;
 - investigating members' complaints and making recommendations for redress;
 - Considering any matter of significance raised by members during the Annual General Meeting, the FSRA, or the Ombudsman.
- b) The committee shall prepare and submit quarterly reports to be presented to a joint meeting with the Board within thirty days after the end of each quarter;
 - c) The 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, within thirty days, after presentation to the Board;
 - d) Verify of all transactions, investments, assets, liabilities etc., of the SACCO;
 - e) Write periodic reports of its findings to be tabled at management committee meetings and general meeting;
 - f) Evaluate effectiveness of programs and policies of the SACCO;
 - g) Ensure adherence to all policies by the different committees and Board in discharging oversight responsibilities;
 - h) Check adherence to loan policy and note any exceptions, delinquent loans among the Board committees and general members and ensure prompt recovery of same;
 - i) Ascertain adherence to budgetary controls;
 - j) Audit member accounts and trace any difference;
 - k) Listen to and receive members' complaints and assist them to find solution;
 - l) Address any weakness in the management of the SACCO;
 - m) The committee has the freedom to acquire services of an expert in a specialised field in the course of their duties, whereby remuneration of such expert shall be determined by management committee;
 - n) Receive and scrutinise the reports and management letters from the auditor, and take action on the same or recommend for action by the general meeting; and
 - o) As part of ensuring oversight on the SACCO's compliance and internal controls, it is responsible for accuracy and control of SACCO finances, conducive administrative procedures and safeguarding of the Society's corporate image

4.5.3 What the Supervisory Committee Shall Not Do

The committee shall **NOT**:-

- a) Participate directly in any of the activities or operations of the Board.
- b) Undermine or assume the roles of the Board.

- c) Judge the operations and decisions taken by the Board officials on personal criteria. Any evaluation should be done on the basis of the relevant Acts, Rules, Guidelines, By-laws and the internal policy of the SACCO.
- d) Witch-hunt.
- e) Be compromised in the event of performing their duties.
- f) Ambush the Board.
- g) Directly correct any employees of the SACCO observed making errors in their work. The Supervisory Committee shall report such errors to the Board or Treasurer where the By-laws specify.
- h) Interfere with the management and/or staff functions.
- i) Create antagonism or dissent among Board, Supervisory committee members and employees.
- j) Incite the general membership.
- k) Reveal the contents of their reports or make public its report before the Board knows it.
- l) Make report on the basis of rumours or imprecise information. Any errors noted should be based on valuation of first-hand information.
- m) A person shall not be permitted to hold the position of a member of the supervisory committee in more than one SACCO, or simultaneously hold the position of a member of a supervisory committee in one SACCO and Membership in another SACCO.

The above Internal Rules and Regulations are the general guidelines of the functions of the Supervisory Committee should do and what it should not do.

4.6 Procurement Committee

The procurement Committee shall consist of three members from the Board. The Procurement policy shall provide procurement procedures and guide its activities.

4.6.1 Responsibilities

- a) Developing and revising the SACCO's Procurement and Disposal policy and providing official communications and interpretations of that policy.
- b) Ensuring that a Procurement plan is drafted and corresponds to the activity and the budget.
- c) Ensuring that all procurement requirements are planned for at the beginning of the project.
- d) Ensuring that procurement activities are initiated on time and that those involved in the process are aware.
- e) Ensuring that ethical risks are considered and addressed in the procurement process.
- f) Monitoring and reporting for compliance with the Procurement and Disposal policy.
- g) Providing support and advice on the Procurement and Disposal policy.
- h) Ensuring that all internal and external experts required are consulted early and committed to providing the information and specifications needed for the procurement activities.
- i) Being the contact point for the negotiation, compliance and reporting requirements in accordance with procurement procedures.

- j) Issuing invitations for sealed bid (IFSB), request for proposal (RFP) or quotations through announcements and advertisements which shall contain bid information and provide the bid due date, time and place of the bid opening.
- k) Ensuring the collection of three quotations and issuance of Purchase Orders, Engagement Letters and Contracts.
- l) Approving variations of contract conditions previously awarded by the Committee.
- m) Evaluating quotes or proposals.
- n) Upholding the procurement principles and ensuring that the best quality and value for money is obtained.
- o) Reviewing, verifying, and satisfying itself that all the procurement procedures, processes have been undertaken.
- p) Awarding procurement contracts where the value is within the threshold prescribed.
- q) Ensuring that the proposed procurement and contract action is in accordance with the procurement policy and procedures.
- r) Reviewing the procurement and contract process to ensure that it is fair, competitive, and transparent and provides the best value for money.
- s) Reviewing the financial and legal implication of the proposed contract.

4.6.2 No committee member may participate in the deliberations of the committee regarding any submission if there is a conflict of interest. The Secretary of the Procurement Committee is responsible for preparing and distributing a draft of the official minutes of the meeting and obtaining clearance of this document by all committee members.

4.7 Investment Committee

Reporting directly to the Board, the investment committee shall consist of three members of the Board including the Treasurer, who shall preferably be an Accountant or Economist by profession and who shall serve as its Chairperson. The other 2 members shall come from any of the Board committees.

4.7.1 Responsibilities shall include:

- a) Acquiring requisite knowledge regarding their fiduciary duties with a firm grasp of procedures outlined in the SACCO's investment plan and strategy. It is the committee's responsibility to stay abreast of legal and regulatory changes that affect the investment strategy.
- b) Developing and reviewing an investment policy statement to include an investment strategy with well-articulated due diligence procedures for selecting and monitoring investment options.
- c) Reviewing and making recommendations to the Board on the financial plans of the SACCO ensuring its adequacy and soundness in providing for the SACCO's current operations and long term stability.
- d) Reviewing, discussing and making recommendations to the Board concerning significant financial planning.
- e) Regularly reviewing periodic financial and investment statements with a report prepared for the Board.

- f) Assessing investment performance by comparing performance to benchmarks in the investment policy statement and determine if it is still consistent with its investment objectives and parameters.
- g) Considering and advising the Board on investments and funding sources.
- h) Making recommendations to the Board on capital expenditure projects.
- i) Ensuring all expenditure of the SACCO are within the approved budgets.
- j) Reviewing and making recommendations on finance related policies including investments, capital adequacy, liquidity and financial performance monitoring.
- k) Ensuring the SACCO's liquidity is adequately managed.
- l) Ensuring that Management adheres to approved policies when investing SACCO funds.
- m) Holding regular meetings two (2) to four (4) times a year.

4.7.2 The committee shall demonstrate prudence in making decisions through detailed documentation of all activities and decisions made, including maintenance of a fiduciary audit file that includes all investment related documentation.

5.0 CHARACTERISTICS AND COMPETENCIES OF MEMBERS

The primary responsibility of the Board shall be to exercise their business judgment in what they believe to be in the best interests of Phaphamani SACCO and its members. In discharging that obligation, the Board shall be entitled to rely on the honesty and integrity of senior management and its outside advisors and auditors.

5.1 Desirable Characteristics of Members

5.1.1 Personal Characteristics

The following are the desirable attributes of Board members:

- a) **Integrity and Accountability:** High ethical standards, integrity and strength of character in his or her personal and professional dealings and a willingness to act on and be accountable for his or her decisions.
- b) **Informed Judgment:** Demonstrate intelligence, wisdom and thoughtfulness in decision-making. Demonstrate a willingness to thoroughly discuss issues, ask questions, and express reservations and voice dissent.
- c) **Financial Literacy:** Ability to read and understand balance sheets, income and Cash flow statements. Understand financial ratios and other indices for evaluating SACCO performance.
- d) **Mature Confidence:** Assertive, responsible and supportive in dealing with others. Respect for others, openness to others' opinions and the willingness to listen.
- e) **High Standards:** History of achievements that reflect high standards for himself or herself and others.

5.1.2 **Core Competencies**

The following are the core competencies required of the Board at the time of election or to be nurtured during the Board members' tenure:

- a) **Accounting and Finance:** Experience in financial accounting and corporate finance, especially with respect to trends in the financial sector and familiarity with internal financial controls.
- b) **Business Judgment:** Record of making good business decisions and evidence that duties as a Board will be discharged in good faith and in a manner that is in the best interests of the SACCO.
- c) **Management:** Experience in corporate management. Understanding management trends in general and in the areas in which the Society conducts its business.
- d) **Crisis Response:** Ability and time to perform during periods of both short-term and prolonged crisis.
- e) **Industry/Technology:** Unique experience and skills in an area in which the SACCO conducts its business, including policy frameworks, industry trends and technology relevant to the Society.
- f) **International Markets:** Experience in global markets, international issues and foreign business practices.
- g) **Leadership:** Understand and possess skills and have a history of motivating high-performing, talented managers.
- h) **Strategy and Vision:** Skills and capacity to provide strategic insight and direction by encouraging innovations, conceptualising key trends, evaluating strategic decisions, and challenging the SACCO to sharpen its vision.
- i) The Board as a whole needs the core competencies represented by at least several Board members.

5.1.3 **Commitment to the SACCO**

- a) **Time and Effort:** Willingness to commit the time and energy necessary to satisfy the requirements of Board and Board Committee membership. Board members are expected to attend and participate in all Board meetings and Board Committee meetings in which they are a member. They are encouraged to attend all annual general meetings. They shall be willing to rigorously prepare prior to each meeting and actively participate in the meeting and make themselves available to the Management Committee upon request to provide advice and counsel. All reports, together with agendas, must be available to all members three (3) days before the meeting to enable timely preparation.
- b) **Awareness and Ongoing Education:** Possess, or be willing to develop broad knowledge of both critical issues affecting the SACCO (including industry-, technology- and market-specific information), and Board's roles and responsibilities (including the general legal principles that guide Board members). Board members who have had an opportunity to attend specific training and/or workshops will be expected to present a written report on their take home points and training outcomes, and

further give recommendations on what could be implemented in order to achieve the SACCO's strategic objectives within the set timeframe.

- c) **Other Commitments:** In light of other existing commitments, Board members shall have the ability to perform adequately, including preparation for and attendance at Board meetings, and a willingness to do so.

5.1.4 Team and SACCO Considerations

- a) **Balancing the Board:** Board members contribute talent, skills and experience that the Board needs as a team to supplement existing resources and provide talent for future needs.
- b) **Diversity:** Board members contribute to the Board in a way that can enhance perspective and experiences through diversity in gender, ethnic background, geographic origin, and professional experience (public, private, and non-profit sectors). However, the election of a candidate should not be based solely on these factors as the Fit and Proper provisions shall apply.

6.0 MANAGEMENT AND ADMINISTRATION OF THE BOARD

6.1 Board and Committee Meetings

- a) Executive Committee meetings will be held approximately at least once monthly, whilst the 10 member Board (without the Supervisory), will hold quarterly meetings. A schedule of dates of the Board and Committee meetings shall be provided to the members well in advance. Board members are expected to attend Board meetings and meetings of the Board committees on which they serve. They should spend the time necessary and meet as frequently as necessary to properly discharge their responsibilities.
- b) Strategy sessions may be held in conjunction with Board meetings at least once a year and the Board members will be provided the time and place in advance. Strategy sessions are designed to provide Board members an opportunity to discuss policy matters that do not require formal Board action. The Chairperson through the SACCO Manager may from time to time invite senior managers, other employees and advisors to attend Board or Committee meetings whenever deemed appropriate.

6.2 Agenda Items for Board and Committee Meetings

- a) The Chairperson, in consultation with the SACCO Manager, will establish the agenda for each Board meeting. At the beginning of the year the Board will establish a schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen).
- b) Each Board is free to suggest the inclusion of items on the agenda. Each Board is free to raise at any Board meeting subjects that are not on the agenda for that meeting. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions will be provided to the Board members at least one week prior to each Board meeting. Board members should review these materials in advance of the meeting. Subject to any applicable notice requirements, Board members having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairperson well in advance of such meetings.

- c) The Chairperson of each Board committee, in consultation with the Board committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the Board committee's mandate. The Chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At the beginning of each year, each Board committee will establish a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen).

6.3 Board Members' Compensation

Board members shall receive reasonable compensation for their services in accordance with the provisions of the relevant legislative provisions. The compensation shall include sitting, travelling and subsistence allowance. The compensation/remuneration shall be treated as per the provisions of the Board Savings under the SACCO's Savings Policy. The Management Committee will review the form and amount of Board Compensation annually in accordance with the policies and principles set forth in its charter, and the committee recommendations will be forwarded to the Board.

6.4 Board Orientation and Education

- a) Management shall ensure that the new Board members are provided with an initial orientation in order to familiarise themselves with their responsibilities as Board members, under the relevant laws, guidelines, general principles of corporate governance, within the SACCO and its strategic plans, its significant financial accounting and risk management issues, its compliance programs, its Code of Conduct, senior management, and its internal and external auditors.
- b) This shall be done in order to facilitate fulfilment of their responsibilities regarding continuing education and to enhance each Board's knowledge of the SACCO and the members it serves, the technical operations and the latest developments in best practice and corporate governance.
- c) Regardless of how extensive a Board member's experience may be, all new Board members shall be obligated to go through the orientation process full-time.
- d) Failure by any Board member to attend full orientation or failure to communicate on time his/her inability to attend full orientation, shall deem him/her uninterested in serving on the Board and the Board shall use its discretion to determine what action to take against that member, on a case-by-case basis.
- e) The Board has full discretion to deem what action is both fitting and necessary, including fines, suspension and/or termination from Board in line with section 70 of the FSRA Act.
- f) As a final step in the orientation process, each Board member will be asked to sign a letter of agreement stating what is expected of them as a new Board member.

6.5 Manager Evaluation and Management Succession

- a) The Chairperson will conduct an annual review of the SACCO Manager's performance, as set forth in this charter. The Board will review the Chairperson's report in order to ensure that the SACCO Manager is providing the best leadership for the Society in the long- and short-term.
- b) The Board will evaluate potential successors and approve management succession strategies and plans for the SACCO Manager and other senior officers of the Society.

- c) The SACCO Manager should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

6.6 Board Access to Officers and Employees

- a) The Board shall have full and free access to officers and employees of the SACCO.
- b) Any meetings or contacts that a Board wishes to initiate may be arranged through the Manager or the Secretary or directly by the Board. The Members will use their judgment to ensure that any such contact is not disruptive to the business operations of the SACCO and will, to the extent not inappropriate; copy the Manager on any written communications between a Board member and an officer or employee of the SACCO.

6.7 Independent Advisors and Consultants

- a) The Board has the power to engage experts or advisors, including independent legal counsel, deemed appropriate by the Board. The SACCO will provide for appropriate funding, as determined by the Board or committee, for payment of compensation to any such experts or advisors retained by the Board or a committee, provided that the engagement is in accordance with the SACCO's procurement requirements in force at the time.

6.8 Other Board Practices

a) Review of Roles and Responsibilities of Board Members

The Chairperson of the Board, while adhering to Section 11.6 of this charter, shall review with each Board on a periodic basis the performance of each Board member's duties as well as the role and responsibilities of each Board member.

b) Board Interaction with Stakeholders, Media, and Members of the Public

Except where directed by the Board, communications on behalf of the SACCO with the government, media, analysts, and the general public will be made only by specifically designated representatives of the Society. If a Board member receives any inquiry relating to the SACCO from the media, including informal social contacts, he or she should decline to comment and ask them to call the SACCO Manager or the function which is currently responsible for public relations.

c) Limitation of Liability

To the extent permitted by law, a Board member will not be liable to the Society or its stakeholders. No matter or thing done by a member of the Board shall, if the matter or thing is done bona fide for executing the functions, powers or duties of the SACCO, render the Board member, or any person acting on their directions personally liable to any action, claim or demand whatsoever.

However there is no limitation of liability for breach of a Board member's duty of loyalty to the SACCO or its stakeholders or for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law. Each Board member is expected to familiarise themselves with Section 70 of the FSRA Act, 2010.

d) **Performance Evaluation of the Board**

The Board will conduct an annual self-evaluation to determine whether it and its Committees are functioning effectively. The Management Committee will receive comments from all Board members and report annually to the Board with an assessment of the performance. The assessment, will be discussed with the full Board each year. The assessment will focus on the Board's contribution to the Society and specifically focus on areas in which the Board or management believes it could improve.

Each Committee shall annually review its own performance and report the results to the Board. The Management Committee shall oversee and report annually to the Board its assessment of each Committee's performance evaluation process.

e) **Prior Notice of Outside Directorships**

Board members should carefully consider the number of other Boards on which they can serve consistent with the time and energy necessary to satisfy the requirements of Board and Committee memberships. Board members should also carefully consider any actual or apparent conflicts of interest and impairments to independence that service on other Boards may create. In furtherance of these considerations, the Board members shall declare other Memberships in the Fit and proper test forms stipulated by the FSRA.

7.0 COMPOSITION AND TERMS OF THE BOARD

7.1 Board Composition and Meetings

- a) The Board shall be elected by and from the membership and shall comprise of a minimum of five (5) and a maximum of thirteen (13) members including Supervisory committee members.
- b) The members of the Board shall be elected for a term of two (2) years and shall be eligible for re-election.
- c) Subject to the By-laws, half of the members of the Board may retire annually by rotation.
- d) All Board members shall be at least 21 years of age and the number of the main Board committees shall not exceed four (4).
- e) The SACCO Manager (or his/her appointee) shall be an ex-officio member of the Board and any Board Committee of the SACCO.
- f) The Board may appoint ad hoc committees to address specific issues and such committees shall be entitled to allowances at the prevailing rate and as may be approved from time to time by the General Meeting.
- g) A Board member shall attend Board meetings regularly and shall automatically cease to hold office if he or she fails to attend three consecutive Board meetings without permission or reasonable cause.
- h) If a member of the Board member fails to perform his duties, his position may be declared vacant and the vacancy filled as provided in the By-laws.
- i) Where a member of the Board is out of station for a period exceeding 6 months and is therefore unable to perform his duties, his position may be declared vacant and the vacancy filled as provided by the By-laws and Board Charter.

- j) The Quorum should be seven (7) members provided that an affirmative vote of six members shall validate any Board section. In case the Chairperson and the Vice Chairperson are absent, a Chairperson for the meeting should be elected from among those present.
- k) In case of equal votes in the Board, the Chairperson should have a casting as well as a deliberative vote.
- l) The Chairperson shall convene a special meeting of the Board within one month of the receipt by him of a written request signed by at least four members of the Board.
- m) The Board members and Manager shall declare their interests in any specific proposal being considered or to be considered by the Board.
- n) Any member of the Board or the Manager who contravenes paragraph **m)** shall be guilty of an offence and subject to disciplinary proceedings of the SACCO as per Section 10.4 of this charter.

7.2 Election of the Board

7.2.1 The SACCO Board members' elections shall be conducted in line with the Act, Fit and Proper Guidelines, By-laws and Elections Policy. The Board shall appoint a Nomination Committee. **The duties of the Nominating Committee shall be:**

- a) To declare the vacancies to be filled.
- b) To receive nominations from members for the declared vacancies.
- c) Vet the nominations and ensure compliance with the By-laws and Board Charter.

7.2.2 Nobody shall be eligible to be elected into the Board or Supervisory Committee if he/she:

- a) Is not a member of the SACCO.
- b) Has been a member of the SACCO for less than 3 years.
- c) Has failed to attend 3 consecutive general meetings.
- d) Is below (21) twenty one years of age.
- e) Has not attained a minimum level of education or its recognised equivalent as required by the Elections Policy.
- f) Does not conform to minimum qualification standards established by the committee from time to time.
- g) Receives any remuneration, salary or other payment from the SACCO.
- h) Conducts a business in direct competition to the SACCO, i.e. lending.
- i) Has not within 30 days of being elected, submitted his Fit and proper documents for assessment of his/her fitness and probity.
- j) Has not signed the SACCO Board Policy and Code of Conduct within 7 days of his/her election to the Board.
- k) Is declared bankrupt.
- l) Is of unsound mind.
- m) Is listed as a defaulter in a credit history report issued by a registered credit bureau or has failed to satisfy debt due and payable on order of court.
- n) Has been adversely named by the Commissioner in an Inquiry report adopted by a General Meeting for mismanagement or corrupt practices while a member of the Board.

- o) Has been convicted of any offense involving dishonesty or is sentenced to imprisonment for a term exceeding three months.
- p) Has been convicted of any offence under the Cooperative Societies' Act, Money Laundering and Combating the Financing of Terrorism Act, or FSRA Act.
- q) Is a person against whom any amount of money is due under a decree, decision or order or is pending recovery under the laws of Eswatini.
- r) Has not attained savings above or as may be determined by the Board from time to time.

7.3 Rights and Obligations of the Board

7.3.1 Board Members' Rights

A Board member has the right to:

- a) Be inducted into the Board upon election by members;
- b) Receive sitting and travelling allowances upon attending Board, Committee and General meetings;
- c) Receive out of pocket allowances upon attending seminars and conferences in respect to the Society business. These will be paid as per rates contained in the government gazette on foreign travel (per diem);
- d) Receive out of pocket allowances upon representing the SACCO in National Cooperative Organizations' functions.
- e) Receive honorarium on an annual basis based on a prescribed percentage and as may be approved by members in an Annual General Meeting from time to time; and
- f) Receive such services as may be rendered by the SACCO, dividend, and interest from savings, by virtue of being a member.

7.3.2 Board Members' Responsibilities

The Board members' responsibilities in respect to General Meetings follow into two categories: financial and managerial.

7.3.2.1 Financial

- a) Present the annual balance sheet.
- b) Propose the disposal of accumulated fund.
- c) Respond to audit and inspection reports.
- d) Propose annual budgets.
- e) Propose the amount of allowances for Board, General/Representatives and Staff.
- f) Propose debt ceiling in which members and Board cannot exceed (borrowing limits).
- g) Establish means of raising Capital/Funds.
- h) Set maximum amount of credit extended to a single member in the management of credit exposures.
- i) Propose dividend rate which cannot exceed the rate set in Co-operative Societies Act and By-laws (5%).

7.3.2.2 Managerial

- a) Fill up positions within the Board within fourteen (14) days of election to the Board.
- b) Recommend suspension and removal of errant Board members to the General Meeting.
- c) Act on recommendations from audit and inspection reports.
- d) Act on management reports.
- e) Propose amendments to the Society By-laws.
- f) Approve membership applications as per the By-laws.
- g) Recommend expulsion of members for misconduct prejudicial to the SACCO.
- h) Fix remunerations for the SACCO Manager and its employees.
- i) Recommend confirmation of minutes of previous General Meetings and interim meetings and confirm Board minutes.
- j) Refer disputes to Cooperative Tribunal or the Ombudsman.
- k) Approve annual plans of activities.
- l) Elect representatives to National Cooperative Organizations and/or Apex Bodies.
- m) Call special General Meetings where necessary.
- n) Receive reports of the Executive Committee, Credit Committee, Education Committee, and any other Ad-hoc committees that may be formed on a need by need basis.
- o) Act upon quarterly and annual reports of the Supervisory Committee.
- p) Make decisions or recommendations with respect to the objectives and services of the Society.
- q) All documents made by the SACCO, other than those required by law shall be executed by, and all decisions of the Board shall be signified under the hand of the SACCO Manager.

8.0 RELATION OF THE BOARD AND SACCO MANAGER

8.1 Introduction

- a) The Board shall appoint a SACCO Manager (Manager) who is responsible in accordance with the Board for the general day-to-day management of the affairs of the Society. Subject to the Internal Rules and Regulations, and applicable laws, the Board shall set the conditions of employment and review them annually. The Manager is the Board link to the administration of Phaphamani SACCO. The Manager is accountable to the Board and all communications on behalf of the Board is through the Manager.
- b) The Manager exercises all powers delegated by the Board through the corporate governance policy, and in the context of the above relationship the Board shall:
 - i. Direct the Manager to achieve results reflective of the strategic plan, corporate performance and regulatory indicators, and performance measuring processes established by the Board.
 - ii. Provide parameters for achieving results.
 - iii. Direct the Manager to provide and report on a succession plan annually to the Board.

- iv. Delegate authority to the Manager to conduct the business and operations of the Board.
- v. Authorise the Manager to delegate the authority, implement policy, establish the procedures, make all decisions, take all actions, and direct all activities of the Board.
- vi. Ensure that all decisions of the Board acting as a single body are binding upon the Manager.
- vii. Authorise the Manager to enter into employment agreement with the staff, setting out terms and conditions of employment, salary and benefits.

8.2 Management Delegation

- a) The Board delegates to the Manager responsibility for implementing the Board agreed strategy and managing the day-to-day operations of the Society. The Manager is in turn expected to delegate some of those powers to the relevant positions. The Board is responsible for monitoring those delegations.
- b) Communication between the Board and management should be through the Manager. When Board members seek clarification regarding information provided to the Board or is seeking information regarding the SACCO generally, this can be sought from the Manager.
- c) Any meetings or contacts that a Board member wishes to initiate may be arranged through the Manager or the Secretary or directly by the Board.
- d) The Board shall delegate to the Manager, amongst other things:
 - i. Development and recommendation to the Board of the strategy and vision of the SACCO and the annual business plans and budgets that support the SACCO's long-term view;
 - ii. Achievement of performance goals, objectives and targets;
 - iii. Maintenance of an effective management team and management structures;
 - iv. Ensuring that appropriate policies are formulated and implemented to guide activities;
 - v. Ensuring that effective internal organisation and governance measures are deployed; and
 - vi. Serving as the chief spokesperson or Principal Officer of the SACCO in terms of sections 3.9 and 3.10 of the SACCO Guidelines.
- e) The Manager is responsible for allocating duties to other staff members and supervising them. He/she shall be the Secretary to the Board in the absence of the Secretary General. His/her powers and duties are as assigned by the Board.

8.3 Role of the Chairperson

- a) The Chairperson of the Board shall be appointed by the AGM and shall be responsible for the functioning of the Board.
- b) The Chairperson shall be required to:
 - i. Provide overall leadership to the Board, without limiting the principle of collective responsibility for the Board decisions.
 - ii. Ensure that all Board members are fully involved and informed of any business issue on which a decision has to be taken.
 - iii. Ensure that Board members play an effective management role and participate fully in the operation and governance of the Society.

- iv. Exercise independent judgment, act objectively and ensure that relevant matters are placed in the agenda and prioritised.
- v. Avail himself to the Manager between the Board meetings to provide counsel and advice.
- vi. Ensure that the performance of the SACCO Manager is evaluated frequently.
- vii. Act as the main informal link between the Board and management particularly the SACCO Manager.

8.4 Role of the SACCO Manager

- a) The Board shall hire the SACCO Manager and upon delegation by the Board as required by the By-laws, the Manager's responsibility shall focus on the operations, ensuring that the SACCO is run efficiently and effectively and in accordance with the strategic decisions of the Board.

- b) **Appointment of the Manager**

- i. The Board is responsible for appointment and removal of the SACCO Manager.
- ii. The Manager shall assume the Principal Officer role on behalf of the SACCO.
- iii. The Board shall report to the Regulatory Authority, within 15 days, the appointment, resignation and/ or removal of the SACCO Manager.

- c) **Responsibilities of the Manager**

The Board shall delegate to the Manager the operation and administration of the SACCO on a day-to-day basis while paying attention to:

- i. The implementation and adherence to the policies, procedures and standards.
- ii. Systems that have been established to facilitate efficient operations and communication.
- iii. The planning process that has been developed to facilitate achievement of targets and objectives.
- iv. All staff matters, particularly human resource development and training.
- v. Adherence to the established code of conduct.
- vi. The Cooperatives Act, Regulations, Rules, By-laws and any other applicable laws.

- d) **Specific Duties of the SACCO Manager**

The SACCO Manager is expected to: -

- i. Manage the affairs of the SACCO in a competent manner.
- ii. Attend Board meetings and the Annual General Meetings in an advisory capacity but have no voting rights.
- iii. Advise the Board and other Board Committees in framing the policies and programmes of the SACCO and implement these after approval.
- iv. Supervise the work of all staff and ensure that the business of the Society is conducted in a proper manner.
- v. Ensure that proper books of accounts, records and returns are kept and that regular financial statistical and operational information is prepared and submitted to the Board and other Board Committees.
- vi. Be responsible for the security of the funds and assets of the Society.

- vii. Ensure that all statutory deductions are correctly calculated and that all amounts due and the necessary returns are submitted by the due date.
- viii. Prepare and analyse on a regular basis the SACCO's business plan and budget.
- ix. Represent the SACCO in business transactions and any other transaction authorised by the Board.
- x. Provide information required by the Supervisory Committee in time.
- xi. Propose to the Board of new positions arising at the SACCO, and the revision of the Salary Schedule for all staff members.
- xii. Implement recommendations set forth in the Audit Reports, Management Letters, Regulatory Inspection Reports and those issued by the Supervisory Committee.
- xiii. Ensure on a monthly basis the accounting records are reconciled, in balance and are up to date and the Income Statement, Balance Sheets, and delinquency lists are complete and correct for proper action.
- xiv. Ensure that the Accounting records are maintained in accordance with internationally accepted accounting standards.
- xv. Ensure that adequate Insurance is in place and available to all employees, officials and property of the SACCO.
- xvi. Direct and supervise the administration and processing of loan applications.
- xvii. Establish a pricing strategy for products and services and have a Marketing Plan in place.
- xviii. Assist the Board with determining acceptable types of collateral that can be used to secure the SACCO loans and ensure adequate provisioning for loan losses.
- xix. Ensure sufficient loan collection procedures and strategies.
- xx. Ensure there is adequate liquidity to meet loan demands, savings withdrawal, and operating expenses.
- xxi. Ensure enforcement of the Human Resource Policy and drawing up and updating of job descriptions and profile of each employee.
- xxii. Ensure performance evaluation is conducted for all staff members.
- xxiii. Sign documents of the SACCO.
- xxiv. Ensure implementation of the Society policies and procedures.
- xxv. Ensure implementation without delay of all decisions of all Board Committees of the Society and the General Meeting.

8.5 Board Papers

- a) The Manager shall ensure that the Board is frequently and adequately informed about the operations of the SACCO through presentation of the relevant Board papers which shall cover, but not limited to the following reports: -
 - i. Financial statements (monthly, quarterly and annual); showing current compared with past period actual performance, the budget compared with the actual and with explanations for any variances;
 - ii. Capital structure and adequacy;
 - iii. Delinquent loan list, and in particular growth in loans, loan losses, recoveries and provisioning;
 - iv. Profile of savings and deposits;
 - v. All insider dealings and non-performing insider loans if any and information on related parties;

- vi. Reports on violation of the Co-operatives Act, FSRA Act, Consumer Credit Act, Money Laundering and Financing of Terrorism (Prevention) (MLFTP) Act (amended 2016), SACCO Guidelines, the Charter and any other applicable law, and remedial actions taken to comply;
 - vii. Concentration risk and large risk exposures;
 - viii. Investment portfolio;
 - ix. Any regulatory reports, and internal reports; and
 - x. Any other relevant areas to the SACCO's operations.
- b) It shall be the responsibility of the Board to review the Reports and approve of the same as shall be evidenced through Board minutes.

8.6 Relationship between Board and Staff

- a) Conventionally, the relationship is one of boss and subordinate but operationally, should be cordial and mutual relationship recognising each other's roles and responsibilities, respecting them and working in harmony to realise the overall goals of the SACCO.
- b) The relationship should enhance teamwork and through team effort, build effective channels of communication to ensure that all are aware of the goals and aspirations of the various functional units of the Society and thereby assist in achieving them.
- c) The relationship should also be enhanced through respecting the chain of command established by using the position of the Manager as the link point to the operatives (staff). This means that the relationship should be official, whereby the Board formulates policies to guide the staff, motivate them to implement the policies and ensures understanding of the same policies for the smooth running of the SACCO. The staff should seek clarifications where the policies are unclear or require interpretation.

9.0 SACCO BEST PRACTICES AND CORPORATE GOVERNANCE ISSUES

9.1 Introduction

- a) Second to the SACCO's By-laws, the Board Charter is a key corporate governance policy document, which defines the respective roles, responsibilities and authorities of the Board and management in setting the direction, the management and control of the SACCO.
- b) Each of the Board members and the SACCO's management are fully committed to high standards of corporate governance, which includes embracing the following principles:
 - i. To observe high standards of ethical and moral behaviour.
 - ii. To act in the best interests of the members.
 - iii. To ensure that the SACCO acts as a good corporate entity and is recognised as dynamic business.
 - iv. To recognise the legitimate interests of all stakeholders.
 - v. To remunerate and promote fairly and responsibly.
- c) Phaphamani SACCO's Governance structure comprises of the Annual General Meeting, Board members, Supervisory Committee, Manager and staff. However the principal-agent nature of the relationship requires separation of ownership and decision-making between the Board members and Management. It is for this reason

that good corporate governance practices must be nurtured and encouraged to evolve best practices.

- d) The code of practice or conduct sets the limits within which the business functions operate. The three business functions or structures in the SACCO are:-
 - i) Organisational - members, Board and staff
 - ii) Financial - procurement, employment and management of funds
 - iii) Marketing and image - to address growth of the business entity

9.2 Aims and Pillars of Good Corporate Governance

The Board shall uphold good corporate governance, which aims at achieving:

- a) Increased profitability and efficiency of SACCO business.
- b) Enhanced ability to create wealth or economic well-being for shareholders.
- c) Increased employment opportunities and attraction of high quality employees.
- d) Enhanced separation of ownership from control.
- e) Viability in investment in a competitive local, regional and global market.
- f) Enhanced legitimacy, responsibility and responsiveness of the SACCO business.
- g) Transparency, accountability and probity of the SACCO business.

9.3 Principles and Codes of Best Practice

The Board of Phaphamani SACCO shall be committed to embracing the principle of Corporate Governance, which includes:

- a) Authority and Duties of Members.
- b) Rights and Obligations of the Members.
- c) Leadership.
- d) Appointments to the Board.
- e) Strategy and values.
- f) Structure and Organization.
- g) Corporate Performance.
- h) Accountability.
- i) Responsibility to Stakeholders.
- j) Balance of Powers.
- k) Internal Control Procedures.
- l) Assessment of Performance of the Board.
- m) Induction, Development and Strengthening of Skills of Board Members.
- n) Appointment and Development of Management staff.
- o) Adoption of Technology and Skills.
- p) Management of Corporate Risk.
- q) Corporate Culture.
- r) Social and Environmental Responsibility.
- s) Recognition and utilisation of Professional Skills and Competencies.
- t) Corporate compliance.
- u) Corporate communication.
- v) Corporate Governance Reporting.

10.0 CODE OF CONDUCT AND CONFLICT OF INTEREST POLICY

10.1 Introduction

The Board of Phaphamani SACCO recognises that from time to time situations arise that can lead to conflicts of interest violations by the Board members, SACCO members, and employees in their dealings with vendors, service providers or others doing business with the SACCO. The Board and employees of the SACCO are not permitted to take advantage of their position, directly or indirectly, for private gain, to advance personal interests, or to obtain favours or benefits for themselves, their family members, or any other individual. There shall be no self-dealing or self-interest in any transaction.

10.2 General Policy Statements

The Board of PHAPHAMANI SACCO shall:

- a) Act honestly, ethically, in good faith, and in a manner which will enhance the image of and be in the best interests of Phaphamani SACCO. The Board members will exercise the care, diligence, and skill that a reasonably prudent person would in similar circumstances in performing duties as Board, and in doing so, take in to account the interests of the members and other stakeholders of the SACCO and all others to whom they owe a fiduciary duty.
- b) Exemplify responsible practices in their personal, business and Board membership matters in a manner that will not directly or by association damage the reputation of the SACCO.
- c) Deal with Board members, employees, members, suppliers, and the public openly, honestly, fairly, ethically, and in good faith. Board members shall not direct any officer or employee of the SACCO to, take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, stealing proprietary information, misrepresentation of material facts, or any other unfair dealing practice.
- d) Make available to and share with Board members and employees of the SACCO any information as may be relevant and may be properly disclosed to ensure the proper conduct and sound operation of the business and affairs of the Society.
- e) Treat Board members, employees and members with dignity and respect, irrespective of age, race, colour, gender, sexual orientation, religion, tribe or nationality.
- f) Treat as confidential, all matters and information involving the Society, the Board, its committees, employees and members of the SACCO, and not disclose such matters and information to any one or in any manner whatsoever unless the information is already in the public domain through no misconduct on the part of the Board, or unless such disclosure is authorised by the Board or required by a court of law or a regulatory body exercising proper jurisdiction.
- g) Refrain from the use of confidential information or assets of the SACCO in order to, directly, or indirectly, obtain a benefit or advantage as a Board member or anyone else.
- h) Disclose to the Board the nature and extent of any interest, direct or indirect, in any contract or transaction of the SACCO, in accordance with the Conflict of Interest Policy.
- i) Disclose to the Board the nature and extent of any conflict with the Board members duties or interests as a Board of the SACCO that may arise by virtue of any office the Board member holds or property he possesses.
- j) Neither give nor accept gifts or favours of such value that could influence or be perceived to influence any business or dealings of the Society.

- k) Promptly report to the appropriate authority any illegal or unethical act committed by any Board or employee of the SACCO.
- l) Promptly report any potential work hazards that are brought to one's attention. Safety and health in the workplace is the joint responsibility of the Board and employees of the SACCO.
- m) Promptly report to the Board Chairperson and if unresolved, escalate to the Supervisory Committee any violations of the Code of Conduct by any Board member or may witness or reasonably suspect by any other Board member or employee of the SACCO.

10.3 Review and Reporting

- a) The policy is to be reviewed and endorsed annually by the Board. Evidence of the review and declaration will be entered in the minutes of the Board meeting on the date of review.
- b) Additionally, each member of the Board and the Senior Management of the SACCO will, on an annual basis, execute a Code of Conduct Declaration Form.
- c) Senior Management includes those holding the following positions or their equivalents such as the SACCO Manager, and those in senior positions within the SACCO's key operations such as finance, human resources, credit, and marketing, and other senior positions that may be created in the SACCO in future.

10.4 Disciplinary Action

- a) As all conflicts of interest will be viewed on a case-by-case basis, a review may result in disciplinary action. The Board has full discretion to deem what disciplinary action is both fitting and necessary, including suspension and/or termination from Board in line with section 70 of the FSRA Act.
- b) The general understanding shall be that if any Board member fails to disclose a conflict of material economic interest that he/she knows or should have known himself/herself to have in that matter, he/she by that very fact or act, is deemed to have resigned from the Board, effective from the moment of his vote in that matter.
- c) If when an apparent failure to disclose becomes known, the Board member in question disputes that his/her action qualifies as a deemed resignation, then the rest of the Board shall appraise itself of the relevant facts and make a finding on the deemed resignation. An affirmative vote of two-thirds of the "disinterested directors" shall be required to confirm a finding of deemed resignation and Section 7.1 (k) shall also apply. Disinterested directors are the Board members with no direct or indirect interest in the transaction or matter in question.
- d) Should the interested director/member not accept that finding, the Board is authorised to enforce its finding judicially, i.e. through the regulator or through the court system.
- e) If a Board member, prior to a Board vote, fails to disclose a Conflict of any Personal Interest other than a Material Economic Interest that he/she knows or should have known himself/herself to have in that matter, this constitutes a violation of the Resolution and the Code of Conduct and is subject to the penalties for such violations as may be determined by the Board.

11.0 BOARD CULTURE AND REPORTING REQUIREMENT

11.1 Ethical Behaviour

- a) The operations of Phaphamani SACCO are driven by the Society values. The Board shall act in the best interest of the organisation and uphold the fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of the SACCO over the interests of others and self. The Board shall act honestly and in good faith in the manner of which is in the best interest of the SACCO.
- b) At the beginning of each new term, each member will sign statements and declarations of code conduct, conflict of interest and confidentiality and at end of their term, all will sign declarations of ambassadorship, vowing to continue upholding the highest standards of integrity of the SACCO.
- c) This is to ensure that Board members maintain truthfulness and honesty, and do not compromise either of these for advancement, honor or personal gain during and after their terms on the Board.
- d) The Board shall abide by the rules of Conflict of Interests and shall not directly or indirectly receive any profit or personal financial benefit from the position of Board member other than allowances and reimbursement for expenses that is authorised pursuant to the Co-operative Societies Act and SACCO Guidelines.

11.2 The Interactive Framework of Phaphamani SACCO Committees

- a) The committees should be aware of each other's roles and responsibilities in view of the overall mission and vision statements of the Society.
- b) They should also understand the reporting obligations to the full Board. This entails circulating their various reports in advance to give ample opportunity to members of the Board to peruse the reports in detail before the full sittings.
- c) They should appreciate and respect each other's efforts in their various capacities. They should also attempt to assist one another in case of need. They should establish constant communication and feedback between and amongst themselves.
- d) They should work in unison with an overall objective of achieving the set strategies of the SACCO from time to time. They should exhibit the principle of collective responsibility.

11.3 Behavioural Requirements of the Board

- a) The Board is in a servant leadership role to serve SACCO members. It is therefore expected that the Board shall perform this role truthfully, honestly, humbly, transparently and accountably.
- b) The Board shall play this role with respect and diligence. The Board in doing their duty shall be well informed and accordingly inform members. The Board shall encourage active participation of the members in the Society affairs.
- c) The Board, Manager and employees shall not use the SACCO's name or faculties for personal advantage, be it in political or economic transactions.
- d) The Board, Manager and employees shall not solicit or otherwise accept inducements, either directly or indirectly whether in cash or in kind in order to provide any favours to a member in the provision of loans, acceptance of savings and deposits or any other conduct of the business of the SACCO to which they are entrusted jointly or individually.

- e) Confidentiality of relations and dealings between the SACCO and members is paramount in the SACCO's reputation. Thus Board and Management and employees must take precaution to protect the confidentiality of member informational and transactions.
- f) Business and financial information about any member may be used or made available to third parties only with prior written consent of the member in accordance with the arrangements for the proper interchange of information between the institutions about credit risks, or when disclosure is required by law, such as the Consumer Credit Act and the Money laundering Act.
- g) Grant or permit to be outstanding any unsecured advances in respect of any of its employees or their associates.
- h) Grant or permit to be outstanding any advances, loans or credit facilities which are unsecured or advances, loans or credit facilities which are not fully secured to any of its officers, significant members or their associates.
- i) Grant or permit to be outstanding any advances, loans or credit facility to any of its Members or other person participating in the general management of the SACCO unless it is:-
 - Approved by the Board of the SACCO upon being satisfied that it is viable.
 - Made in the normal course of business and on the terms similar to those offered to ordinary members. The SACCO shall notify the FSRA of every such approval within fifteen days of the granting of the approval.
- j) Grant advances or credit facility or give guarantee or incur any liability or enter into a contract or transaction or conduct its business or part thereof in a fraudulent or reckless manner or otherwise than in compliance with the Cooperative Act, Consumer Credit Act, SACCO Guidelines and the ant other regulations.
- k) When a SACCO contravenes any of the provisions of the relevant law and regulations or is not in compliance with these rules, section 70 of the FSRA Act shall apply where:-
 - All officers of the SACCO shall be liable jointly or severally to indemnify the SACCO against any loss arising in respect of the contravention of the FSRA Act.
 - In the case of violation of these rules on advance loan or credit facility to a person other than a Board member of the SACCO, an officer shall not be so liable, provided he or she shows that, through no act or omission on his part, he or she was not aware that the contravention was taking place.
 - The FSRA may direct the suspension of any other officer of the SACCO who sanctioned the advance, loans or credit facility if the officer violates these rules on advance, loan or credit facility to a Board member. The SACCO shall comply with every direction of the FSRA under this paragraph immediately.
 - Any Board member who defaults the repayment of a loan made to him/her by the SACCO for three consecutive months shall forthwith stand disqualified from holding office.

11.4 Handling Cases of the Breach of the Principle of Confidentiality

- a) Phaphamani SACCO's policy is specific that the principle of confidentiality should be highly upheld and therefore a breach of the same shall be taken seriously.
- b) Board members shall be required to sign the oath of secrecy and any action contrary to it shall be liable to punishment as may be specified in the By- laws or as the Board may deem from time to time.

11.4.1 Expulsion of a Member from the Board

The following shall be ground(s) for a member to be expelled from the Board of PHAPHAMANI SACCO:-

- a) Violation of the principle of confidentiality.
- b) Conviction of a criminal offence.
- c) Insanity.
- d) Absence from meetings without apologies two times consecutively.
- e) Theft.
- f) Fraud.
- g) Embezzlement.
- h) Bankruptcy.

11.4.2 Procedures Prior to Expelling a Member from the Board

- a) Notification of the nature of crime/mistake.
- b) Members shall be given an opportunity to defend themselves.
- c) Caution in writing after verbal self-representation in a Board session.
 - i. In the event of no rectification, one's misdeeds are reported to the Annual General Meeting whereby specified procedures according to the by-laws shall be followed to conclusion. It is advisable that Board members be aware of all the relevant provisions regarding expulsion.
 - ii. Enforceability of any disciplinary action against a Board member shall be in line with the provisions of the Co-operatives Act, applicable rules, the SACCO By-laws.

11.5 Performance Measurement

- a) Performance Measurement is a process of getting better results from the organisation teams and individuals by understanding and managing performance within an agreed framework of planned objectives, standards and competence requirements.
- b) The SACCO shall develop Performance Measurement Tools, which shall be approved by the Board. The Manager shall coordinate the process.
- c) The Board members shall drive the process in terms of agreeing on key result areas/key performance areas, objective setting, measurement and performance review. Performance review shall be conducted twice every financial year.
- d) Signing of performance measurement system shall be in line with the Strategic Plan.

11.6 Board Evaluation

The Board shall conduct an annual assessment of its performance and effectiveness as a whole and that of individual Board members and the SACCO Manager. A summary on the major findings shall be discussed by the Board thereafter.

11.7 Review and Reporting

11.7.1 Review of the Charter

The Board will review this charter annually and as required to ensure it remains consistent with the Board's objective and responsibility and to ensure its continued compliance with legal requirements and corporate governance requirements and, if necessary, suggesting amendments to the Charter.

11.7.2 Publication of the Charter

- a) Key features of this Charter are to be outlined in the Annual Report.
- b) This Charter will be made available to the members of the Society upon request, and a copy shall be submitted to FSRA.

12.0 CHARTER AMENDMENT AND REVIEW

This Board and Management Charter shall be reviewed when necessary, so that it is reflective of the nature, size and operations. Triggering events (in laws, regulations, directives, guidelines or internally) may require an immediate review and reissuance of the policy. The Board has adopted this Charter and shall approve amendments.

ADOPTION & DECLARATION

I acknowledge that I have read and understood the Board and Management Charter and endeavour to abide by its provisions.

Name	Designation	Signature	Date
Ngqwane Mathokoza	Chairperson		
Hlatshwayo Sifiso	Vice Chairperson		
Shongwe Sandile	Secretary		
Sibanyoni Nhlanhla	Treasurer		
Motsa Nel'siwe	Manager		