



DIVIDENDS POLICY

1:1 Definition

A dividend is a share of profits and retained earnings that a Sacco pays out to its shareholders when it generates a profit.

In accordance with the legal provisions, management will submit to the Board of Directors annually and immediately after the preparation of the books of account for the year ended 31st December of each year, the proposed dividend including the workings for deliberation and approval. Such approvals will be granted in the board meeting to be held before the Annual General meeting. Once the Board approves the proposals (both the rate and amount), the Board will determine the mode of distribution for the years dividends. The Board will then prepare a resolution, which will be presented to the members in the Annual General Meeting for approval before payments is effected. Any dividend proposed must reflect the performance of the year and projections made when preparing the annual business plan.

1:2 Factors the affect the Sacco's dividend policy

(a) Sacco's long term financial decision:

- i. Energy Sacco will consider its long term capital requirements, financial goals and strategic plan when deciding on the dividend pay-out.
- ii. While arriving at the pay-out ratio, the management and the Board of Directors must take into consideration the regulatory ratios and minimum reserves to be held by the Sacco at any given time.

- iii. If the Sacco has huge Capital investment requirements in the near future that would require external financing e.g purchasing of modern software, investing in bonds and borrowing from banks, it will be prudent to retain most of its earnings to finance these type of investment other than borrowing.

(b) Return to members:

Energy Sacco will continue to give good returns to its member's shares and deposits.

Policy guideline

- i. Dividends can only be paid out of the year's declared surplus as provided by the law.
- ii. Dividends may be declared by the Board of Directors at the close of the financial year from available earnings.
- iii. Dividends are payable to ownership shares only after adequate transfers to the prescribed statutory reserves
- iv. Rebates are payable to deposit only after adequate transfers to the prescribed statutory reserves from surplus has been done.
- v. No dividend shall be paid when the society is insolvent.
- vi. Rate of dividend to be paid shall be proposed to the board of directors by the management team of the SACCO and approved by the Board of Directors. It will be forwarded for the final approval and ratification by the members in the subsequent Annual General Meeting.
- vii. Dividend for the defaulters shall be used to reduce their outstanding loan and accrued interest. No defaulter, having skipped servicing their loan for more than 3 consecutive months or having been a dormant member by skipping monthly deposit contribution for 3 consecutive months will qualify for rebates.
- viii. As a rule, where a member qualifies for dividends, he or she will be paid through their bank or QFS account. However, if the member has not attained the approved minimum share capital, the same will not be paid but instead capitalized to the extent until minimum capital requirement is attained.

- ix. The Sacco will pay dividends as a return to members. Dividends will only be paid if the performance of the Sacco is evidenced by audited accounts and approved by the Sacco regulator.
- x. The Board of Directors and Sacco management, in approving or proposing dividends, will be guided by the bylaws and the rule of legal standard of care.
- xi. Dividends shall not be paid out of borrowed funds.

1:3 Computation of dividends

- i. In case the society has decided to pay dividends, it shall be based on the weighted average on shares/deposits to members during the past financial year and calculated as a percentage of the share capital and deposits respectively.
- ii. After the Annual General Meetings decision the individual member's share of the total dividends shall be calculated and the amount added to the members share account or paid out in accordance with provisions of the By-laws.
- iii. The Sacco shall seek authorization of the Sacco Societies Regulatory Authority (SASRA) prior to the payment of Dividends.

Signed by:

Chairman:

Name... Paul N. Mbuti Sign... [Signature] Date... 20/2/2024

Secretary:

Name... Stella Ndemi Sign... [Signature] Date... 20/2/2024

Treasurer:

Name... Tom O. Oloo Sign... [Signature] Date.....

