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COOPERATIVE CORPORATE GOVERNANCE MANUAL

FOR BOARDS OF DIRECTORS, SUPERVISORY BOARDS AND MANAGEMENT

This document was created by consultants Ricardo Villavicencio and Mery Solares
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Cooperatives and their Principles

Cooperatives are considered jointly-owned and democratically-managed enterprises, which are formed through the voluntary association of several people, in order to meet the needs of their members. This type of organization is considered a “mutual benefit association”, meaning that the main beneficiaries are the organization’s own members, in relation to the services they offer and the profits they generate.

The principles of cooperatives are as follows:

PRINCIPLES OF COOPERATIVES

1. **First principle: Free, voluntary and open membership.** Any person who is willing to accept the obligations and responsibilities of membership and who expects to use the services of the organization may join the cooperative.

2. **Second principle: Democratic administration.** All members have the right to one vote[1] and can therefore exercise their right to participate actively in the setting of policies and decision-making of the cooperative.

3. **Third Principle: Economic participation of partners.** The members contribute equitably to the capital of the cooperative and manage this capital in a democratic way which, in part, is generally the common property of the cooperative and they receive a limited remuneration, if any, on it. Members allocate surplus for various purposes.

4. **Fourth Principle: Autonomy and independence.** Cooperatives are autonomous self-assistance organizations managed by their members. If they sign agreements with other organizations, they do so in terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. **Fifth Principle: Education: Training and Information.** Cooperatives provide education and training to members, elected representatives, managers and employees so that they can contribute effectively to the development of the cooperatives.

6. **Sixth Principle: Cooperation among cooperatives.** Cooperatives serve their members as effectively as possible and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. **Seventh Principle: Community interest.** Cooperatives work for the sustainable development of their communities through policies approved by their members.

Source: Cooperative Principles adopted in Manchester, 1995

[1] Cooperatives differ from companies in that each member has voting power. In companies, voting depends on the level of shareholding held by a natural or legal person in the organization.

Good Governance for Cooperatives

Governance or Corporate Governance, according to the Organization for Economic Co-operation and Development (OECD) is:

> ***"The system by which corporate businesses are managed and controlled and where obligations are established between the different persons involved in the organization: owners, board, administration, employees, as well as the rules and procedures for decision-making in these businesses."***

This definition, oriented towards the world of business, is adaptable to that of Cooperatives. The elements of this definition place special emphasis on:

1. The precise and clear existence of roles, rights and obligations of the internal mechanisms of the organization that direct and control the governance system, which in the case of Cooperatives are the Members' Assembly, the Board of Directors, the Supervisory Board and the Management.

2. All rules and procedures for decision making that clearly determine the levels of management responsibility.

Objectives of Governance in a Cooperative

The main objectives of Good Governance in Cooperatives are the following:

OBJECTIVES OF GOOD GOVERNANCE IN COOPERATIVES

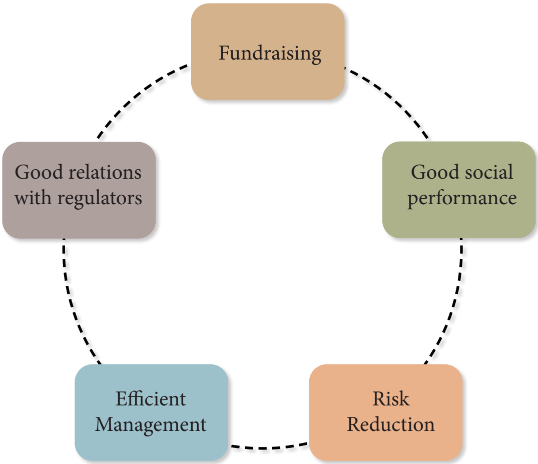
1. To increase the confidence of the Cooperative's different stakeholders[2] in its work, increasing its long-term value.

2. To ensure a proper balance in the functioning of the Members' Assembly, Board of Directors, Supervisory Board and Management, as the main governing bodies of the Cooperative

3. Ensure transparency among the various governing bodies of the Cooperative, generating relevant, timely, reliable and verifiable information, minimizing conflicts of interest therein.

[2] Not only do organizations have obligations to their owners, but their responsibility extends to other stakeholders: employees, customers, funders, government, community, etc. Stakeholders "in a broad sense, are any individual, group or organization that may affect or be affected by the activities of the organization; in a stricter version, the identifiable and relevant individuals, groups or entities on which the organization depends for its survival" Fernandez, Rodriguez, JM.2002.

Good Governance in a Cooperative has the following advantages:



Risks of Inadequate Governance

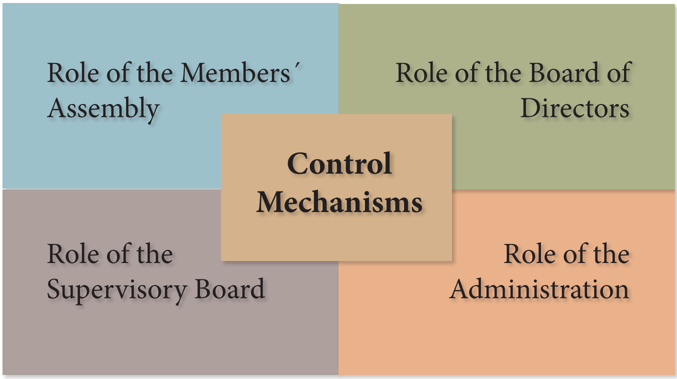
The main risks faced by a Cooperative that lacks adequate governance structures are:

RISKS OF INADEQUATE GOVERNANCE IN COOPERATIVES
1. Difficulties in strategic decision-making processes that tend to limit and impair the overall performance of the organization. 2. Dysfunctional conflicts between the various governing bodies that affect the overall productivity of the organization and the quality of its services. 3. Dissolution of the cooperative, in extreme cases.

Good Governance Structure in a Cooperative

Good Governance allows a Cooperative to establish who its members are, who has power and how they should exercise this power in the entity through the governance mechanisms: the Members' Assembly, the Board of Directors, the Supervisory Board, and those responsible for the Cooperative's management.

The governance structure of a Cooperative involves the following dimensions:



Role of the Members' Assembly

The Members' Assembly is the Cooperative's highest authoritative and decision-making body. The proper functioning of this body is fundamental to ensure the Cooperative's efficient activity; therefore, good governance practices must ensure the timely and committed participation of the Assembly members, who exercise their right to voice opinions and vote.

The Assembly decides the Cooperative's overarching policies and elects the people who will serve on the Board of Directors and Supervisory Board.

The main elements that must be considered with regard to the Members' Assembly are the following:

MEMBERS' ASSEMBLY

1. **Summons to attend assemblies.** Timely summoning and clear agendas.

2. **Right to information.** Regular, timely, clear and transparent information on the functioning of the Cooperative, in terms of operations and finances.

3. **Functioning of the Assembly.** Clear existence of norms that respect the rights and duties of the Assembly members, frequency of the meetings, establishing quorum, consideration of the different opinions of the majorities, handling of controversies, etc.

4. **Roles and competencies of the members.** Existence of precise, clear and non-delegable roles that are specific to the assemblies, referring to decisions such as the approval of management results, appointment of members to the Board of Directors and Supervisory Board, external auditors, etc.

Functioning of the Assembly

It is important to define in the by-laws or Governance Code of the Cooperative how the Assembly will function, allowing for balanced and equitable participation of its members, responding also to international principles of cooperativism and democratic participation.

Pressure or manipulation by members of the Assembly, which can give rise to the phenomenon of "group thought", in which the norm of consensus at any cost dominates the realistic evaluation of alternative courses of action, must be avoided.

This phenomenon occurs in situations in which pressure from leaders or small groups toward certain viewpoints or toward conformity discourage critical appreciation of other options. When group thought occurs, people remain silent and silence is taken as acceptance. This situation profoundly threatens the principle of democratic management of the Cooperative.

The members of the Assembly must elect a Chairperson, a secretary and spokespeople.

FUNCTIONING OF THE ASSEMBLY				
The members of the Cooperative's Assembly participate in an informed manner in the matters raised for their consideration.	The ability of members to propose items for the Assembly agenda must be acknowledged.	Decisions should be made by adequately considering the opinions of all its participants, debating and discussing the various points of view.	Members can vote personally or by delegation	The members of the Assembly have the right to record their interventions and votes in the minutes of the Assembly.

Functions and Powers of the Assembly

The main duties to be fulfilled by the Members' Assembly are the following:

MAIN DUTIES OF THE ASSEMBLY

- Approve the management report and financial statements.
- Approve the management of the Board of Directors
- Modification of Cooperative statutes
- Merger or incorporation into other cooperatives
- Approve the sale of strategic assets of the Cooperative
- Appoint members of the Board of Directors and Supervisory Board
- Approve compensation systems for members of the Board of Directors and Supervisory Board

Role of the Board of Directors

The Board of Directors, a joint body of governance, management and representation, functions when its members are assembled.

The Board of Directors is ultimately responsible for the management results of the Cooperative. Acting as the liaison between the Members' Assembly and the Management, it guides the Cooperative's policies and strategies, supervises their compliance and identifies potential risks to which the organization could be exposed. It has the fundamental duty to preserve the social philosophy of the organization and to ensure institutional strengthening and sustainability.

The Board of Directors of a Cooperative has a dual mandate[3]:

1. To guide the Institution in the fulfillment of its corporate purpose.

2. To protect the assets of the Cooperative over time.

Responsibilities of the Board of Directors

The main responsibilities of the Board of Directors are[4]:

[3] Based on and adapted from Anita Campion, Frankiewicz. Guidelines for Effective Governance of Microfinance Institutions, 1999.

[4] Ibid.

Legal Obligations

Refers to the obligations of the Board of Directors to ensure that the Cooperative complies with the country's legal provisions, those relating to the scope of the cooperative sector and those contained in the by-laws of the organization

Strategic Management

The Board of Directors is responsible for the following:

STRATEGIC MANAGEMENT
1. **Ensure fulfillment of the mission.** "A crucial responsibility of the Board of Directors is to ensure that the Cooperative has a formal mission statement that clarifies its purpose. The Board of Directors ensures that the mission is understood and provides management with the direction that will lead to the fulfillment of its objectives".[5]
2. **Set the strategy.** The Board of Directors defines the strategy of the Cooperative, which is expressed in a strategic plan and which is brought to the attention of the Members' Assembly.
3. **Decision-making.** The Board of Directors, as the party ultimately responsible for the results of the Cooperative, is also the primary decision- maker on strategic matters that have not been delegated to the Management.

Fiduciary Obligations

The persons who make up a Board of Directors are "fiduciaries", meaning that they receive the trust and power of the Cooperative's members to manage the Cooperative under the assumption that they will act in good faith and in the best interests of the organization, leaving aside the individual interests of persons or groups of persons and their own personal interests, giving privilege to the interest of the Cooperative as a whole.

The main fiduciary duties of the Board of Directors are as follows:

[5] Ibid.

FIDUCIARY DUTIES

1. It is the duty of the members of the Board of Directors to care for and protect the property and interests of the members of the Cooperative.

2. The members of the Board of Directors, individually and collectively, always exercise their functions in the best interest of the Cooperative and its members.

3. Members of the Board of Directors act diligently and professionally to ensure the long-term viability of the Cooperative.

4. Members of the Board of Directors must act with loyalty, subordinating their personal interests to those of the Cooperative.

Supervision and Control

A primary responsibility of the Board of Directors is to supervise and monitor the overall functioning of the Cooperative and the progress of the Cooperative's operational and financial activity. For that it must:

SUPERVISION AND CONTROL

1. Supervise the fulfilment of the Cooperative's social mission, in order to avoid deviation from its core purposes.

2. Establish and enforce clear lines of responsibility throughout the organization, including its own responsibilities and those of senior management, whose work it is charged with overseeing.

3. Ensure that senior management provides adequate follow-up in accordance with the Board's policy [6].

4. Along with senior management, make use of the work performed by the Internal and External Audit and Internal Control functions. The Supervisory Board also plays an important role in this area.

5. Evaluate the performance of the Cooperative in relation to other similar organizations.

6. Evaluate and respond to external and internal risks.

7. Adopt and implement corrective measures.

Self-Evaluation and Adjustment

The responsibilities of the Board of Directors in this area are as follows:

[6] Ibid. Based on principle No. 4

SELF-EVALUATION AND ADJUSTMENT

1. Regularly evaluate its own performance.

2. Make adjustment measures where appropriate, developing the capacity to prevent and overcome crises.

3. Submit for the Assembly's consideration the results of its self-evaluation and adjustment plans.

Roles of the Board of Directors

Within the framework of the Board of Director's responsibilities in terms of compliance with Legal Obligations, Strategic Direction, Fiduciary Obligations, Supervision and Self-Assessment, the following are the main roles to be fulfilled by this collective body:

MAIN ROLES OF THE BOARD OF DIRECTORS

- Comply and enforce the country's legal provisions and the Cooperative's by-laws
- Approve the Cooperative's general business strategy, including its risk policy and management procedures.
- Understand the Cooperative's operating structure
- Approve and monitor the Cooperative's strategic objectives and social values and communicate them to the entire organization
- Understand and perform its supervisory function, in line with the Cooperative's risk profile.
- Oversee the management, exercising its obligations and authority to demand clear explanations therefrom and to obtain sufficient and timely information that enables the Board to assess its results.
- Identify the Cooperative's main risks.
- Identify and resolve situations where conflicts of interest arise.
- Avoid using the Cooperative's confidential information for personal benefit or for the benefit of others.
- Establish and enforce clear lines of responsibility throughout the organization.
- Ensure that the management complies with the directives of this governing body.
- Make use of, for its decision-making processes, the work carried out by internal and external auditors and the Supervisory Board.
- Guarantee that the Cooperative's remuneration policies are congruent with its organizational culture, objectives and long-term strategy.

- Promote the Cooperative's soundness and sustainability, understand its regulatory environment and ensure that the Institution maintains an effective relationship with its supervisors.
- Approve social responsibility policies.
- Establish information and communication policies with Assembly members and various external stakeholders.
- Appoint and remove the Cooperative's chief executive.
- Ensure that the appointment of other executives be carried out in a transparent manner.

Composition of the Board of Directors

It is recommended that the Board of Directors be comprised of a minimum of five people up to a maximum of nine. The odd number is important for voting cases (last option in collective decision-making processes) to avoid ties or votes qualified by whoever presides over the Board. "If the board has fewer than five members, it may be difficult for the board to adequately represent the diverse group of members, while more than nine members may make achieving consensus difficult and increase logistical problems [7].

The World Council of Cooperatives recommends that Cooperatives consider "implementing a turnover for the members of the Board of Directors. Turnover enables the entry of new ideas, without causing the potential loss of organizational knowledge. Cooperatives can set up a formal training program to prevent the reduction of organizational knowledge" [8].

The members of the Board of Directors must devote sufficient time to these important tasks, to inform themselves of the issues that are their responsibility, to participate in the meetings they are summoned to and to contribute with their knowledge and experience in favor of the Cooperative.

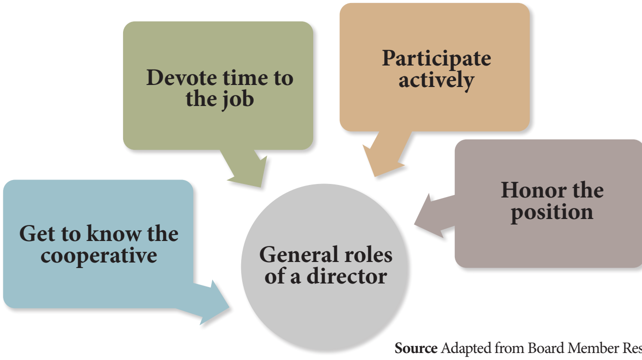
Board members should avoid having conflicts of interest that might be expressed in economic or business relationships with the Cooperative. If they exist, it is necessary to act with the greatest transparency and to make conflict situations visible in order to establish whether they are surmountable and to find solutions in the cases when they are not. At minimum, those affected by conflicts of interest should abstain from attending or intervening in discussions related to issues where there are conflicts.

General Roles of a Board Member

The general roles of a Board member, if elected to that office, are as follows:

[7] Cak Niederkohr, Karenm; Ikeda, Jhon. Governance in savings and credit cooperatives. World Council of Credit Unions, 2005

[8] Ibid



Source Adapted from Board Member Responsibility. KPMG

1. **Get to know the Cooperative.** Given the level of responsibility that every Board member has, each member must be adequately and thoroughly informed of the activities of the Cooperative. He/she must be informed of the organization's philosophy (mission, vision, values), objectives, strategic plan, organizational structure, operations and how they are performed, financial situation, audit report opinions, etc.

2. **Devote time to the job.** A person elected to this position must have enough time to participate in the Board meetings and to read and analyze the reports that are placed before him/her.

3. **Participate actively.** Members of the Board should make their views known at meetings of this collegiate body and of the committees in which the Board determines that he/she must participate.

4. **Honor the position.** Members must thoroughly comply with their roles as defined by the Cooperative's by-laws and legal norms. He/she must also act with the utmost professionalism, contributing with his/her point of view and ideas to the achievement of institutional objectives and must act at all times with the greatest sense of ethics in the exercise of his/her functions.

Committees

Committees are the mechanisms used by the Board of Directors to work on the Cooperative's specialized matters in working groups created for this purpose and in which members of the Board and, in some cases, external professionals participate.

Committees allow for the in-depth treatment of matters placed before them and contribute to the decision-making process of the Board of Directors, before whom the results of the deliberations of these committees are submitted.

Committees common to a Cooperative include Audit and Risk Committees. Within the framework of their own organizational nature, Cooperatives may also have Education, Electoral and other committees.

Functioning of the Board of Directors

The functioning of the Board of Directors is vital to ensuring good governance in the Cooperative and a positive impact on management results. It is therefore important to consider the following recommendations:

FUNCTIONING OF THE BOARD OF DIRECTORS

- There must be an induction/education program for new members of the Board.
- The Board must have clear rules for its functioning and for its decision-making processes.
- The Board must appoint a Chairperson.
- The Chairperson of the Board is responsible for convening and setting the agenda for meetings.

  The Chairperson of the Board should direct the meetings thereof.
- The members of the Board, with the necessary advance notice, should know the agenda and information that will be considered at the meetings.
- The information received by members of the Board must be reliable.
- Board members should take the time to read the information presented for their consideration.
- Board members have the right to request additional information from the management (through the Chairperson).
- The various issues to be decided in the Board meetings should be properly discussed.
- Board meetings should focus on strategic issues and those related to the Cooperative's routine operations.
- Board members should have a demanding and proactive stance.
- Board members should have a respectful relationship with one another.
- Decisions by the Board should, as far as possible, be made by consensus. When no agreement can be reached, the voting mechanism should be used.
- Board members must represent the interests of the entire Cooperative, avoiding responding to the particular interests of their principals.
- Board members should refrain from making decisions when there is a conflict of interest that prevents them from properly performing their duties to the Cooperative.

- The Board should have formal mechanisms for resolving disputes among its members and/or conflicts of interest.
- The Board must have a good liaison between the members of the Cooperative and the Management.
- The Board must have respectful relationships with the Management.
- The Board should carry out an evaluation of its functioning and performance.

Role of the Supervisory Board

The Supervisory Board is the oversight body for all the Cooperative's activities, certifying the truthfulness of the information provided to the members, to the authorities and to the community in general and ensuring that the Cooperative's actions comply with the relevant legal frameworks. The Supervisory Board should be oriented to assess, evaluate and supervise the Cooperative's risk and quality management activities.

Functions of the Supervisory Board

FUNCTIONS OF THE SUPERVISORY BOARD
1. Verify that the Cooperative's operations are governed according to current legal norms, statutes, policies, internal norms and ethics.
2. Ensure that the actions taken by the Board of Directors, Management, and Committees formed within the Cooperative comply with current legal standards and internal statutory and regulatory standards.
3. Evaluate the design, scope and operation of the internal control system and ensure its efficiency and effectiveness;
4. Perform the minimum audit tasks or those that have a close relationship with the internal audit unit.
5. Report to the Board of Directors on the degree of compliance with internal policies and procedures, control and management issues detected, as well as on the follow-up of corrective measures implemented based on the evaluations made by the Supervisory Board, by external auditors or by supervisory and control bodies.
6. To permanently check that the performance of the external auditors and the Supervisory Board itself corresponds with the needs of the Cooperative, especially with regard to the effectiveness and efficiency of the internal control system.
7. Periodically review the quality of services provided to members of the Cooperative, recommending actions for improvement.
8. Receive complaints from members and carry out the appropriate investigation, communicating about the results of the investigation and solutions to resolve the complaint.

Role of the Cooperative Management

The Management is responsible for the administration of the Cooperative and for supporting the work of the Board of Directors in formulating major policy decisions. The Management receives legal powers from the Board to fulfill its functions.

The management team is made up of the different managerial levels of the organization (general manager and area or department managers). The nature of their work, unlike that of the Board of Directors, is executive in nature meaning that managers execute the decisions made by the Board of Directors. The main roles of the Management are as follows:

MANAGEMENT ROLES

Interpersonal Roles

1. Visible head: Symbolic figure, performs representation tasks on behalf of the entire Cooperative.
2. Leader: Encourages people to strive voluntarily and enthusiastically to achieve organizational and group goals.
3. Link: Creates a network of external contacts to provide the organization with support and information.

Informative Roles

4. Monitor: Seeks and receives information, revealing him/herself as the Cooperative's hub of information.
5. Diffuser: Transmits the information received to the members of the organization.
6. Spokesperson: Transmits the organization's information to external parties.

Decision Roles

7. Entrepreneur: Seeks opportunities within the organization and the sector at large, initiating improvement projects to generate change.
8. Crisis Manager: Takes corrective action when the organization is faced with unforeseen challenges or crises.
9. Resource Allocator: Allocates all types of organizational resources, making or approving all significant decisions within the limits delegated to it by the Board of Directors.
10. Negotiator: Represents the organization in important negotiations, trying to reach agreements that favors the organization.

Adapted from model by Henry Minztberg

Professional Profile

The person in charge of the Cooperative's Management must have a professional and personal profile that allows them to fulfill the functions and responsibilities inherent in their position.

Because of this, the head of the management team must have the following professional and personal attributes:

PROFESSIONAL PROFILE OF MANAGEMENT				
Specialized knowledge of the sector	Relevant professional experience in the sector	Good judgement and decision-making abilities	Knowledge of the sector's characteristics	Reputation for honesty and integrity

Obligations

The Management has fiduciary duties similar to those of the Board of Directors. It also has the following obligations:

DUTIES OF MANAGEMENT

1. **Obedience Obligations.** To obey all reasonable directives emanating from the Board of Directors.

2. **Confidentiality Obligations.** To carefully handle confidential information under the standards of professional secrecy, ensuring compliance with legal and/or ethical norms.

3. **Loyalty Obligations.** To work in the interests of the Cooperative and not for personal gain that may generate conflicts of interest.

Accountability

Accountability is a legal and professional obligation of Cooperative Management that introduces discipline and facilitates respectful relations with the Board of Directors, resulting in better corporate governance.

The following factors can contribute to an atmosphere of accountability in the organization:

ACCOUNTABILITY

- The Management must be willing to assist the Board of Directors in its activities.
- The Management must comply with the guidelines issued by the Board of Directors and demonstrate the results of their implementation.
- The Management should prepare high-quality, reliable and timely information for the Board of Directors and Supervisory Board regarding the organization's financial and operational performance.
- The Management must be willing to address additional information requirements from the members of the Board of Directors and Supervisory Board.
- The Management must be willing to engage in dialogue and avoid confrontations.
- The Management should maintain regular contact with the Chairs of the Board of Directors and Supervisory Board, keeping them informed and consulting them regarding matters of importance.
- The Administration Management should generate confidence in its decision-making ability through timely, professional and transparent conduct.

Control Mechanisms

Given the legal responsibilities of the members of the Board of Directors and Supervisory Board, these bodies must establish adequate controls over the work of the Management and, through these controls, verify compliance with the directives issued by the Members' Assembly and the Board of Directors. The Cooperative must have procedures in place to minimize operational and fraud risks and to effectively follow-up all management actions considered relevant.

The Role of the Supervisory Board in Internal Control

The spheres of control that are specific to the Board of Directors and particularly to the Supervisory Board are the following [9]:

1. Effectiveness and efficiency of operations
2. Reliability of financial information
3. Compliance with applicable laws and regulations.

[9] Based on the views of Durán, Álvaro, op cit.

"The Supervisory Board, in order to carry out good economic, financial and social oversight of the Cooperative, does not need to make its own reports on matters of management, strategic or financial planning or compliance with standards, laws or regulations; it may do so through a critical analysis of the reports that management submits to the Board of Directors" [10]. The reports that management must develop and upon which the Supervisory Board may deliberate are the following:

SUPERVISION THROUGH REPORTS FROM MANAGEMENT

1. Membership movement (entrances and withdrawals, motives, marketing programs, incentives)
2. Asset situation, changes, structure and asset sufficiency
3. Financial situation, through financial analysis
4. Liquidity situation
5. Financing of fixed assets: fixed assets/equity
6. Return on equity and asset productivity
7. Other events influencing management results
8. Development of activities for the company:
    - Operations
    - Investments
    - Litigations or contracts
    - Human resources
    - Compliance with standards
    - Other

SOURCE: Taken from Durán, Álvaro in his document El rol de la Junta de Vigilancia en el control interno de las CACs de América Latina y el Caribe. German Cooperatives Confederation.

Internal Audit

The existence of an internal audit unit made up of competent professionals will greatly contribute to the oversight work of the Board of Directors and Supervisory Board.

The internal audit unit should have an annual work plan and should report to the Board of Directors through its Chair, with the prior knowledge of the Supervisory Board. The quality and reliability of the information provided by this unit will help in establishing a relationship of trust between the Management and Supervisory Board.

External Audit

The company carrying out the external audit must be appointed by the Members' Assembly and must be a company that is well known for its professionalism and, as far as possible, for its knowledge of the cooperative sector.

[10] Ibid

COOPERATIVE CORPORATE GOVERNANCE EVALUATION GUIDE

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Frame of Reference

This document is a guide for the external evaluation and/or self-evaluation of good corporate governance practices in Cooperatives. This guide is intended as an instrument to help objectively assess various elements of good governance, while keeping in mind the following considerations:

1. The evaluation does not preclude certain levels of subjectivity of the person or persons conducting it, therefore it is recommendable to have an evaluation team carry out this process.

2. The instrument must be adapted by those in charge of the evaluation process to different organizational contexts (organizational culture) and the environment in which a cooperative operates.

Self-Evaluation

A self-evaluation is an assessment carried out by the Cooperative, which seeks to appraise through a participatory, reflective and critical process the level and quality of governance of the institution Self-evaluation requires the commitment particularly of the Board of Directors, Supervisory Board and Senior Management. This is a process through which the Cooperative thoroughly reviews its corporate governance practices, evaluates its results and self-regulates. Developing an organizational culture of self-reflection is a fundamental requirement for continuously improving corporate governance. In order for a self-evaluation to be successful, the following internal factors are required:

1. Commitment of the Board of Directors to lead the process.
2. Motivation at all levels to carry out these processes.
3. Willingness of management to self-regulate and implement changes.
4. Active participation of the main decision-making bodies.
5. Proper training of staff members of the organization to carry out these processes.

The stages of the self-evaluation process are as follows:

1. **Purpose Definition.** Clearly establishing the purpose of self-evaluation, which is to continuously improve the Cooperative's Governance practices.

2. **Training.** Training the members of the evaluation team and personnel who will participate in this process.

3. **Planning of activities.** Establishing a program of activities and work plan.

4. **Execution.** Processing and applying the information gathered, which is used to develop a self-evaluation report in response to the assessment made.

5. **Improvement plan.** Developing an improvement plan to help overcome the weaknesses or problems uncovered in the self-assessment.

6. **Monitoring of improvements.** Implementing and monitoring the planned improvements in a dynamic way that allows for adjustments to the action plan

External Evaluation

An external evaluation is carried out by other organizations that are part of the cooperative environment. the type of evaluation may verify results of the self-evaluation, identify the other aspects of the Cooperative's governance system.

An external evaluation aims to make a judgment on the performance of the Cooperative's governance system vis a vis local, national and international standards of good corporate governance.

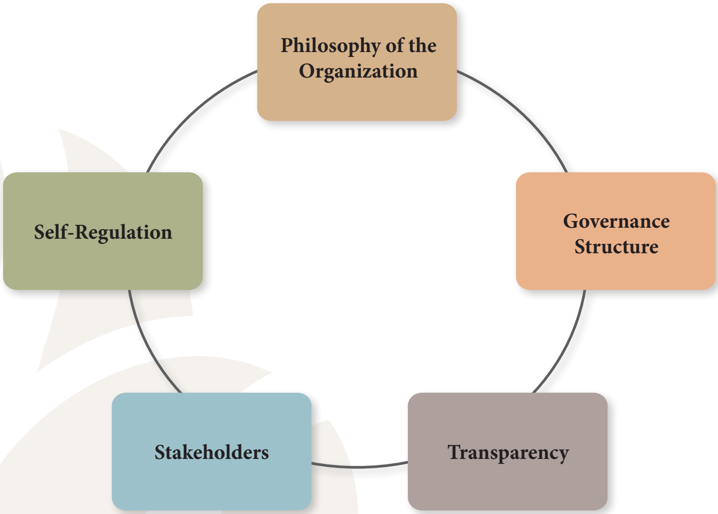
The cooperative undergoing evaluation has the following responsibilities:

1. To make available to evaluators all documents that, in their opinion, help them to understand aspects that they consider important for the evaluation, as well as those that are deemed relevant and those that are requested by the evaluators.

2. To make available to the evaluators all key persons who should be interviewed in order to obtain relevant information and to make an objective assessment of the situation of element of the governance system.

Elements of Corporate Governance[1]

The primary elements of the Cooperative Corporate Governance system that must be diagnosed are the following:



[1]Based in Villavicencio, Ricardo. Good Corporate Governance and Internal Control, FOROLAC, 2009.

Organizational Philosophy

An organization's philosophy reflects the organization's long term vision and reason for existence, as well as identifying the populations with which it has decided to work. It is the essential statement of what the organization is and what it claims to be.

The organizational philosophy includes the following dimensions:

VISION AND MISSION

1. **Vision and mission statement.** Formal statements of the organization's objectives, approach and desired future position.

2. **Relationship with institutional actions.** Mechanisms that allow the mission and vision statements to be operationalized in the Cooperative's actions.

3. **Code of conduct.** Formal statement of the values and moral principles that the Cooperative and its members commit themselves to respect.

Governance Structure

A cooperative's governance structure identifies the owners of the Cooperative, establishing who holds what powers and how those powers should be exercised through the Members Assembly, Board of Directors, Supervisory Board and Management

The governance structure includes the following components:

GOVERNANCE STRUCTURE

1. **Assembly.** The organization's highest decision-making body, which is essential to ensuring the success of the institution. Cooperative's must ensure the timely and committed participation of Assembly members, with the right to voice opinions and vote.

2. **Board of Directors.** The body responsible for the management results of the entity. Acting as a link between the Assembly of members and the Management, it guides institutional policies and strategies, supervises their compliance and identifies the main risks to which the Cooperative could potentially be subject. It has the fundamental duty to preserve the philosophy of the organization and ensure institutional sustainability.

3. **Supervisory Board.** The organ responsible for oversight of all the Cooperative's activities, verification of information provided to the members, to the authorities and to the wider community, and compliance with relevant legal frameworks. The Supervisory Board should be oriented to assess, evaluate and supervise the Cooperative's management.

4. **Management.** The team responsible for day-to-day administration and for supporting the Board of Directors in their formulation of major policy decisions.

5. **Control mechanisms.** The internal and external control mechanisms in place to monitor the development of the entity and to identify and rectify, in a timely manner, deviations from good governance practice.

Information Disclosure and Transparency

Cooperatives must strive to disclose all management information and results in a timely, accurate and truthful manner through the following channels:

DISCLOSURE OF INFORMATION AND TRANSPARENCY
1. **Financial statements.** Allow objective appraisal of the Cooperative's financial situation and performance. The statements must be prepared according to internationally and nationally accepted accounting standards. 2. **Independent external auditor's report.** External and independent opinions that help to strengthen the mechanisms of information accountability. 3. **Management reports.** Information related to the institutional objectives and their fulfillment, social performance, reports on the Cooperative's government.

Stakeholders

As socially responsible entities, cooperatives must orient their policies toward internal and external stakeholders including:

STAKEHOLDERS
1. **Employees.** Policies on salaries, incentives, social benefits, work environment along with mechanisms that promote employee participation in the life of the Cooperative. 2. **Other stakeholders.** Policies towards other stakeholders and mechanisms for dialogue therewith.

Self-Regulation

A cooperative's ability to regulate and adjust its governance practices depends on the quality of its documentation - policies and procedures that support evaluation, implementation and improvement.

SELF-REGULATION
Documentation of good governance practices. The principles and practices of good governance that the organization adopts and that are explicitly embodied in a governance code or manual.

Sources of Information

The evaluation process requires obtaining objective and reliable information regarding the different dimensions being evaluated. The tables below, which are organized in line with the elements described above, serve as a guide for locating required information within the organization's existing documentation. Consistently applying this guide will allow those responsible for evaluation to get started more quickly, reducing the effort associated with the inevitable document review.

Organizational Philosophy

Dimensions	Sources of Information
Mission and vision statement	1. By-laws 2. Organization manual.
Relationship of the mission and vision with operations	1. Strategic plans 2. Operational plans 3. Interviews with Key People
Codes of conduct	1. Code of Ethics 2. Institutional policies with reference to these issues 3. Training on ethical issues 4. Documentation of ethical dilemmas resolution

Governance Structure

Dimensions	Sources of Information
Assembly	1. By-laws 2. Minutes of the Assembly 3. Types and timing of reports submitted to the Assembly 4. Opinions of the Assembly members
Board of Directors	1. Board Minutes 2. Types and timing of reports submitted to the Board 3. Opinions of the Board members
Management	1. Board Minutes 2. Curriculum vitae 3. Management information systems and types of reports submitted to the Board 4. Opinions of senior management
Control mechanisms	1. Internal audit functions 2. Types of Reports Referred to Board members 3. Opinion of Board members on internal and external audit work

Disclosure and Transparency

Dimensions	Sources of Information
Rendering of Financial Statements	1. Types of reports submitted to the Board and Assembly 2. Reporting frequency
Independent internal auditor's opinion	1. Internal audit reports 2. External audit reports
Management reports	1. Management reports 2. Timeliness and quality of reports

Stakeholders

STAKEHOLDERS		
Dimensions	**Elements**	**Sources of Information**
Internal Stakeholders	Approach to social responsibility with employees	1. Social responsibility policies 2. Human resources management policies 3. Employee opinions
	Employee participation in institutional life	1. Employees participation policies 2. Employee opinions
External Stakeholders	Other stakeholders	1. Social responsibility policies 2. Dialogue mechanisms
	Resource Providers	3. Financial Statements 4. Funders' opinion

Self-Regulation

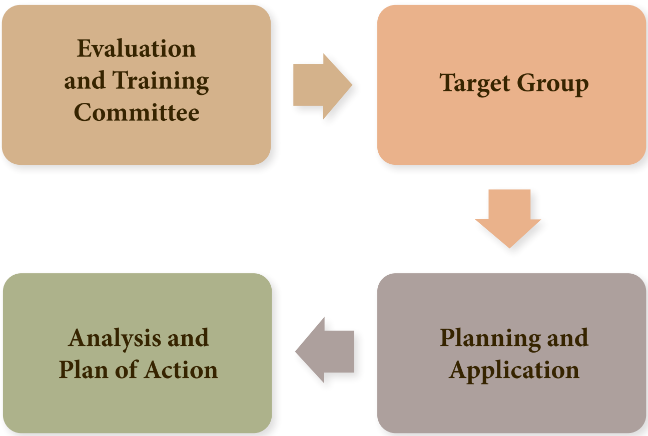
Dimensions	Sources of Information
Documentation of good governance practices	1. By-laws 2. Corporate Governance Code/Manual

METHODOLOGY

Proper use of this tool, whether by the institution itself (self-evaluation) or by external appraisers (evaluation), requires a particular application sequence to adequately assess an entity's governance practices.

In applying this methodology, organizations will be able to identify gaps or weaknesses that should be prioritized to improve the situation of institutional governance.

Self-Evaluation Implementation Process



STAGE 1. Establishment of an Evaluation and Training Committee

A self-evaluation committee that consists of at least one member of the Board of Directors, Supervisory Board and Senior Management, should be formed.

The role of this committee is to spearhead the completion of the self-assessment instrument, tabulation of data, consultation with internal sources of information, analysis and interpretation of the results, and proposal to improve governance.

The committee will remain in force for the duration of the evaluation period and will conclude its activities with a presentation of the final reports and recommendations for improvement.

The members of the committee should be thoroughly trained in best practices for cooperative governance to be able to lead this effort. This training must develop enough skills so that the committee can lead the evaluation and adjustments process required by the Cooperative, to the requirements of good practices on the subject.

The topics on which each committee member and ideally the entire Management and Supervisory Board of the Cooperative should be trained are as follows:

a. Introduction to governance in cooperatives

b. Organizational philosophy and codes of conduct

c. Governance structure (role of the Assembly, Board of Directors, Supervisory Board, Management and control mechanisms)

d. Transparency

e. Stakeholders

f. Application of self-evaluation instrument

STAGE 2. Identification of the target work group and its participation in the self-evaluation

The target groups for evaluation are:

1. **The members of the assembly.** Ideally, each member of the assembly should participate in the self-evaluation. If the assembly is too numerous, it is recommended to take a representative sample thereof. The members of the assembly must evaluate:

   a. The Organizational Philosophy variable

   b. Within the variable Governance Structure, the size of the Assembly

   c. The Stakeholders variable

   d. The Self-regulation variable

2. **Members of the Board of Directors.** All members of the Board of Directors should evaluate to the following variables:

   a. Organizational Philosophy variable

   b. Government structure variable, except for the size of the Assembly

   c. Information Disclosure and Transparency variable

   d. Social Performance variable

   e. Self-regulation variable

3. **The members of the Supervisory Board.** All members of the Supervisory Board should evaluate the following variables:

a. Organizational Philosophy variable

b. Government structure variable, except for the size of the Assembly

c. Information Disclosure and Transparency variable

d. Social Performance variable

e. Self-regulation variable

4. Top Management. All members of the Senior Management must evaluate the following aspects:

a. Organizational Philosophy variable

b. Information Disclosure and Transparency variable

c. Social Performance variable

d. Self-regulation variable

STAGE 3. Planning and implementation.

The self-evaluation committee or external evaluators must compile all the documentation mentioned in the Sources of Information section above. Additionally, the following steps must be taken prior to the beginning the self-evaluation or evaluation process:

1. Request the Chairman of the Board of Directors to inform all those involved about the evaluation and their participation in it.

2. Contact each of the involved parties personally to agree on the day of the sensitization and training session required for participation.

3. Train all those involved on basic governance concepts, whether through a workshop or remote training.

4. Define a schedule for the completion and collection of the survey instruments.

In administering the evaluation surveys, the following activities must be performed:

1. Send the survey instruments, according to the established plan, on the indicated dates and via the agreed means.

2. Strictly comply with the due dates and support the completion the surveys, collaborating in the clarification of doubts.

3. Conduct timely follow up through call or email to ensure surveys are delivered.

4. Start the data tabulation process.

5. Consolidate results from all survey respondents and results for each of the application groups (assembly, boards, senior management), for each of the variables that apply to each respondent group

STAGE 4. Analysis and action plan.

The self-evaluation committee or external evaluators should:

1. Prepare the final report, which includes analysis of all variables and respective conclusions.

2. Make a set of recommendations that will allow the subsequent design of an improvement plan.

The analysis and recommendations report shall be placed for the consideration and approval of the Board of Directors and, if required, for that of the members assembly.

Interpretation of Results

There are two levels for the analysis of results::

1. The general level. A consolidation of the results obtained from all evaluated areas.

2. The variables level. Results obtained from each of the five key variables upon which the governance of the cooperative is assessed.

General Level

The following table sets out the quintiles for a general level assessment:

GENERAL LEVEL		
Score	Status	Interpretation
1 - 110	Critical	Multiple problems throughout the governance structure requiring urgent intervention, situation considered problematic or crisis-level.
111 - 220	Limited	Major weaknesses identified in the governance of the entity, rgent intervention needed on critical variables to achieve a substantial improvement in the situation of the entity.
221 - 330	In Process	A situation with significant weaknesses which can be reversed, necessary to develop a set of actions aimed at improving the diagnosed situation.
331 - 396	Advanced	Some weaknesses identified, and, although relevant, not considered as critical factors in the governance of the entity. Actions that go beyond these must be carried out.
397 - 440	Very Advanced	Good governance situation, with practices that ensure that the various governance bodies fulfill their roles and responsibilities properly, keeping the proper balance in their performance.

Variable Level

For corporate governance variables within each quintile, the below evaluation scale can help to identify the situation for each variable. The evaluation criteria are:

VARIABLE LEVEL					
Status	Variables				
	PHILOSOPHY	GOVERNANCE STRUCTURE	DISCLOSURE OF INFORMATION / TRANSPARENCY	STAKE-HOLDERS	SELF-REGULATION
Critical	1 - 13	1 - 70	1 - 8	1 - 14	1 - 6
Limited	14 - 25	71 - 140	9 - 15	15 - 28	7 - 13
In Process	25 - 38	141 - 210	16 - 23	29 - 38	14 - 19
Advanced	39 - 45	211 - 252	24 - 27	39 - 50	19 - 22
Very Advanced	46 - 50	253 - 280	27 - 30	51 - 55	23 - 25

Interpretation of results for each of the variables should adhere to the following guidelines:

Status	Interpretation
Critical	The variable presents problems of critical importance which require rapid and urgent intervention because the existing risks for governance are very high and can affect the entire organization in terms of its management performance.
Limited	The variable presents relevant weaknesses with high risks for governance, so the solution must be implemented rapidly before the problems deepen or transform into a situation whose resolution is more difficult.
In Process	The variable shows some weaknesses, but not of great magnitude nor risk to governance. These factors should be the subject of an intervention plan to prevent further deterioration.
Advanced	The variable presents minor weaknesses that are of low risk for the governance of the entity but that must be resolved within the framework of a continuous improvement program.
Very Advanced	The variable does not present significant problems, denoting a situation of good governance. The few existing weaknesses are relatively easy to resolve.

METHODOLOGY

Procedure: This tool is used for the evaluation and/or self-evaluation of good corporate governance in cooperatives. It measures the degree of compliance of different variables and uses the following criteria:

1. It is not fulfilled
2. It is unsatisfactorily fulfilled
3. It moderately fulfilled
4. It is fulfilled to a high degree
5. It is fully fulfilled

Check the option that most closely matches your own opinion.

ORGANIZATIONAL PHILOSOPHY					
VISION AND MISSION					
Vision and Mission Statement					
	1	**2**	**3**	**4**	**5**
1. There is a formally established vision and mission statement.					
2. Formal mechanisms have been designed to evaluate the fulfillment of the vision and mission.					
Relationship of Vision and Mission with Institutional Operations					
	1	**2**	**3**	**4**	**5**
3. The mission and vision are the framework upon which the strategic plans of the institution have been designed.					
4. The mission and vision are the framework upon which the operational plans of the institution have been designed.					
Evaluation of the Fulfillment of the Vision and Mission					
	1	**2**	**3**	**4**	**5**
5. Management reports explicitly refer to the fulfillment of the mission and vision.					
6. Indicators and results of the degree of fulfillment of the mission and vision are shown.					
CODES OF CONDUCT					
Codes of Ethics					
	1	**2**	**3**	**4**	**5**
7. There is a formal declaration of values and moral principles (code of ethics).					
8. People have been trained on ethics issues (if the code exists on the subject).					
9. There are mechanisms that allow for the resolution of ethical dilemmas in the organization (For example: the existence of ethics committees).					
10. Ethical problems in the organization have a systematic, timely and relevant resolution commensurate with the seriousness of the cases treated (methodology of resolution of ethical conflicts).					
SCORE					

GOVERNANCE STRUCTURE

OWNERSHIP STRUCTURE

PROPERTY STRUCTURE

Commitment of the Members to the Cooperative					
	1	2	3	4	5
1. The members participate actively in the assemblies to which they are summoned.					
2. The members show a continuous interest in the activities of the institution.					
3. The members show positive behavior in the assemblies.					
Calls to Attend the Assembly					
	1	2	3	4	5
4. Calls to the assemblies are made with sufficient advance notice.					
5. The cooperative makes sure that the members of the assembly have full knowledge of the call.					
6. The cooperative tries to ensure the presence of its members by sending reminders and/or making personal calls to those who decide the institutional representation.					
Right to Information					
	1	2	3	4	5
7. The cooperative has established permanent communication mechanisms with its members.					
8. The members obtain timely and regular information on the institution's activities and financial and operational results.					
9. The members receive, in due time, complete, clear and comprehensible information about the topics that will be submitted before the assemblies for decision.					
Functioning of the Assembly					
	1	2	3	4	5
10. The rules that govern the functioning of the assembly (By-laws) are clear and allow a balanced and equitable participation of its members.					
11. Decisions are made taking into account the opinions of the assembly participants, debating and discussing the different points of view.					
12. Members can vote individually or by delegation.					
13 The members are allowed the right to register their interventions and votes in the Assembly's Minutes.					
Functions and Powers					
	1	2	3	4	5
14. The assembly has the power to approve the institution's management report and financial statements.					
15. The assembly has the power to approve the management of the Board of Directors and Supervisory Board.					
16.The assembly has the power to appoint and remove the members of the management and boards.					
17. The assembly has the power to appoint the internal auditors.					

18. The assembly has the power to approve the remuneration policy of the boards and senior management.					
19. The assembly has the power to approve merger or dissolution operations of the institution.					
SCORE					
BOARD OF DIRECTORS					
Composition of the Board of Directors					
	1	**2**	**3**	**4**	**5**
20. The Board of Directors has an odd number of members.					
21. The members of the Board of Directors are people who have enough experience to carry out their work.					
22. The members of the Board of Directors have conflicts of interest with the institution.					
Meetings					
	1	**2**	**3**	**4**	**5**
23. The Board of Directors meets at least once a month.					
24. The Board of Directors always meets the corresponding quorum.					
Functioning of the Board					
	1	**2**	**3**	**4**	**5**
25. There is an induction program for new members of the Board of Directors.					
26. The Board of Directors appoints a person to be its Chair.					
27. The Board's Chair is responsible for convening and preparing the agenda of the meetings.					
28. The agenda and the information that will be considered in the meetings are made available to the members of the Board with the necessary advance notice.					
29. The information received by the members of the Board of Directors is reliable.					
30. The various topics submitted for decision by the Board of Directors are duly debated.					
31. The members of the Board of Directors have a respectful relationship among themselves.					
32. Board members abstain from making decisions when there is a conflict of interest that prevents them from adequately performing their duties to the cooperative.					
33. The Board has professional and respectful relations with the management.					
34. The Board carries out an evaluation of its operation in each management					
Functions and Competences					
	1	**2**	**3**	**4**	**5**
1. Board members approve the cooperative's general business strategy.					
2. Prepares information for the Board of Directors on operations and financial aspects that are valued for their quality, reliability and timeliness.					

	1	2	3	4	5
3. The Board carries out periodic monitoring and evaluation of compliance with current legislation and applicable regulations, as well as the internal policies of the cooperative itself.					
4. The Board makes sure that the management complies with the guidelines of this governing body.					
SCORE					

SUPERVISORY BOARD					
Functioning of the Supervisory Board					
	1	**2**	**3**	**4**	**5**
5.. Checks that the operations of the cooperative are governed according to legal regulations in force in the country, statutes, policies, and ethical standards.					
6. Makes sure that the acts of the Board of Directors, the legacies and committees formed within the cooperative comply with regulations.					
7. Evaluates the design, scope and operation of internal control mechanisms					
8. Performs minimum audit work or has a close relationship with the internal audit unit, if it exists in the company.					
9. Reports to the Board of Directors on the degree of compliance with internal policies and procedures and on regulatory and management problems detected, and monitors the corrective measures implemented.					
10. Periodically reviews the quality of services that are granted to the members of the cooperative, recommending improvement actions.					
11. Receives complaints from members and carries out appropriate investigations, disclosing the results of investigations and the solutions to resolve complaints.					
12. Evaluates the work of the external auditor.					
13. Self evaluates the work of the Supervisory Board.					
SCORE					

MANAGEMENT					
Functioning of the Supervisory Board					
	1	**2**	**3**	**4**	**5**
14. The chief executive of the institution has the knowledge, experience and judgment to manage the organization.					
15. Knows cooperative organizations and the sector in which they work.					
Accountability					
	1	**2**	**3**	**4**	**5**
1. Complies with the guidelines issued by the Board of Directors and shows the results of its implementation in a timely manner.					
2. Prepares information for the Board of Directors on operations and financial aspects that are valued for their quality, reliability and timeliness.					
3. Maintains permanent contact with the Chairman of the Board of Directors, keeping him/her informed about important events and consulting thereon.					
SCORE					

CONTROL MECHANISMS					
Internal Audit					
	1	2	3	4	5
4. There is a formally established internal audit unit that reports to the Board of Directors.					
5. The audit unit periodically submits audit reports for the consideration of the Board of Directors.					
External Audit					
6. The cooperative has mechanisms that guarantee the independence of the external auditor over time.	1	2	3	4	5
7. The external audit work fully satisfies the members of the organization.					
SCORE					

INFORMATION DISCLOSURE AND TRANSPARENCY					
SUBMISSION OF FINANCIAL STATEMENTS					
Financial Statement					
	1	2	3	4	5
1. Financial statements are prepared and submitted on a monthly basis.					
2. Financial statements reflect the company's real situation, through the submission of the balance sheet, profit and loss statement, and cash flows.					
3. Financial statements contain analysis of financial indicators compared with industry benchmarking.					
Opinion					
	1	2	3	4	5
4. The external audit reports confirm the validity of the financial statements that have been delivered.					
SCORE					
MANAGEMENT REPORTS					
Management and Good Governance Reports					
	1	2	3	4	5
5. Management and financial results are disclosed to the various stakeholders.					
6. An annual corporate governance report is disclosed to the various stakeholders of the institution.					
SCORE					

STAKEHOLDERS					
INTERNAL STAKEHOLDERS					
Social Responsibility Approach Towards the Employees					
	1	2	3	4	5
1. There is a formal and explicit social responsibility approach towards employees.					
2. There are policies for human resources management.					

	1	2	3	4	5
3. Salaries are considered by employees as competitive.					
4. The Cooperative grants social benefits, beyond legal provisions.					
5. There is a good work environment in the organization.					
Participation					
	1	**2**	**3**	**4**	**5**
6. Employees are adequately informed of the institutional events.					
7. There are formal mechanisms that allow the organization's employees to give their opinion about the institutional life.					
8. The opinions of the employees are taken into account to promote work improvements.					
SCORE					
EXTERNAL STAKEHOLDERS					
Other Stakeholders	**1**	**2**	**3**	**4**	**5**
9. The opinion is known and dialogue with other external stakeholders takes place.					
10. Opinions, suggestions and complaints of external stakeholders are taken into account by the Cooperative and are treated and resolved, when appropriate.					

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HOLDING PRODUCTIVE MEETINGS

A GUIDE FOR BOARDS OF DIRECTORS AND SUPERVISORY BOARDS

This document was created by consultants Ricardo Villavicencio and Mery Solares with financial support from Fairtrade Access Fund's Technical Assistance facility.

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THE MEETINGS

For the Board of Directors and Supervisory Board, adequate meeting management is vital to making administrative and oversight tasks more effective and creating an environment of cooperation and productivity that allows them to effectively fulfill their roles as defined in the Bylaws and Corporate Governance Code.

Having too many meetings or poorly managed ones is counterproductive wasting the time of board members while accomplishing little.

What is a Meeting?

The meeting should be considered an essential working procedure of the Board of Directors and Supervisory Board in that these governing bodies can only fulfill their duties to the cooperative when they meet and act collectively.

Meetings allow these bodies to address a variety of issues and, in many cases, it is in these meetings that decisions must be made.

What are the common pitfalls of meetings?

Despite the advantages that meetings offer, they are often criticized for the following reasons:

1. No clear purpose or lack of organization/preparation

2. Complicate simple things

3. Too many meetings that generate a feeling of time wasted

4. Failure start on time

5. Poorly guided meetings that don't lead to concrete results

6. People who monopolize the entire meeting without allowing others to participate

7. Failure to reach agreements or failure to specify who, how and when follow-up will be carried out to reach an agreement

8. Stress due to confrontations among people

9. Delay decision-making

RECOMMENDATIONS FOR PRODUCTIVE MEETINGS

How can we make meetings more effective?

PLAN THE MEETING	• Define the agenda • Set the duration of the meeting • Invite the people • Provide information
GUIDE THE MEETING	• Opening phase • Analysis and discussion phase • Agreements phase • Closure phase
ACTIVITIES AFTER THE MEETING	• Minute preparation and signature • Agreements follow-up • Evaluation of meeting effectiveness

STEP ONE: Planning the Meeting

1. **Define of the agenda.** The list of the topics to be addressed should be very clear to the members of the Boards. There should not be too many topics to ensure the proper coverage of each. The agenda should be defined by the Chairperson and, if relevant, with the support of the Cooperative's Management.
2. **Set the duration of the meeting.** The duration of the meeting should be pre-defined (at least an approximation). Long meetings should be avoided.
3. **Invite people.** Invite people to participate in the meeting, letting them know the date and agenda.
4. **Provide information.** Information to be discussed at the meeting should be provided in advance.

STEP TWO: Guide the Meeting

Opening Phase

During the opening phase, the meeting leader should:

1. **Start the meeting on time.** Punctuality is an important factor in improving time management in the organization and is a sign of respect.
2. **Thank participants for their presence and punctuality.** This creates a positive atmosphere to start the meeting and reinforces attendance and punctuality.
3. **Introduce the meeting by restating the purpose of the meeting and the agenda to be**

discussed. This helps define the scope of the meeting and avoid changing the purpose thereof, except by agreement of the attendees.

4. **Verify the attendance of the people invited.** The meeting leader should verified whether all the persons invited are present and, if applicable, whether the quorum has been met.

Analysis and Discussion Phase

1. **Address the issues according to the established agenda.** Follow the order of the agenda and avoid dealing with other topics that have not been defined, unless attendees collectively agree to modify the agenda.
2. **Motivate all those present to actively participate**. An atmosphere that leads to broad participation by those attending the meeting should be created.
3. **Avoid distraction from the agenda items.** Those who lead the meeting must steer conversation away from topics that are not part of the agenda or that are not directly relevant to the issue at hand.
4. **Avoid monopolization of the floor.** The person who conducts the meeting must avoid monopolization of the conversation by one person or a few people if this discourages the participation of others in attendance.
5. **Avoid conflicts and unproductive dialogue between people.** The divergence of ideas and opinions is healthy in a meeting because it promotes creative thinking. What should be avoided are situations that generate conflict situations that stress the meeting and damage relationships between people.
6. **Avoid interruptions.** When meetings begin, situations that interrupt the meeting such as loud noise, people going in and out, etc. should be avoided as much as possible.

Agreements Phase

En las reuniones de las Juntas/Consejos, especialmente cuando tengan que tomar decisiones sobre determinados temas, se deben buscar acuerdos entre los miembros que participan en la misma, a través del consenso y evitar el voto, que debe quedar como un último recurso cuando se han agotado las posibilidades de llegar a acuerdos.

Closing Phase

Every effort should be made to conclude the meeting within the pre-determined time. The closing process should be started about five minutes before the final conclusion, using the following sequence:

1. Indicate that the meeting is ending, saying e.g., "there are a few minutes left before we conclude."
2. Summarize the issues discussed and the agreements reached, identifying those points that have not been resolved.
3. Briefly assess whether or not the meeting met the intended objective(s).
4. Establish an action plan that defines what needs to be done, who should do it, and when it should be done.

5. Assign tasks and compliance deadlines.
6. Outline the agenda for the next meeting in order to reach agreement on the issues to be addressed.
7. End the meeting with a positive sentence and thanking the group for their attendance and participation.

THIRD STEP: Post-Meeting Activities

After the meeting ends, the following activities should be carried out:

1. Writing and reproduction of the meeting minutes.
2. Signature of the minutes.
3. Monitoring of tasks assigned, people responsible and timelines.

ROLE OF MEETING PARTICIPANTS

Attendees must come properly prepared, having read and analyzed the documents that have been provided with due anticipation. Participants are expected to conduct themselves in the following ways:

1. **Be punctual** as a sign of respect to the other people who will participate in the meeting.
2. **Talk at the right time.** Argue your points of view as objectively as possible. Think before you speak, meaning that you should analyze the importance of your opinion to avoid entering into meaningless discussions.
3. **Use short and clear statements.** Remember that everyone has the right to express their opinion, so when it is your turn to intervene you must be precise, clear and brief. Do not try to monopolize the conversation.
4. **Address the entire group** and not just one person.
5. **Be responsible** for what you say.
6. **Answer the questions.** Each time you are asked a question answer with ideas that are relevant to the objectives of the meeting.
7. **Show respect when speaking.** Avoid personal criticisms and disrespectful language, and listen carefully to others without interruption. Courtesy, good manners and tolerance must be maintained, at all times, even if you do not agree with another's opinion.
8. **Do not form small groups,** making comments on the sidelines of the meeting.
9. **Do not interrupt the meeting** by constantly walking in and out of the room.
10. **Comply with the agreements** reached at the meeting.

Controlling Emotions

People who participate in a meeting will not always hold the same opinions or points of view. Disagreement is healthy, as long as people manage their emotions and mantain an environment of respect and tolerance. In this regard, when participating in or conducting a meeting, participants should AVOID:

1. A tone of voice that is too high or too low
2. Unnecessary intensity
3. Abrupt or exaggerated gestures
4. Speaking to simply contradict or compete
5. Speaking to show knowledge or eloquence
6. Sarcasm or irony
7. Complexes (inferiority or superiority)

Taken from: Boards and meetings Erasmo Barbosa Cano.t

What Types of Participants are There in Meetings?

They are certain traits that are common to meeting participants, including:

Type	Characteristics	Ways to Act
The know-it-all	He/she just wants to impose his/her opinions on everyone.	The meeting leader should not allow these people to dominate the event, preventing them from hogging the floor, gently cutting off their interventions and encouraging them to comment freely on their opinions. Ask the know-it-all tough questions. Interrupt him/her with things like this: "This is one point, let's see what the group thinks."
The arguer	Someone who likes to argue for argument's sake and is against everything.	Stay calm and avoid losing your temper or letting others lose their temper. Prevent him/her from monopolizing the meeting and ask him/her questions through which he/she is asked to propose solutions (he/she usually does not have a solution).
The opponent	He/she is different from the discussion lover, who tends to face the leader of the meeting.	He/she should not be confronted directly in the group, but rather privately. Maintain a calm atmosphere in the meeting. When someone attacks the approach of the Chair: a) Defend the personal approach if appropriate.

		(b) Modify the personal approach if appropriate. c) Ask the group for their opinion - Mirror question.
Shy		Shy participants should be assisted to intervene, directly asking for their opinion and supporting the development of their self-confidence, highlighting their good contributions. Ask them easy questions that they can answer without difficulty.
The Locuacious One		Interrupt him/her with tact, putting limits on his/her statements. Set rules so that no member talks too much to give others a chance. Not looking at the person when a point is being raised may be considered as an invitation for others to speak. Look at other participants and ask for their opinion. a) Remember how tight the schedule is and the need to allow each participant to contribute equally. (b) Take advantage of a break to give the floor to others. c) Synthesize what has been said and pass on to another person.
The stubborn	People with “fixed ideas” and who like to repeat their views over and over again.	Use their good ideas, highlighting them and so as to allow for their stubbornness to disappear Involve the whole group by asking what they think of the person's position. Mention that the time is short and that you will be happy to discuss the topic later, but ask the person to accept the group's point of view for time being.
The susceptible	People who take everything personally.	With these people it is necessary to use a lot of tact and diplomacy.
The positive	People who see things from a positive perspective and who seek solutions to problems.	Allow him/her to intervene frequently.

What is the role of the meeting leader?

El líder de la reunión, que son los Presidentes de los Consejos, además de planear la misma, debe promover el intercambio de opiniones e ideas, debe estimular a participar a aquellos que no lo hacen, moderar a quienes hablan demasiado, afrontar y superar las situaciones de conflicto e impulsar al grupo a obtener soluciones por consenso general, dentro de un tiempo determinado.

Los Presidentes de los Consejos deben asegurase de:

1. **Material conditions:** Meeting room, material resources.
2. **Planning the meetings.** Setting the objectives, the agenda and determining who should attend.
3. **Providing information.** Duly informing participants of the topics to be discussed.

Additionally, the Chair should:

1. **Create favorable conditions.** Greet all participants and try to create a pleasant atmosphere from the start of the meeting.
2. **Promote Punctuality.** Start the meeting on time.
3. **Orient towards the objectives.** Specify the purpose of the meeting and clarify the items on the agenda. In guiding the meeting, statements from those who lead the meeting should be brief so that the group can work as much as possible. The leader should illustrate by example, clarifying doubts, explaining ideas and proposing solutions and options.
4. **Create and maintain interest.** The leader must ensure that the same subject is not discussed for too long, encouraging different perspectives and avoiding discussions that are not relevant.
5. **Maintain the pace of the discussion.** Ask direct, individual questions and avoid interruptions that have nothing to do with the topic at hand. Facilitate communication, trying to keep all channels open.
6. **Stimulate active participation.** The leader must perceive whether all participants are involved in the meeting and take part in the discussion. If this is not the case, stimulate those who participate little with questions, otivate and encourage with a warm and friendly attitude towards the group.
7. **Conciliate and negotiate.** The leader must be willing to concede when he/she sees he/she is wrong. Offer settlements, yield positions. Try to reconcile disagreements, reduce tension between the group. In important agreements, seek consensus.

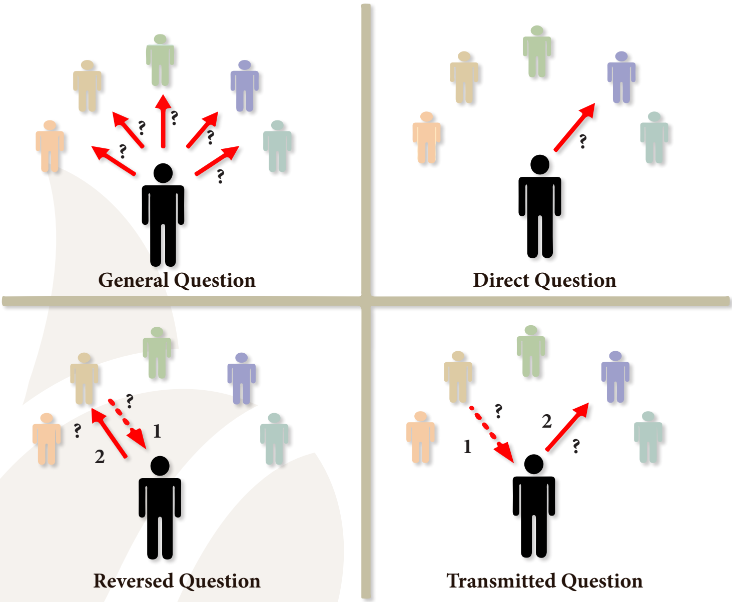
Chairs should avoid:

1. Telling the group how to think
2. Imposing his/her opinions
3. Adopting an authoritarian role in the meeting
4. Entering into discussions and personal dialogues
5. Talking too much

What kind of questions[1] should be asked?

Questions that encourage discussion can be very effective tools during Board meetings. Questions should be formulated in simple words, encouraging reflection.

Types of Questions	Explanation
General	These are questions addressed to the group. For example, who knows…?, Would any of you like to…? These questions can be answered by anyone.
Direct	In cases where the general question is unsuccessful or where a person's intervention is to be encouraged, questions may be addressed to a specific person.
Reverse	They are used with members who often ask questions to the meeting leader to get their opinion. In this case, the leader of the meeting refrains from answering and returns the question to the person who posed it, so that it is the author who gives his/her opinion.
Retransmitted	Under the same assumption as in the previous situation, the meeting leader does not answer and refers the question to the group or to one of its members individually.



[1] Based on the views of Sergio Flores de Gortari in his book Towards an Integral Administrative Communication.

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GENERAL EVALUATION SURVEY OF CORPORATE GOVERNANCE IN COOPERATIVES

This document was created by consultants Ricardo Villavicencio and Mery Solares
with financial support from Fairtrade Access Fund's Technical Assistance facility.

July 2019.

The purpose of this survey is to help cooperatives carry out an evaluation and/or self-evaluation of the organization's corporate governance practices.

The evaluation criteria are as follows:

1. Not fulfilled

2. Unsatisfactorily fulfilled

3. Moderately fulfilled

4. Fulfilled to a high degree

5. Fully fulfilled

ORGANIZATIONAL PHILOSOPHY					
VISION AND MISSION					
Vision and Mission Statement					
	1	**2**	**3**	**4**	**5**
1. There is a formally established vision and mission statement.					
2. Formal mechanisms are in place to assess compliance with the vision and mission.					
Relationship of the Vision and Mission with Institutional Operations					
	1	**2**	**3**	**4**	**5**
3. The mission and vision are the framework upon which the institution's strategic plans have been designed.					
4. The mission and vision are the framework upon which the operational plans have been designed.					
Evaluation of the Fulfillment of the Vision and Mission					
	1	**2**	**3**	**4**	**5**
5. The management reports make explicit reference to the fulfilment of the vision and mission.					
6. Indicators and results of the degree of fulfillment of the vision and mission are shown.					
VISION AND MISSION SCORE SUBTOTAL					

CODES OF CONDUCT					
Code of Ethics					
	1	**2**	**3**	**4**	**5**
7. There is a formal statement of values and moral principles (code of ethics).					
8. People have been trained in ethics issues.					
9. Mechanisms are in place to resolve ethical dilemmas in the organization (e.g., existence of ethics committees).					
10. Ethical problems in the organization have a systematic, timely and adequate resolution commensurate with the severity of the cases treated (methodology of ethical conflict resolution).					
CODES OF CONDUCT SCORE SUBTOTAL					
TOTAL SCORE OF THE ORGANIZATIONAL PHILOSOPHY VARIABLE					

GOVERNANCE STRUCTURE

OWNERSHIP STRUCTURE					
Commitment of the Members to the Cooperative					
	1	**2**	**3**	**4**	**5**
1. The partners actively participate in the assemblies to which they are summoned. .					
2. Members show continued interest in cooperative activities.					
3. The partners show a positive behavior in the assemblies.					
Summons to Attend Assemblies					
	1	**2**	**3**	**4**	**5**
4. Summons to the Assemblies are made with sufficient advance notice.					
5. The cooperative makes sure that the members of the assembly have full knowledge of the call.					
6. The cooperative tries to ensure the presence of its members by sending reminders and/or making personal calls if necessary.					

Right to Information					
	1	2	3	4	5
7. The Cooperative has established permanent communication mechanisms with its members.					
8. Members obtain timely and regular information on the Cooperative's activities, financial and operational results.					
9. The members receive, with due anticipation, complete, clear and understandable information on the issues to be submitted for decision at the Assemblies.					
Functioning of the Assembly					
	1	2	3	4	5
10. The rules governing the functioning of the Assembly (By-laws) are clear and allow a balanced and equitable participation of its members.					
11. Decisions are made by adequately considering the opinions of the Assembly participants, debating and discussing the various points of view.					
12. Members vote in person and no proxy votes are accepted.					
13. Members obtain timely and regular information on the Cooperative's activities, financial and operational results.					
Functioning of the Assembly					
	1	2	3	4	5
14. The Assembly has the power to approve the management report and the institution's financial statements.					
15. The Assembly has the power to approve the management of the Board of Directors and Supervisory Board.					
16. The Assembly has the power to appoint and remove the members of the Board of Directors and Supervisory Board..					
17. The Assembly has the power to appoint external auditors.					
18. The Assembly has the power to approve the remuneration policy of the members of the Boards and the Senior Management.					
19. The Assembly has the power to approve the Cooperative's merger or dissolution operations					
CODES OF CONDUCT SCORE SUBTOTAL					
BOARD OF DIRECTORS					
Composition of the Board of Directors					

	1	2	3	4	5
20. The number of members of the Board of Directors is odd.					
21. The members of the Board of Directors are people who have enough experience to carry out their work.					
22. The members of the Board of Directors have conflicts of interest with the Institution.					
Meetings					
	1	2	3	4	5
23. The Board of Directors meets at least once a month.					
24. The Board of Directors always achieves a quorum..					
Functioning of the Board of Directors					
	1	2	3	4	5
25. There is an induction program for new members of the Board of Directors.					
26. The Assembly or the Board of Directors appoints a person to Chair the Board of Directors.					
27. The Chair of the Board of Directors is responsible for convening and drawing up the agenda of the meetings.					
28. The agenda and information that will be considered in the meetings is sent to the members of the Board of Directors with the necessary anticipation.					
29. The information received by the members of the Board of Directors is reliable.					
30. The various issues submitted for decision by the Board of Directors are properly debated.					
31. The members of the Board of Directors have respectful relationships between one another.					
32. The members of the Board of Directors abstain from making decisions when there is a conflict of interest that prevents them from adequately carrying out their responsibilities to the Cooperative.					
33. The Board of Directors has professional and respectful relationships with the management.					
34. The Board of Directors regularly evaluates its operations.					

Functions and Powers					
	1	2	3	4	5
35. The members of the Board of Directors approve the Cooperative´s general business strategy.					
36. The members of the Board of Directors understand and perform their function of monitoring the Cooperative.					
37. The members of the Board of Directors carry out periodic monitoring and evaluation of compliance with current legislation and applicable regulations, as well as the internal policies of the Cooperative itself.					
38. The Board of Directors makes sure that the management complies with the directives of this governing body.k.					
BOARD SCORE SUBTOTAL					

SUPERVISORY BOARD

Functioning of the Supervisory Board					
	1	2	3	4	5
39. Verifies that the operations of the Cooperative are governed according to the legal norms, By-laws, policies and ethical norms in force in the country.					
40. Makes sure that the acts of the Board of Directors, Management and Committees formed within the Cooperative comply with current legal standards, statutory rules and internal regulations.					
41. Evaluates the design, scope and operation of internal control mechanisms.					
42. Performs minimal audit work or has a close relationship with the internal audit unit, if it exists in the Cooperative					
43. Reports to the Board of Directors on the degree of compliance with internal policies and procedures and on regulatory and management problems detected, and monitors the corrective measures implemented.					
44. Periodically reviews the quality of the services provided to the members of the Cooperative, recommending actions for improvement.					
45. Receives complaints from members and conducts the corresponding investigations, making known the results of the investigations and the solutions to resolve the complaints.					
46. Evaluates the work of the external auditor.					
47. Self-evaluates the work of the Supervisory Board.					
SUPERVISORY BOARD SCORE SUBTOTAL					

MANAGEMENT					
Professional Profile					
	1	2	3	4	5
48. The chief executive has the knowledge, experience and judgment to manage the Organization.					
49. Is familiar with cooperative organizations and the sector in which they work.					
Accountability					
	1	2	3	4	5
50. Complies with the guidelines issued by the Board of Directors and shows the results of their implementation in a timely manner..					
51. Prepares information for the Board of Directors on operations and financial aspects, which are valued for their quality, reliability and timeliness.					
52. Maintains permanent contact with the Chair of the Board of Directors, keeping him/her informed and consulting him/her regarding important events.					
SUPERVISORY BOARD SCORE SUBTOTAL					

CONTROL MECHANISMS					
Internal Audit					
	1	2	3	4	5
53. There is a formally established internal audit unit reporting to the Board of Directors.					
54. The Audit Unit periodically submits audit reports for consideration by the Board of Directors.					
External Audit					
	1	2	3	4	5
55. The Cooperative has mechanisms that guarantee the independence of the external auditor over time.					
56. The external audit work fully satisfies the members of the organization.					
CONTROL MECHANISMS SCORE SUBTOTAL					
GOVERNANCE STRUCTURE VARIABLE SCORE TOTAL					

INFORMATION DISCLOSURE					
SUBMISSION OF FINANCIAL STATEMENTS					
Financial Statements					
	1	2	3	4	5
1. Financial statements are prepared and submitted on a monthly basis.					
2. Financial statements reflect the Cooperative's real situation, through the presentation of profit and loss statements, balance sheet, cash flows.					
3. Financial statements contain analysis of financial indicators compared with industry benchmarking.					
Opinion					
	1	2	3	4	5
4. External audit reports confirm the validity of the financial statements that have been delivered.					
FINANCIAL STATEMENTS SUBMISSION SCORE SUBTOTAL					
Management and Good Governance Reports					
	1	2	3	4	5
5. Management and financial results are disclosed to the various stakeholders of the Cooperative.					
6. An annual corporate governance report is disclosed to the various stakeholders of the Cooperative.					
MANAGEMENT REPORTS SCORE SUBTOTAL					
DISCLOSURE OF INFORMATION AND TRANSPARENCY VARIABLE SCORE TOTAL					

STAKEHOLDERS					
INTERNAL STAKEHOLDERS					
Approach to Social Responsibility Towards Employees					
	1	2	3	4	5
1. There is a formal and explicit approach to social responsibility towards employees.					

	1	2	3	4	5
2. Human resources management policies are in place.					
3. Salaries are considered competitive by employees.					
4. The Cooperative provides social benefits, beyond legal provisions.					
5. There is a good working environment in the organization.					
Participation					
	1	**2**	**3**	**4**	**5**
6. The employees are adequately informed of the Cooperative's events.					
7. There are formal mechanisms that allow the organization's employees to express their opinion on institutional life.					
8. Employees' opinions are taken into account to promote work improvements.					
INTERNAL STAKEHOLDERS SCORE SUBTOTAL					
EXTERNAL STAKEHOLDERS					
Other Stakeholders					
	1	**2**	**3**	**4**	**5**
9. Their opinion is known and dialogue with other external stakeholders takes place.					
10. Opinions, suggestions and complaints from external stakeholders are taken into account and treated/resolved by the cooperative.					
Resource Providers					
	1	**2**	**3**	**4**	**5**
11. Contact is maintained and resource providers are kept informed about the Cooperative's activities and management results.					
EXTERNAL STAKEHOLDERS SCORE SUBTOTAL					
GOVERNANCE STRUCTURE VARIABLE SCORE TOTAL					

SELF-REGULATION					
CODE OF GOOD GOVERNANCE					
Documentation					
	1	**2**	**3**	**4**	**5**
1. The Cooperative has a set of good governance rules, explicitly formulated.					
2. The governance rules have been formally approved by the Cooperative's governance bodies and there is a formal commitment to comply with them.					
3. Training has been provided for proper understanding of good governance rules.					
CODE OF GOOD GOVERNANCE SCORE SUBTOTAL					
COMMUNICATION					
	1	**2**	**3**	**4**	**5**
4. Good governance rules are known and understood by the members of the Assembly, the Board of Directors and the Supervisory Board. 5. Good governance rules are known by the Cooperative's internal and external stakeholders.					
COMMUNICATION SCORE SUBTOTAL					
SELF-REGULATION VARIABLE SCORE TOTAL					
CORPORATE GOVERNANCE EVALUATION SCORE TOTAL					

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SELF-EVALUATION TOOL FOR COOPERATIVE BOARDS OF DIRECTORS

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July 2019.

BOARD OF DIRECTORS SELF-EVALUATION

Read the following statements and check the option that comes closest to your own opinion.

1. Board members are people who have enough training, experience, and judgement to perform their duties.

1	No such program exists.
2	Although skills and experience are taken into account when selecting Board members, the judgement of cooperative members prevails, at times superseding considerations of qualification.
3	Skills and experience are sought, but are not a prerequisite to become a member of the Board.
4	Board members are chosen on the basis of skills and experience, therefore nominees are prequalified to be considered as candidates.
5	Board members are chosen only on the basis of recognized skills and experience, in accordance with a pre-established profile and there is no room for appointments outside these criteria.

Frequency of Meetings and Attendance of Board Members

2. The Board meets at least once a month.

1	There are no definitions as to the frequency of meetings and the summons, which are sporadic, depend on the Chairperson of the Board.
2	The Board meets no more than two to three times a year.
3	The Board meets no more than six times a year.
4	Although the rules call for monthly meetings, they are not always complied with because the Board is flexible on this matter.
5	The Board meets on a monthly basis and, if necessary, special meetings are convened.

Functioning of the Board

3. There is an induction program for new Board members.

1	No such program exists.
2	New Board members receive basic documentation from the Cooperative and are welcomed at the first session they attend.
3	New members receive basic documentation and are informed, upon request, by the Board Chairperson.

4	New Board members receive a comprehensive package of information that allows them to learn about the Cooperative, its functions, duties and relevant information, in addition to meeting with the Chairperson.
5	A new Board member is part of an integral induction process, in which he or she receives all relevant information about his or her position and is informed of his or her new functions, knows the entity and is introduced to its work in a formal and comprehensive manner.

4. The Chairperson of the Board convenes and conducts meetings appropriately.

1	Many shortcomings are noted on the part of the Chairperson in convening and directing Board meetings, making them unproductive.
2	The Chairperson has minimal capacity to convene and conduct meetings, creating difficulties for the Board's proper functioning.
3	The Chairperson has some experience in managing the Board and ensures that it carries out its work with some effectiveness.
4	The Chairperson has experience in managing the Board, ensuring good participation during meetings and timely treatment of the agenda items.
5	The Chairperson has experience in managing the Board, stimulating the participation of its members in a cordial and creative environment, guaranteeing the efficient treatment of agenda items.

5. The agenda and information that will be considered during Board meetings is sent to the members with necessary anticipation and it is reliable.

1	The members of the Board are summoned to the meetings without a specific agenda to be addressed and without receiving documents about the topics that will be placed for their consideration.
2	Board members are informed of the issues to be addressed through the meeting invitation, which is sent out on short notice. Some documentation is given to at the beginning of each meeting, but most information is delivered verbally.
3	Board members are informed of the issues to be addressed through the meeting invitation, which is sent out on short notice. The most relevant information is sent in advance and other written information is handed out at the meeting itself.
4	An agenda describing the issues to be addressed along with the relevant information is sent well in advance and occasionally new written information is handed out at the meeting itself.
5	The agenda and relevant documentation are sent as far in advance as possible and, exceptionally, new written information is handed out at the meeting itself.

6. Members of the Board have the right to request additional information from Management (through the Chairperson).

1	No such mechanisms exist. While members of the Board may ask questions, Management does not necessarily respond to queries.
2	When a member of the Board wants additional information, he/she contacts the Management or another employee directly to request it.
3	Members of the Board have recognized rights to request additional information or explanations and this is done through the Management.
4	There are clear rules for consultations, which are channeled through the Chairperson through formal mechanisms and only in writing.
5	There are rules for requesting additional information, which are channeled through the Chairperson and are treated in a timely manner, trying to satisfy the requested requirements.

7. The various issues that are subject to decision by the Board are adequately discussed.

1	Usually the most important (strategic) decisions have already been made by the Management and the Board meets only to endorse them.
2	The Management and the Chairperson make the decisions and bring the Board together only to endorse them.
3	Management submits decisions to the Board, where they are usually approved without further debate after a quick review.
4	Management presents the issues and suggests various possibilities to the Board, where they are discussed without much depth and decided upon.
5	The Board takes its decision-making responsibility seriously, there are extensive debates and sometimes decisions require review processes and further information.

8. Board members have a demanding and proactive attitude, demonstrating leadership of the Cooperative.

1	Board members usually attend the sessions only for compliance purposes.
2	The Board in general is very flexible with Management, delegating all decisions to Management and exercising little control over results.
3	The Board sets guidelines, but does not monitor the implementation of its decisions, except in case of problems.
4	The Board sets guidelines and follows up on its decisions.
5	The Board has demanding standards and is highly proactive, establishing guidelines which are monitored for compliance and carrying out the required adjustment measures in a timely manner.

9. Board members have a respectful relationship with one another.

1	Attitudes are not respectful and there are situations of great tension that eventually lead to conflicts.

2	The climate of respect is precarious and there is little importance placed on maintaining cordial relationships.
3	Relationships are relatively respectful, although occasionally members do not express themselves respectfully, which generates potential for conflict.
4	In general, the climate is one of respect, although there may sometimes be disputes or opinion between the members of the Board, who may take these differences personally.
5	There is an atmosphere of full respect and partnership where the members of the Board work in a cooperative manner, addressing their differences of opinion in a constructive environment.

10. Board decisions are made by consensus.

1	Usually there is an opinion leader who ends up imposing his or her opinion on the rest of the Board.
2	There is a small group within the Board that ends up imposing their opinions on the rest of the group.
3	Decisions are usually made by majority vote using existing voting rules, rather than trying to reach consensus.
4	Decisions are usually made by majority vote, although for issues of great importance an attempt is made to reach consensus.
5	Consensus is part of the decision-making culture promoted in the Board and voting is only used when there is no possibility of reaching agreement, recording divergent opinions in the minutes.

11. Board members refrain from making decisions when there is a conflict of interest that prevents them from properly carrying out their duties to the cooperative

1	Usually there is an opinion leader who ends up imposing his or her opinion on the rest of the Board.
2	There is a small group within the Board that ends up imposing their opinions on the rest of the group.
3	There are standards for treating conflicts, but they are not adequately disseminated among the members of the Board. There have been a few cases where it is usually up to the Board members' own predisposition to refrain from dealing with issues where there is a conflict of interest involving them.
4	Specific rules are in place to address these issues, which are reported to the Board, which actively tries to avoid conflict of interest situations.
5	In addition to formal rules for treating conflicts of interest, Board members' are cautious in this regard, usually avoiding involving themselves in these situations and, if they do, making the conflict of interest explicit and refraining from participating in related decisions.

12. The Board of Directors is a good liaison with cooperative members.

1	The Board does its job and cooperative members know very little about what is going on within the organization.
2	The Board does its job and Cooperative members learn what is going on within the organization when they ask for information at meetings.
3	The Board does its work and the Cooperative members learn about what is going on within the organization at the assemblies, where management reports are presented.
4	Board information flows to Cooperative members, through those who represent them at the Board and through assemblies.
5	The Board has a variety of communication mechanisms through which to communicate with cooperative members and keeps them periodically informed of the most important news from the cooperative, in addition to assembly mechanisms where the organization's information is sent in due course.

13. The Board has respectful relationships with Management.

1	Relations between the Board and Management are uncooperative and unproductive.
2	The members of the Board are overly involved in Management tasks, showing a lack of trust in the Management's capacities.
3	The relationship between the members of the Board and Management takes place within the framework of the formalities laid down in the rules of the Institution.
4	Management coordinates actions with the Board, respecting the guidelines and recommendations made by the Board and ensuring their correct application.
5	The relationship between the Board and Management is optimal, with coordinated work and, where necessary, teamwork, in the best interests of the Institution.

Functions and Competencies

14. The Board ensures that it complies with and enforces the legal regulations in force, statutes, and internal regulations.

1	The Board does not consider these issues to be part of its role.
2	The Board understands that dealing with these issues is part of its role, but does not do any specific work to ensure compliance with legal, statutory or internal regulations.
3	The Board makes very general and sporadic assessments of these issues.
4	The Board is aware that it must ensure compliance with legal and statutory regulations and mentions them in a general manner in its management report.
5	The Board is aware of the importance of this responsibility and works closely with the Supervisory Board to monitor compliance with legal and statutory regulations.

15. The members of the Board define the overall Strategy of the Institution, for consideration and approval by the Assembly.

1	Neither the Board nor Management assume responsibility for this task.
2	The Board does not take responsibility for this task, which is instead delegated to the Management.
3	The Board partially assumes responsibility for this task, but considers it the role of Management.
4	The Board addresses this task partially, but not as an integral part of its work.
5	The above issues are dealt with by the Board and are considered an integral part of its work.

16. The Board supervises the Management's work, obtaining sufficient and timely information to enable it to evaluate Management's results.

1	This work is not done, nor is it considered part of the mandate of the Board.
2	This work is carried out in a very flexible and unsystematic way.
3	This work is done primarily on the basis of information provided by Management to the Board, which is not evaluated for reliability.
4	The members of the Board have formal mechanisms to monitor the Management's work, but rely heavily on the information sent to them by the Management. t
5	Members of the Board have formal mechanisms to monitor the Management's work, supported by additional information on operations, financial, social performance and by mechanisms such as internal audit and others.

17. The Board ensures that Management complies with the guidelines set by the Board.

1	The Board does not do this work.
2	The Board does this work sporadically and informally.
3	The Board makes a general assessment of compliance with its guidelines on an annual basis, based on management reports.
4	The Board considers management reports to be the best mechanism to verify compliance with its guidelines and conducts periodic evaluations.
5	The Board relies on management reports, internal audit verifications and other control mechanisms, monitoring compliance with its guidelines on an ongoing basis.

18. The Board respects the mandates of the Assembly and channels members' concerns in a practical and effective manner.

1	The decisions of the assembly are not taken into account.

2	The decisions of the assembly are partially taken into account.
3	The decisions of the assembly are considered by the members of the Board as a general reference for the decisions and actions of the Institution.
4	The decisions of the assembly are respected by the Board and taken into account in its own decision-making process.
5	Assembly decisions are respected by the Board and taken into account in its own decision-making process. The Board verifies and reports on compliance with Assembly mandates.

SELF-EVALUATION TOOL FOR COOPERATIVE SUPERVISORY BOARDS

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with financial support from Fairtrade Access Fund's Technical Assistance facility.

July 2019.

SUPERVISORY BOARD SELF-EVALUATION

Read the following statements and check the option that comes closest to your own opinion.

1. The members of the Supervisory Board are people who have enough training, experience and judgement to perform their duties.

1	It is not an issue taken into account when forming the Supervisory Board.
2	Although skills and experience are taken into account when selecting Supervisory Board members, the judgement of cooperative members prevails, at times superseding considerations of qualification.
3	Skills and experience are sought, but are not a prerequisite to become a member of the Supervisory Board.
4	Board members are chosen on the basis of skills and experience, therefore nominees are prequalified to be considered as candidates.
5	Supervisory Board members are chosen only on the basis of recognized skills and experience, in accordance with a pre-established profile and there is no room for appointments outside these criteria.

Frequency of Meetings and Attendance of Supervisory Members

2. The Supervisory Board meets at least once a month.

1	There are no definitions as to the frequency of meetings and the summons, which are sporadic, depend on the Chairperson of the Supervisory Board.
2	The Supervisory Board meets no more than two to three times a year.
3	The Supervisory Board meets no more than six times a year.
4	Although the rules call for monthly meetings, they are not always complied with because the Supervisory Board is flexible on this matter.
5	The Supervisory Board meets on a monthly basis and, if necessary, special meetings are convened.

3. There is an induction program for new members of the Supervisory.

1	No such program exists.
2	New Supervisory Board members receive basic documentation from the Cooperative and are welcomed at the first session they attend.
3	New members receive basic documentation and are informed, upon request, by the Supervisory Board Chairperson.

4	New Supervisory Board members receive a comprehensive package of information that allows them to learn about the Cooperative, its functions, duties and relevant information, in addition to meeting with the Chairperson.
5	A new Supervisory Board member is part of an integral induction process, in which he or she receives all relevant information about his or her position and is informed of his or her new functions, knows the entity and is introduced to its work in a formal and comprehensive manner.

4. The Chairperson of the Supervisory Board convenes and adequately directs the meetings of the Board.

1	Many shortcomings are noted on the part of the Chairperson in convening and directing Supervisory Board meetings, making them unproductive.
2	The Chairperson has minimal capacity to convene and conduct meetings, creating difficulties for the Supervisory Board's proper functioning.
3	The Chairperson has some experience in managing the Supervisory Board and ensures that it carries out its work with some effectiveness.
4	The Chairperson has experience in managing the Supervisory Board, ensuring good participation during meetings and timely treatment of the agenda items.
5	The Chairperson has experience in managing the Supervisory Board, stimulating the participation of its members in a cordial and creative environment, guaranteeing the efficient treatment of agenda items.

5. The agenda and information that will be considered during Supervisory Board meetings is sent to the members with necessary anticipation and it is reliable.

1	The members of the Supervisory Board are summoned to the meetings without a specific agenda to be addressed and without receiving documents about the topics that will be placed for their consideration.
2	Supervisory Board members are informed of the issues to be addressed through the meeting invitation, which is sent out on short notice. Some documentation is given to at the beginning of each meeting, but most information is delivered verbally.
3	Supervisory Board members are informed of the issues to be addressed through the meeting invitation, which is sent out on short notice. The most relevant information is sent in advance and other written information is handed out at the meeting itself.
4	An agenda describing the issues to be addressed along with the relevant information is sent well in advance and occasionally new written information is handed out at the meeting itself.
5	The agenda and relevant documentation are sent as far in advance as possible and, exceptionally, new written information is handed out at the meeting itself.

6. Members of the Supervisory Board have the right to request additional information from Management (through the Chairperson).

1	No such mechanisms exist. While members of the Supervisory Board may ask questions, Management does not necessarily respond to queries.
2	When a member of the Supervisory Board wants additional information, he/she contacts the Management or another employee directly to request it.
3	Members of the Supervisory Board have recognized rights to request additional information or explanations and this is done through the Management.
4	There are clear rules for consultations, which are channeled through the Chairperson through formal mechanisms and only in writing.
5	There are rules for requesting additional information, which are channeled through the Chairperson and are treated in a timely manner, trying to satisfy the requested requirements.

7. The various issues that are subject to decision by the Supervisory Board are adequately discussed.

1	Usually the most important (strategic) decisions have already been made by the Management and the Supervisory Board meets only to endorse them.
2	The Management and the Chairperson make the decisions and bring the Supervisory Board together only to endorse them.
3	Management submits decisions to the Supervisory Board, where they are usually approved without further debate after a quick review.
4	Management presents the issues and suggests various possibilities to the Supervisory Board, where they are discussed without much depth and decided upon.
5	The Supervisory Board takes its decision-making responsibility seriously, there are extensive debates and sometimes decisions require review processes and further information.

8. Supervisory Board members have a respectful relationship with one another.

1	Attitudes are not respectful and there are situations of great tension that eventually lead to conflicts.
2	The climate of respect is precarious and there is little importance placed on maintaining cordial relationships.
3	Relationships are relatively respectful, although occasionally members do not express themselves respectfully, which generates potential for conflict.
4	In general, the climate is one of respect, although there may sometimes be disputes or opinion between the members of the Supervisory Board, who may take these differences personally.
5	There is an atmosphere of full respect and partnership where the members of the Supervisory Board work in a cooperative manner, addressing their differences of opinion in a constructive environment.

9. Supervisory Board decisions are made by consensus.

1	Usually there is an opinion leader who ends up imposing his or her opinion on the rest of the Supervisory Board.

2	There is a small group within the Supervisory Board that ends up imposing their opinions on the rest of the group.
3	Decisions are usually made by majority vote using existing voting rules, rather than trying to reach consensus.
4	Decisions are usually made by majority vote, although for issues of great importance an attempt is made to reach consensus.
5	Consensus is part of the decision-making culture promoted in the Supervisory Board and voting is only used when there is no possibility of reaching agreement, recording divergent opinions in the minutes.

10. Supervisory Board members refrain from making decisions when there is a conflict of interest that prevents them from properly carrying out their duties to the cooperative.

1	No policies or rules for dealing with conflicts of interest exist.
2	Conflicts of interest are not a matter of concern for the Supervisory Board. The members of the Supervisory Board act according to their conscience in these cases.
3	There are standards for treating conflicts, but they are not adequately disseminated among the members of the Supervisory Board. There have been a few cases where it is usually up to the Supervisory Board members' own predisposition to refrain from dealing with issues where there is a conflict of interest involving them.
4	Specific rules are in place to address these issues, which are reported to the Supervisory Board, which actively tries to avoid conflict of interest situations.
5	In addition to formal rules for treating conflicts of interest, Supervisory Board members' are cautious in this regard, usually avoiding involving themselves in these situations and, if they do, making the conflict of interest explicit and refraining from participating in related decisions.

11. The Supervisory Board has a respectful relationship with Management.

1	Relations between the Supervisory Board and Management are uncooperative and unproductive.
2	The members of the Supervisory Board are overly involved in Management tasks, showing a lack of trust in the Management's capacities.
3	The relationship between the members of the Supervisory Board and Management takes place within the framework of the formalities laid down in the rules of the Institution.
4	Management coordinates actions with the Supervisory Board, respecting the guidelines and recommendations made by the Supervisory Board and ensuring their correct application.
5	The relationship between the Supervisory Board and Management is optimal, with coordinated work and, where necessary, teamwork, in the best interests of the Institution.

Functions and Competencies

12. The Supervisory Board oversees the work of the Board of Directors, Management and Committees on an ongoing basis.

1	The Supervisory Board does not fully exercise its oversight functions.
2	The Supervisory Board does its oversight work on a limited and very sporadic basis.
3	The Supervisory Board does its oversight work.
4	The Supervisory Board does its oversight work on an ongoing basis, submitting periodic reports of its work to the Board of Directors.
5	The Supervisory Board carries out its oversight work on an ongoing basis, requiring various types of information for its analysis. If additional information is required, the Supervisory Board requests supplemental materials to support its understanding of the various issues being examined and supports its judgments and resolutions in internal audit reports.

13. The Supervistory Board ensures that the operations of the Cooperative are governed according to current legal frameworks, bylaws, and internal regulations.

1	The Supervisory Board does not monitor these matters because it does not consider them part of its functions.
2	The Supervisory Board understands that follow-up on these issues is part of its functions, but does not do any specific monitoring or evaluation of them.
3	The Supervisory Board makes a very general and sporadic assessment of these issues.t
4	The Supervisory Board does its monitoring and evaluation work of these matters and mentions them generally in its management report.
5	The Supervisory Board does its monitoring and evaluation work of these matters on a permanent basis, and if breaches are found, it reports them to the Board of Directors, Management and, if unresolved, to the Members Assembly.

14. The members of the Supervisory Board evaluate the design, scope and functioning of the internal control system and ensure its efficiency.

1	Supervisory Board members do not consider this their responsibility.
2	Supervisory Board members do not consider this their responsibility. This is considered the responsibility of the Management.
3	The Supervisory Board partially assumes this responsibility, but considers it to be largely the role of the Management.
4	The above issues are dealt with to some extent by the Supervisory Board.
5	The above issues are dealt with by the Supervisory Board. They are considered an integral part of its work, which involves evaluating and issuing reports on these matters.

15. The Supervisory Board reports to the Board of Directors on the degree of compliance with internal policies, control and management problems detected, as well as on follow-up of corrective actions implemented.

1	This work is not done, nor is it considered part of the Supervisory Board's responsibility.
2	This work is done informally, without adequate data systematization and without formal reports.
3	This work is carried out primarily on the basis of information provided by Management to the Supervisory Board, which is not evaluated with respect to its reliability.
4	The members of the Supervisory Board have some oversight mechanisms at their disposal, which they use to monitor compliance issues and generate reports that are presented to the Members Assembly.
5	The members of the Supervisory Board have adequate oversight mechanisms at their disposal, supplemented by other formal control mechanisms such as internal audit and access to information on operations, financial, social, which they use to monitor compliance issues and generate reports that are presented to the Members Assembly.

16. The Supervisory Board regularly reviews the quality of services provided to members.

1	The Supervisory Board does not do this work.
2	The Supervisory Board does this work sporadically and informally.
3	The Supervisory Board makes an annual overall assessment of compliance with its guidelines, based on management reports.
4	The Supervisory Board considers Management and Committee reports to be the best mechanism for verifying the quality of the Cooperative's services to its members.t
5	The Supervisory Board relies on the reports from Management, Committees and their own mechanisms for verifying the quality of services provided to members. When it finds that they are not adequate, it advises the Board and of Directors and Management to make adjustments and improvements accordingly.

17. The Supervisory Board receives complaints from members and conducts corresponding investigations, proposing solutions where appropriate.

1	The Supervisory Board does not do this work.
2	The Supervisory Board does this work sporadically and informally.
3	The Supervisory Board makes an annual overall assessment of compliance with its guidelines, based on management reports.

4	The Supervisory Board receives complaints and delegates the investigation and resolution processes to the Management and follows up on these cases.
5	The Supervisory Board receives complaints and conducts investigations. If complaints require resolution, the Board recommends actions to the Board of Directors and the Management.

INTERPRETATION OF RESULTS

SCORE	STATUS	INTERPRETATION
1-23	DEFICIENT	The Board does not function properly and does not comply with its legal obligations and good corporate governance practices.
24-45	POOR	The Board is not functioning properly and is moderately fulfilling its statutory obligations, although it does not add value to the Cooperative's operations.
46-68	REGULAR	The Board fulfils its statutory obligations, but its work is not yet in line with good corporate governance practices, with regard to strategic guidance of the Cooperative and/or the monitoring and control of the Management's work.
69-81	GOOD	The Board fully complies with its statutory obligations and has incorporated some good corporate governance practices into its operations.
82-90	EXCELLENT	The Board fully complies with its statutory obligations and has incorporated good corporate governance practices into its operations, in terms of strategic guidance of the Cooperative, control and monitoring of the Management's work, in its relationship with cooperative members, and in the timeliness and quality of its decisions.

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INVESTMENT MANAGEMENT

CONFLICT OF INTEREST GUIDELINES

This document was created by consultants Ricardo Villavicencio and Mery Solares
with financial support from Fairtrade Access Fund's Technical Assistance facility.

July 2019.

INTRODUCTION

A conflict of interest is a situation in which a person's integrity and judgment are affected in decision-making by a financial or other interest that favors him/her personally or favors third parties to whom he/she is linked, to the detriment of the interests of the organization.

Current or potential conflicts of interest can have very strong impacts on cooperatives, affecting the reputation and credibility not only of the people involved in the situation, but of the whole organization, weakening its image in the eyes of its various internal and external stakeholders.

Therefore, it is important that the governing bodies of the Cooperative, which in this case are the Board of Directors and Supervisory Board, should create and approve preventive organizational mechanisms (policies, regulations and others) that minimize the appearance of conflicts of interest and, if conflicts arise, establish procedures to properly handle them.

DEFINITION OF CONFLICT OF INTEREST

Conflicts of interest arise when administrators[1] place their own interests in conflict with the interests of the organization, the interests of one jeopardizing the interests of the other.

For the purposes of these guidelines, it shall be understood that a conflict of interest exists in the following cases:

a. When a member of the cooperative has or may have the opportunity to exercise influence over decisions made by the organization, which may afford the member personal gain or advantage, or that of a relative or related persons.

b. When administrators have interests that affect or may affect, directly or indirectly, their impartiality in making decisions within their scope, which could jeopardize the fulfillment of their functions in the cooperative.

According to the Organization for Economic Cooperation and Development (OECD), the following types of conflicts of interest exist:

[1]The members of a Board of Directors are considered administrators, as they are ultimately responsible for the management of the organization and the conduct of Senior Management. In the case of cooperatives, Supervisory Board members and management staff of the organization are also considered administrators.

1. **Actual conflict.** A de facto conflict between an individual or private interest of a person and his or her public obligations.
2. **Apparent conflict.** A situation in which there is a private interest that will not influence the person, but could result in others believing that the interest could influence the performance of his/her duties.
3. **Potential conflict.** A situation in which the person has a private interest that may become a conflict of interest in the future.

Conflicts of interest in cooperatives can arise when members of the Board of Directors, Supervisory Boards or management staff seek to take advantage of their position, abusing their decision-making power or access to privileged information, creating circumstances that tend to favor them personally. In order to avoid such situations, "members of Boards and management should excuse themselves from discussions and votes on matters in which they or their family members have a financial or other interest (nepotism in the case of contracting, for example)".

DUTIES OF ADMINISTRATORS IN THE EVENT OF A CONFLICT OF INTEREST

1. Administrators should demonstrate loyalty to the interests of the organization, putting them above their individual interests.
2. Administrators should avoid not only conflict of interest, but also its appearance, because of the potential damage to the company's reputation.
3. Administrators should refrain from participating in situations that give rise to actual or potential conflicts of interest.
4. Administrators should excuse themselves from intervening in private actions (advice, consultancies) related to the business line.
5. Administrators should avoid using their office for personal gain.
6. Administrators should not participate in decisions where they have conflicts of interest whether real or not.
7. Administrators should refrain from receiving gifts or other favors from external parties which may generate reciprocal obligations thereto.
8. Administrators should refrain from using privileged information for personal gain.
9. In case actual or potential conflicts of interest, administrators must inform the Board of Directors and Supervisory Boards in a transparent and timely manner.

[2] Cak Niederkohr; Karem Ikeda, Jhon. Governance in Savings and Loan Cooperatives. World Council of Credit Unions, 2005

CONFLICT OF INTEREST MANAGEMENT

When administrators (members of the Boards or management staff) inform the Board in full of the existence of conflicts of interest and request authorization to manage them, the Board must proceed to:

1. Receive information about the conflict in a broad and transparent manner.
2. Receive the express request of the involved party to maintain the conflict.
3. Discuss the issue and generate a decision at the Board of Directors level, which must be a majority decision according to the Statutes or Code of Corporate Governance.
4. Deal separately with each conflict of interest situation, independently of other cases.
5. If the conflict of interest involves a member of the Board of Directors, he or she must refrain from entering the debate and voting.
6. If the Board of Directors authorizes the existence of the conflict, it must issue a specific resolution.
7. It is recommended to keep a formal record of all conflict of interest cases submitted, in which the antecedents and resolutions adopted in each case will be incorporated.

TREATMENT OF CONFLICTS OF INTEREST INVOLVING DIFFERENT COOPERATIVE ACTORS

Conflicts of interest involving different actors within the cooperative should be treated in the following manner:

1. When conflicts of interest involve cooperative employees, they should be handled by senior management.
2. When conflicts of interest involve the organization's top executives, they should be handled by the Board of Directors.
3. When conflicts of interest involve members of the Board of Directors or Supervisory Board, it must be handled by the Board of Directors. The person who has the conflict of interest should refrain from participating in the meeting where the conflict is discussed.
4. In the event that the conflict of interest involves one or more members of the Cooperative, it must be handled by the Board of Directors, which should submit its recommendation to the Members Assembly for consideration and resolution.

GUIDELINES FOR SUCCESSION PLANNING IN COOPERATIVES

This document was created by consultants Ricardo Villavicencio and Mery Solares
with financial support from Fairtrade Access Fund's Technical Assistance facility.

July 2019.

INTRODUCTION

These guidelines provide recommendations for cooperatives implement succession plans for key positions, with the understanding that any organization, regardless of its legal form or size, needs to ensure its sustainability over time, including the continuity of its administration to achieve it.

Cooperatives' human resources are their main asset; their performance and continuity depend on the people in charge of executing activities, providing solutions, making decisions and taking ownership of the results. In this sense, it is vitally important to have not only a strong organizational framework, but also qualified and motivated personnel to fulfill their responsibilities.

Dealing with the loss of a key team member without adequate options for filling that position can jeopardize a cooperative's performance and fulfillment of its organizational objectives, in addition to generating negative in terms of leadership, control and organizational climate.

Lacking an adequate Succession Plan can force the institution to look for candidates outside the organization to occupy strategic positions. This can generate unnecessary costs as external hires, no matter how well qualified, must adapt to the organizational culture and take the time to understand the company's unique character and functioning.

With this in mind, cooperatives must make it a strategic priority of their human resources department to design a Succession Plan, which allows the cooperative to identify and train talented team members so that, in the future, they may be called upon to occupy managerial positions. This does not mean that the people currently occupying these positions necessarily plan to leave them in the short term. However, it is necessary to prepare for unexpected events, from the most tragic (death, disability), to the most commonplace, such as an executive deciding to leave the company for personal reasons.

However, a Succession Plan, no matter how well designed and implemented by the institution, does not guarantee that, in the event of an unexpected vacancy in a key position (especially General Management), the Cooperative will be able to promote from within. Cooperatives must also be willing to make substantial recruitment efforts to attract the talent it requires to ensure its sustainability.

DEFINITION

A Succession Plan is an organizational program through which Cooperatives identify their key positions and team members who will participate in the program. These people are evaluated and nominated as possible successors for key positions, without commitment or a certain date of assignment of new functions. Potential successors should be nominated not only based on years of experience or academic achievements, but also based on skills and leadership qualities. The Succession Plan must be complemented by a program to prepare the nominated people for succession to management positions.

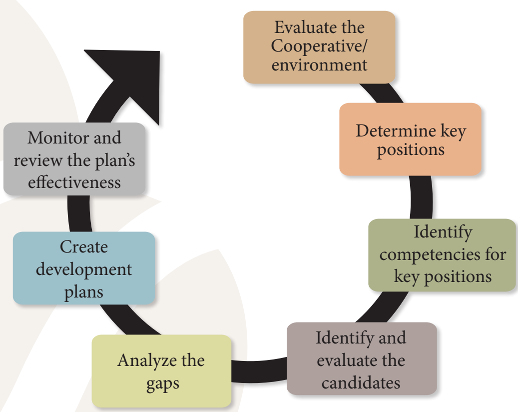
OBJECTIVES

The main objectives of the Succession Plan are the following:

- Ensure managerial continuity, with the understanding that if Cooperatives work on training their managers and middle managers, they will be able to count on successors for key positions.
- Encourage the retention of key personnel, which, although not a decisive element for a staff member to stay or leave, may be important when comparing other offers they may have.
- Achieve greater motivation of their key employees and managers.
- Enable the development and realization of personnel potential, through a professional development plan that defines the appropriate evolution of the staff members' capabilities in order to assume key positions in the future.
- Develop greater staff commitment and involvement in the organization, ensuring their ability to contribute new ideas and ways to run the business in the long term.
- Ensure the cooperative undertakes a constant review of the procedures, processes, profiles and functions of employees, thus improving their performance.
- Improve the business reputation as a solid and well-structured company, which is concerned with retaining its high-level human capital.

DESIGNING A SUCCESSION PLAN

Designing a Cooperative's Succession Plan must take into account the organization's needs, following an orderly process consisting of the following phases:



Evaluate the Cooperative / Environment

Prior to the development of the Succession Plan, it is important to carry out an evaluation of the situation of the Cooperative, mainly with regard to the fulfillment of its strategic plan and institutional goals. The evaluation should also take into account the environment in which the entity operates. The results of this evaluation will form the basis for determining competencies of key positions, since the skills required to lead a company through a period of growth and innovation are different from those required to lead a company facing major performance problems.

Determine Key Positions

As a result of the succession planning, the Cooperative must develop a replacement chart for each key management position, so it is necessary to identify these positions clearly. Key positions are all those who are in charge of tasks with high impact on the services and operations of the Cooperative.

In order to determine which key positions will be incorporated into the Succession Plan, it is important to define up to what level of management the plan should cover.

The first level, which must be taken into account, is the General Management. Although the temporary absence of the General Manager should not pose an existential threat to the institution as long as the functions are somehow covered by area managers, the resignation or sustained absence of the General Manager can generate serious problems.

The second level is made up of area managers: finance, administration, credit, projects, commercial or other as appropriate.

Identify Competencies for Key Positions

Competencies are the set of professional qualities and knowledge necessary for an employee to fulfill the functions and responsibilities that make up his/her role[1].

The best way to predict what a person is capable of is to analyze how that person responds spontaneously in an unstructured situation, or what he or she has done in similar situations in the past[2].

General competencies should be defined for the entire organization and specific competencies defined according to level, position, area, etc. These definitions must take into account the previous experience of the Co-operatives and their strategic plan[3].

The specific competencies required of staff are specific to each organization. They require that knowledge and behavior profiles be formulated according to the strategic situation and knowledge of the environment in which the entity operates; they are unique to the employees who provide them in the performance of their functions and tasks and are modifiable and evolve voluntarily, both by the person and by the company, depending on the requirements of the market and the

1 Rábago López, 2010
2 Fernández & Fajardo, 2004
3 Rábago López, 2010

entity's business model[4].

The elements that comprise a person's professional competencies, according to Spencer and Spencer (1993)[5] are: knowledge, skills and attitudes, which lead to efficiency in the workplace Human Resources is the area responsible for identifying competencies for key positions, which will serve as the basis for identifying good successor candidates.

Identify and Evaluate Candidates

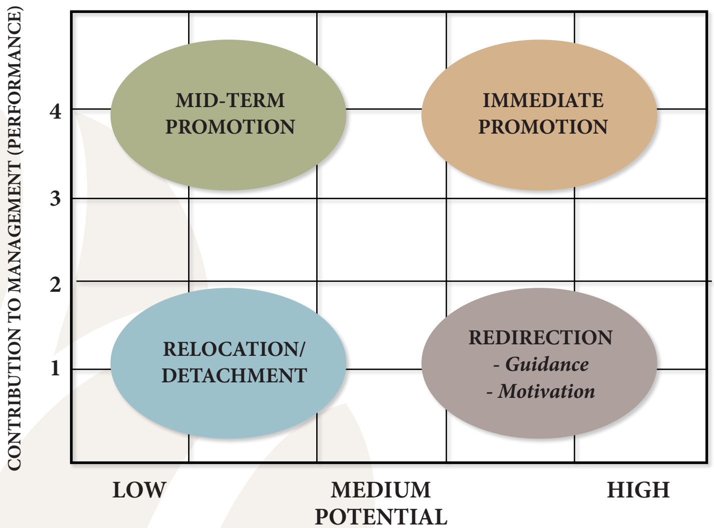
To identify and evaluate potential Succession Plan participants, a Cooperative can utilize competency measurement tools and performance evaluations.

Gap Analysis

Gap analysis is the comparison of the job profile and the profile of the person who could fill it. Gap analysis seeks to identify gaps between these two profiles and measure the extent to which the candidate must be trained and developed in order to perform the potential new role successfully in the future.

The talent identification and development system must identify, measure and manage the gaps between the required competencies and candidates' current competency levels. Once measured, these gaps serve as an input for designing training programs that facilitate the development of competencies where there is a deficit.

The performance/potential evaluation matrix below can provide useful insights to delineate human resource development and management actions in terms of personnel movements.



4 Fernández López, 2005

5 Spencer y Spencer (1993). Competencia en el trabajo, el modelo de evaluación superior. John Wiley & San, Inc, Nueva York, Estados Unidos.

Based on results from the evaluation matrix, management may choose to take the following actions:

High performance/ high potential → *Development Plan*

High performance/ low potential → *Maintenance Plan*

Low performance/ high potential → *Correction Plan*

Low performance/ low potential → *Relocation Plan*

Team members whose potential and performance merit the creation of a development plan formally established by the Cooperative will be the focus of Succession Planning, ensuring that qualified candidates are available at the appropriate time and have enough experience and capacity to handle the responsibilities of the new position.

Finally, a succession plan must take into account the current competencies of the persons occupying each position, their possibilities of occupying others in the future according to their development, and possible training needs.

Create Development Plans

Results from the gap analysis will form the basis for creating and implementing a development plan for the personnel selected as successor candidates. The development plan must then be translated into a practical training program to guarantee that, if a replacement situation arises, the candidate is prepared to assume the position for which they have been selected.

The following figure provides potential talent development options, taking into account impact on a candidate's development and cost for the organization of investing in such programs:

DEVELOPMENT ALTERNATIVES

Attend Courses, Workshops, Lectures, Seminars	Receive Feedback	Learn From Others	Learn From Adverse / Complex Situations	Assign Special Projects	Change Position

Less ← *Impact on Development* → *More*

More ← *Economic Investment / Cost* → *Less*

Monitor and Review the Effectiveness of the Plan

A Succession Plan should be dynamic and should evolve along with the Cooperative. Thus, it is necessary to review the plan periodically, taking into account any changes in the business environment, in the company's situation, or team composition, which might require making the modifications to the plan.