

Durango Natural Foods Cooperative Board of Directors' Policy Manual



Mission Statement

Durango Natural Foods is a cooperatively owned grocery, providing our community with quality local, natural and organic foods and products at a reasonable cost. We are committed to offering excellent customer service and education, while upholding the cooperative principles.

Cooperative Principles

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training, and information
- Cooperation among cooperatives
- Concern for the community

Glossary

- **Board Calendar:** The primary reference for establishing the Board's agenda. The calendar reflects all recurring actions that the Board must take based on the bylaws and policies, including but not limited to GM monitoring, member/owners relations and Board process assessment.
- **Board Process:** How the Board fulfills its function.
- **Board-Management Delegation:** The Board instructing the GM through written policies.
- **BOD:** Board of Directors.
- **Cooperative and Co-op:** Durango Natural Foods Cooperative, inclusive of the Store, General Manager, Member/owners and the Board of Directors.
- **Current Ratio:** The financial value of the Current Assets divided by Current Liabilities.
- **Debt to Equity Ratio:** The financial value of any Mortgage loan divided by Equity plus Member loans.
- **Ends Policy:** The overarching mission and vision for the Cooperative in the community--the shared vision articulated with the Vision and Mission Statements.
- **Executive Limitations:** The limitations placed on the General Manager that shall neither cause nor allow any action, omission or organizational circumstance that is imprudent, unethical, illegal or contrary to the Cooperative Principles. All activity shall be for the purpose of achieving Board policies on Ends. This implies broad, but never independent powers for the GM.
- **GM:** The General Manager hired by the Board of Directors.
- **GM Limitations:** Carefully established, written policies creating boundaries of prudence and ethics within which all executive activity and decisions must take place.
- **GM Performance Monitoring:** The monitoring of the GM by the Board, done in such a way as to assure policy compliance. Systematic and rigorous monitoring of the GM will be solely against the expected GM job outputs: organizational accomplishment of Board policies on Ends, and operation within Board policies on Executive Limitations.
- **Member/owner:** Community members that have paid to join the Cooperative.
- **Staff:** The employees of DNF, who report to the GM.

CONTENTS

Ends	A – Ends
------	----------

Executive Limitations	B – Global Executive Constraint B1 – Financial Condition and Activities B2 – Planning and Budgeting B3 – Asset Protection B4 – Membership Rights and Responsibilities B5 – Treatment of Consumers B6 – Staff Treatment and Compensation B7 – Communication and Support to the Board B8 – GM Succession
-----------------------	--

Board Process	C – Global Governance Commitment C1 – Governing Style C2 – The Board’s Job C3 – Agenda Planning C4 – Board Meetings C5 – Directors’ Code of Conduct C6 – Officers’ Roles C7 – Board Committee Principles C8 – Governance Investment
---------------	---

Board- Management Relationship	D – Global Board-Management Connection D1 - Unity of Control D2 – Accountability of the GM D3 – Delegation to the GM D4 – Monitoring GM Performance
--------------------------------	---

Appendices	<i>Suggested appendices include: Bylaws Board Annual Calendar and Monitoring Schedule Committee Charters Conflict of Interest Disclosure form Monitoring Decision Tree Statement on the Cooperative Identity 4 Pillars of Cooperative Governance article Policy Governance Source Document</i>
------------	--

Policy Type: Ends
Policy Title: A – Global End
Last Revised: February 2014

Durango Natural Foods is a member-owned food cooperative committed to providing quality organic local products and educating our community on the value of healthy living. We

Engage the community in cooperative principles
Participate in a sustainable local economy
Educate consumers about the broad impact of their choices
Provide tools for living a healthy lifestyle
Respect the environment through our actions

This statement will be reviewed annually at the BOD Retreat.

Policy Type: Executive Limitations
Policy Title: B – Global Executive Constraint
Last Revised: September 28, 2015

The General Manager must not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles and the Ends Policy.

Policy Type: Executive Limitations
Policy Title: B1 – Financial Condition and Activities
Last revised: September 28, 2015

With respect to the actual, ongoing financial conditions and activities, the General Manager must not cause or allow the Cooperative to be unprepared for future opportunities, the development of fiscal jeopardy, or key operational indicators to be below average for our industry.

The GM must not:

1. Allow sales growth to be inadequate.
2. Allow operations to generate an inadequate net income.
3. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.
4. Allow solvency (the relationship of debt to equity) to be insufficient.
5. Allow growth in ownership and owner paid-in equity to be insufficient.
6. Default on any terms that are part of the Cooperative's loans.
7. Allow late payment of contracts, payroll, loans or other financial obligations.
8. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
9. Acquire, encumber or dispose of real estate without Board approval.
10. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
11. Use restricted funds for any purpose other than that required by the restriction.
12. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).
13. Transact capital expenditures greater than \$3,000.00 per month without approval of the Board
14. Fall out of good NCG membership standing nor fall out of line with any applicable national NCG purchasing contract requirements.

Policy Type: Executive Limitations
Policy Title: B2 –Planning and Financial Budgeting
Last revised: September 28, 2015

The General Manager must not operate without annual and multi-year budgets and plans that address intentional and improved Ends accomplishment along with avoidance of fiscal jeopardy.

The GM must not:

1. Create plans or budgets that
 - a. Risk incurring those situations or conditions described as unacceptable in the Board policy “Financial Condition and Activities.”
 - b. Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
 - c. Do not address excellence in business systems and operations.
 - d. Have not been demonstrated to be feasible.
2. Provide less for Board prerogatives during the year than is set forth in the board budget.

Policy Type: Executive Limitations

Policy Title: B3 – Asset Protection

Last revised: September 28, 2015

The General Manager must not allow assets to be unprotected, unreasonably risked, or inadequately maintained.

The GM must not:

1. Allow equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.
2. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
3. Allow deposits or investments to be unreasonably risked.
4. Allow inadequate security of premises and property.
5. Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.
 - a. Allow improper usage of members' and customers' personal information.
6. Allow purchasing that is uncontrolled or subject to conflicts of interest.
7. Allow lack of due diligence in contracts.
8. Allow damage to the coop's goodwill, its public image, its credibility, or its ability to accomplish Ends.

Policy Type: Executive Limitations
Policy Title: B4 – Membership Rights and Responsibilities
Last Revised: September 28, 2015

The General Manager will not fail to establish, maintain, and promote a vital membership program that builds a sense of ownership among members, nor allow members to be uninformed or misinformed of their rights and responsibilities.

The GM must not:

1. Create or implement a member equity system without the following qualities:
 - a. The required member equity, or fair share, is determined by the Board.
 - b. Members are informed that equity investments are a) at risk, and b) generally refundable, though the Board retains the right to withhold refunds when necessary to protect the Cooperative's financial viability.
 - c. Equity will not be refunded if such refunds would lead to a net decrease in total member paid-in equity, or would risk, cause or exacerbate non-compliance with any Financial Condition policy.
2. Implement a patronage dividend system that does not
 - a. Comply with IRS regulations.
 - b. Allow the Board to examine a range of options and implications, so the Board can make a timely determination each year concerning how much, if any, of the Cooperative's net profit will be allocated and distributed to members.
3. Fail to provide members opportunities to participate in the cooperative.
4. Fail to inform members of board actions, meeting, activities, and events.
5. Change the equity payments requirement without board approval.
6. Fail to inform members of what may be expected and what may not be expected from the membership.

Policy Type: Executive Limitations
Policy Title: B5 – Treatment of Customers
Last Revised: September 28, 2015

The General Manager must not be unresponsive to customer needs.

The GM must not:

1. Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints and suggestions.
2. Fail to provide education of member/owners and the community at-large to include, at minimum, cooperative ideas and principles.
3. Fail to provide customers with a safe and pleasant shopping environment, including superior customer service.
4. Fail to provide customers with product policy information

Policy Type: Executive Limitations
Policy Title: B6 - Staff Treatment and Compensation
Last revised: September 28, 2015

The General Manager must not treat staff in any way that is unfair, unsafe, or unclear or illegal.

The GM must not:

1. Operate without written personnel policies that:
 - a. Clarify rules for staff.
 - b. Provide for fair and thorough handling of grievances in a way that does not include the board as a participant in the grievance process.
 - c. Are accessible to all staff.
 - d. Inform staff that employment is neither permanent nor guaranteed.
2. Cause or allow personnel policies to be inconsistently applied.
3. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
4. Establish compensation and benefits that are internally or externally inequitable.
5. Change the GM's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.
6. Operate with inadequately trained staff.
7. Operate without a mechanism for staff feedback regarding management and operations.
8. Utilize volunteers in a manner that is financially or legally unsound.
9. Allow staff to be uninformed about the role of the Board.
10. Fail to support staff contacting Board members concerning either illegal activity or Breaking of DNF Co-op Policies by the General Manager

Policy Type: Executive Limitations
Policy Title: B7 – Communication and support to the Board
Last Revised: September 28, 2015

The General Manager must not cause or allow the Board to be uninformed or unsupported in its work.

The GM must not

1. Submit monitoring reports that are untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy.
2. Report in an untimely manner any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance and a proposed schedule regarding follow-up reporting.
3. Allow the Board to be unaware of relevant legal actions, media coverage, trends, public events of the Cooperative, or internal and external changes.
4. Withhold his/her opinion if the GM believes the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the GM.
5. Deal with the Board in a way that favors or privileges certain directors over others except when responding to officers or committees duly charged by the Board.
6. Fail to supply for the Board's consent agenda all decisions delegated to the GM yet required by law, regulation, or contract to be Board-approved.
7. Provide the Board with insufficient staff administration to support governance activities and Board communication.
8. Allow insufficient archiving of board documents.

Policy Type: Executive Limitations
Policy Title: B9 – Emergency GM Succession
Last revised: September 28, 2015

To protect the Board from sudden loss of GM services, the GM must not have less than one other manager sufficiently familiar with Board and GM issues and processes to enable her/him to take over with reasonable proficiency as an interim successor.

Policy Type: Board Process
Policy Title: C – Global Governance Commitment
Last Revised: October 12, 2015

The Board of Directors (BOD) shall assure that the Cooperative's purpose, mission, and principles are carried out in the interests of its member/owners, while avoiding any action detrimental to the Cooperative. Acting on behalf of our owners, the Board ensures the success of the cooperative by working together effectively, empowering and holding accountable professional management, providing strategic leadership for our cooperative, and perpetuating our democratic organization.

Policy Type: Board Process
Policy Title: C1 – Governing Style
Last Revised: October 12, 2015

The Board will govern in a way that (1) emphasizes strategic and proactive leadership, (2) provides clear distinctions of Board and management roles, and (3) deliberates in many voices but governs in one voice and (4) in a manner consistent with the Four Pillars of Cooperative Governance (Teaming, Accountable Empowerment, Strategic Leadership, Democracy). In order to do this, we will:

1. Be a strategic leader by focusing our vision outward and toward the future.
2. Ensure effective systems of delegating authority to professional management, holding the use of that power accountable, and clearly distinguishing between board and management responsibilities.
 - a. Observe the 10 Policy Governance principles (Ends Policies, Ownership, Board Process Policies, Board Holism, Board-Management Relationship Policies, Governance Position, Limitations Policies, Policies/Decisions Come in Sizes, Any Reasonable Interpretation, Monitoring)
3. Maintain team discipline, authority and responsibility.
4. Practice the habits of a successful democracy.
5. Obey all relevant laws and bylaws.

Policy Type: Board Process
Policy Title: C2 – The Board’s Job
Last Revised: October 12, 2015

In order to govern successfully, we will:

1. Practice, protect, promote and perpetuate a healthy democracy and an expanded vision for our Cooperative.
2. Hire, compensate, delegate responsibility to, and hold accountable a General Manager.
 - a. Use a strategic process to establish the value of GM compensation, and complete this process in a timely manner.
3. Assign responsibility in a way that honors our commitment to empowerment and clear distinction of roles.
4. The Board will initiate policy and rigorously monitor operational performance in the areas of Ends and Executive Limitations, and Board performance in the areas of Board Process and Board-Management Relationship.
 - a. Rotate monthly reviews of Board Process and Board-Management Delegation policies.
 - b. Conduct an orientation session for all new Board members annually.
 - c. Conduct a Board retreat annually.
5. Perpetuate the Board’s leadership capacity using ongoing education and training, a robust recruitment, qualification and nomination process and fair elections.
6. Perform other duties as required by the bylaws or because of limitations on GM authority.
7. Utilize strategic visioning and foresight to prepare and steward the coop as needed to ensure continued success.
8. The Board will create a shared vision (Ends policies) that guides strategic planning.
9. The Board will develop effective communication between the Cooperative and its member/owners.
10. Board performance will be regularly measured and areas of weakness addressed.
 - a. Annually review and, as needed, modify all Board Process policies.
 - b. Annually review and, as needed, modify all Board-Management Delegation policies.
 - c. Establish a monthly schedule of GM reporting on Executive Limitations policies so that all policies are reported on at least once annually. As needed, the Board will modify the schedule and/or policies and/or the amount of detail required in the reports.

- d. Establish a system to annually review and/or create Ends policies. The Board will establish a schedule of GM reporting on Ends policies so that all policies are reported on at least once annually.
11. We will follow a strategic multi-year workplan and annual agenda that focuses our attention upward and outward. Accordingly, we will create, and modify as necessary, an annual calendar that includes tasks and events related to our multi-year workplan, membership meetings, Board training schedule, monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board-Management Relationship policies.
 12. The Board is the sole authority over its own agenda. The President generally exercises this control on behalf of the Board, but any Board member, with the majority's agreement, may add, delete, or rearrange the order of items on the agenda.

Policy Type: Board Process
Policy Title: C3 – Board Meetings
Last Revised: October 12, 2015

Board meetings are for the task of getting the Board's job done.

1. Only issues that reflect the Board's chosen and legal areas of responsibility shall consume Board time.
2. Meetings will be open to the membership except when executive session is officially called.
 - a. The Board President may put an Executive Session on the agenda, or a simple majority may declare one to discuss financial issues, real estate, personnel matters, litigation, or potential litigation.
 - b. The Board may include no one or anyone else it chooses in an Executive Session.
 - c. The Board member/owner calling for an Executive Session must state their purpose in advance.
 - d. Whenever possible, an Executive Session should be announced on the published agenda or a Board majority may declare an Executive Session during a Board meeting.
 - e. While discussions in Executive Session shall be confidential, any resulting action or vote shall be reported in the minutes, in a manner consistent with the need for confidentiality.
3. We will seek consensus through discussion. We will then finalize and document decisions through the use of motions, seconds and majority vote.
4. Board meeting agendas will be determined by the Board president, and may be modified at the meeting by a majority vote of the Board.
 - a. The President shall ensure that the agenda is posted in the store no later than three days prior to the meeting.
5. Minutes shall be kept for each meeting using the following format when appropriate:
 - a. The minutes shall use a format that includes at least the following headings for each agenda item:
 - i. Item Title: This heading should match agenda titles.
 - ii. Issues Raised: This heading identifies main points of discussion.
 - iii. Action Taken: This heading records Board votes, informal decisions, postponement or tabling of items, and so on.

- iv. Action Required: This item records further planned action, such as requests for more information, deadlines for action, or assigned duties to specific persons.
 - v. Attachments: This heading is used as needed, and attachments are identified by title and date.
6. Rotate monthly reviews of Board Process and Board-Management Delegation policies.

Policy Type: Board Process
Policy Title: C4 – Directors’ Code of Conduct
Last Revised: October 12, 2015

We each commit ourselves to ethical, professional and lawful conduct.

1. Every director is responsible at all times for acting in good faith, in a manner which she/he reasonably believes to be in the best interests of the Cooperative, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.
2. Directors must demonstrate unconflicted loyalty to the interests of the Cooperative’s owners. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other Boards or staffs, and the personal interest of any director acting as an individual consumer or member.
 - a. There will be no self-dealing or any conduct of private business or personal services between any director and the Cooperative except as procedurally controlled to assure openness, competitive opportunity and equal access to “inside” information.
 - b. At a new director’s first board meeting, he/she will complete the “Conflict of Interest Disclosure” form, and will verbally report to the whole board the potential conflicts. Any subsequent potential conflicts will be reported to the whole board immediately.
 - c. When the Board is to decide on an issue about which a director has an unavoidable conflict of interest, that director shall abstain from the conversation and the vote.
 - d. A director who applies for employment must first resign from the Board.
 - e. (Any director who is also a paid employee has the same duties and responsibilities as any other director, and has the additional duty of clearly segregating staff and Board responsibilities. Any director who is also a paid employee will resign from the Board if and when their employment ends.)
3. Directors may not attempt to exercise individual authority over the organization.
 - a. When interacting with the GM or employees, directors must carefully and openly recognize their lack of authority.
 - b. When interacting with the public, the press, or other entities, directors must recognize the same limitation and the inability of any director to speak for the Board except to repeat explicitly stated Board decisions.
4. Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service.
5. Directors will prepare for attend, and participate fully in all Board meetings and trainings.

6. Directors will support the legitimacy and authority of the Board's decision on any matter, irrespective of the director's personal position on the issue.
7. Any director who does not follow the code of conduct policy can be removed from the Board by a 2/3 majority vote of the remaining Board.

Policy Type: Board Process
Policy Title: C5 – Officers' Roles
Last Revised: October 12, 2015

We will elect officers in order to help us accomplish our job.

1. No officer has any authority to supervise or direct the GM.
2. Officers may delegate their authority but remain accountable for its use.
3. The president ensures the Board acts consistently with Board policies.
 - a. The president is authorized to make decisions that are consistent with Board Process and Board-Management Relationship policies in order to facilitate the Board's functioning.
 - b. The president will chair and set the agenda for Board meetings.
 - c. The president plans for leadership (officer) perpetuation.
 - d. The president may represent the Board to outside parties.
 - e. The president will preside over the annual meeting of member/owners.
4. The vice-president will perform the duties of the president in her/his absence.
5. The treasurer will lead the Board's process for creating and monitoring the Board's (not the Cooperative's) budget.
 - a. In addition, the treasurer will facilitate the Board's understanding of the financial condition of the Cooperative.
6. The secretary will make sure the Board's documents are accurate, up to date, and appropriately maintained.
 - a. In addition, the secretary is responsible for preparing the Board minutes, either personally or through delegation to another Board member. After meetings, the Secretary shall perform or oversee the editing of the minutes.

Policy Type: Board Process
Policy Title: C6 – Board Committee Principles
Last Revised: October 12, 2015

We will use Board committees only to help us accomplish our job.

1. Committees will reinforce and support Board holism.
 - a. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
 - b. The Board may form Board committees either as a standing committee or for a particular purpose; committees formed for a particular purpose will later be dissolved. Standing committees may include: Member/Owner Relations, Policy Development, Finance, and Nominations and Elections.
2. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.
3. The Board will establish, regularly review and control committee responsibilities in written committee charters.
 - a. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.
4. The Board appoints committee chairs. Only Board members may be chairpersons. Board members may serve on any Board committees of their choosing. Other member/owners may serve on Board committees only with the consent of committee members, unless otherwise stated in the committee charter.

Policy Type: Board Process
Policy Title: C7 – Governance Investment
Last Revised: October 26, 2015

We will invest in the Board's governance capacity: The Board will continually improve its ability to govern by providing adequate resources for training, monitoring, and relations with member/owners. Costs will be prudently incurred but not so restrictive as to hinder Board development or functioning.

1. We will make sure that Board skills, methods and supports are sufficient to allow us to govern with excellence.
2. We will incur governance costs prudently, though not at the expense of endangering the development and maintenance of superior capability.
 - a. We will use training and retraining liberally to orient new directors and board candidates, as well as to maintain and increase existing directors' skills and understanding.
 - b. We will arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance.
 - c. We will use outreach mechanisms as needed to ensure our ability to listen to owner viewpoints and values.
 - d. We will use professional and administrative support.
3. We will develop the Board's annual budget in a timely way so as to not interfere with the development of the Cooperative's annual budget. In no case will we complete this work later than November 1.
4. Board members should be recognized for the value of their volunteer service to the Board and the Cooperative. Accordingly, all members of the Board of Directors, elected or appointed, shall be compensated with a 10 percent discount on purchases from the Cooperative. Board members will receive no other compensation.

Policy Type: Board Process
Policy Title: C8 – Records Policy
Last Revised: October 26, 2015

Board records will be maintained in a secure and accessible manner so as to perpetuate the organizational memory of its decision making. Records will, to the extent practical, remain open to member/owners' inspection. The approved minutes of each Board meeting will be posted in a manner approved by the Board.

Accordingly:

1. Documents shall be archived to meet legal requirements regarding type of document, archive medium and duration.
 - a. The Secretary will archive approved minutes of monthly and special Board meetings in electronic form for three years.
 - b. The Secretary will archive approved minutes of executive session meetings regarding internal Board matters, such as appointments to the Board and conflict of interest in electronic form for three years.
 - c. Archive the original paper copies of personnel documents such as employment contracts, performance evaluations, and other official communications between the Board and the GM or between the Board and contract workers for a period of six years following termination.
 - d. Archive the original paper copies of documents that commit the Co-op to the acquisition of substantial assets or liabilities such as purchases or loans indefinitely.
 - e. The Board Secretary shall review on a yearly basis all archived documents and, with the President's approval, destroy any that have exceeded their required legal and internal retention requirements.
2. The GM shall maintain a secured storage unit to archive hard copies of certain documents. Only the GM will allow access to this storage.
3. The Secretary and one additional Board member shall, independently of each other, maintain complete electronic backup copies of all electronically archived documents. Backup documents shall always be maintained in an electronic storage medium that is currently available and readable.
4. Documents concerning the following shall be considered confidential: (1) personnel matters, (2) actual or potential legal actions, (3) strategic development, (4) any other issue the Board deems to be worthy of confidential status, and (5) all minutes from Board Executive Sessions.
5. All confidential documents, both electronic and hard copy, will be maintained in secured files, with the Board Secretary limiting access to current Board members.
 - a. The Board President is responsible for ensuring that the Secretary maintains an archive of confidential Board documents.

- b. Physical and/or electronic documents requiring confidentiality shall be archived at a location that provides primary access for the Secretary and also assures access for the President.

Policy Type: Board-Management Relationship
Policy Title: D – Global Board-Management Connection
Last Revised: October 26, 2015

The Board's sole official connection to the operations of the cooperative will be through the General Manager.

Policy Type: Board-Management Relationship

Policy Title: D1 – Unity of Control

Last Revised: October 26, 2015

Only officially passed motions of the Board are binding on the GM.

1. Decisions or instructions of individual directors, officers, or committees are not binding on the GM except in rare instances when the Board has specifically authorized this power.
2. In the case of directors or committees requesting information or assistance without Board authorization, the GM can refuse any requests that, in the GM's opinion, may disrupt operations or that require too much staff time or resources.

Policy Type: Board-Management Relationship

Policy Title: D2 – Accountability of the GM

Last Revised: October 26, 2015

The General Manager is the Board's only link to operational achievement and conduct.

1. The Board will view GM performance as identical to organizational performance so that organizational accomplishment of Ends and organizational operation within Executive Limitations will be viewed as successful GM performance.
2. The Board will not instruct or evaluate any employee other than the GM.

Policy Type: Board-Management Relationship

Policy Title: D3 – Delegation to the GM

Last Revised: October 26, 2015

The Board delegates authority to the GM through written Ends and Executive Limitations policies.

1. As long as the GM uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the GM is authorized to establish all further policies, practices and plans for the cooperative.
2. The Board will respect and accept the GM's choices as long as those choices are based on reasonable interpretations of Board policies.
3. If the Board changes an Ends or Executive Limitations policy, the change only applies in the future.

Policy Type: Board-Management Relationship
Policy Title: D4 – Monitoring GM Performance
Last Revised: October 26, 2015

The Board will systematically and rigorously monitor and evaluate the GM's job performance compared to expectations set forth in Board policies.

1. The Board will acquire monitoring information by one or more of three methods: (a) by internal report, in which the GM discloses policy interpretations and compliance information to the Board; (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies; or (c) by direct Board inspection, in which a designated director or committee assesses compliance with the policy.
2. In every case, the Board's standard for compliance will be any reasonable GM interpretation (as described by operational definitions and metrics) of the Board policy being monitored. The Board is the final arbiter of reasonableness but we will always judge with a "reasonable person" test rather than with interpretations favored by individual directors or by the Board as a whole.
3. The Board will accept that the GM is compliant with a policy if he/she presents a reasonable interpretation and adequate data that demonstrate accomplishment of that interpretation.
4. The Board will monitor all policies that instruct the GM. The Board can monitor any policy at any time by any method listed above but will ordinarily follow the schedule outlined in the Board Annual Calendar.
5. The Board will evaluate the General Manager 6 months and one year after the date of hire and annually thereafter, based on a summary of monitoring reports reflecting that evaluation period.

APPENDICES

SAMPLE
Code of Conduct Agreement
For Board of Directors

I agree to abide by Board Policy C5 Code of Conduct and any subsequent changes the board makes to that policy. I understand that if, in the opinion of 2/3 of co-op directors, I have violated the letter or spirit of the Code of Conduct, the board has the ability to vote to remove me from the board in accordance with policy C5.

According to Policy C5 I have an affirmative duty to disclose my actual and potential conflicts of interests, including relationships (such as with associations, organizations of which our co-op is a member, co-op employees and vendors) which may pose a conflict of interest in whole or in part with respect to my service on the board. These are listed below. I understand that I have a duty to disclose any additional actual or potential conflicts that may arise and to abide by board policy regarding participation in matters under consideration by the board.

Signature of Director/Candidate

Date

Note: This form is to be completed by all directors annually, within one month following board elections.

COMMITTEE CHARTER (SAMPLE, LAST REVISED 10/08/09)

COMMITTEE: NOMINATION AND RECRUITMENT

DATE CHARTERED:

END OF TERM:

The primary purposes of the Nomination and Recruitment Committee will be to:

1. Identify and recruit a pool of well-qualified Board candidates according to Board policy.
2. Develop an application and screening process.
3. Provide a brief written report to the Board monthly about the activities of this committee.
4. Submit to the Board in a timely way names of recommended nominees for election or appointment.

POLICY GOVERNANCE® SOURCE DOCUMENT

Why a Source Document?

A “source” is a point of origin. A source document is a “fundamental document or record on which subsequent writings, compositions, opinions, beliefs, or practices are based.” (Websters)

Without a simply expressed clear point of source, interpretations, opinions, writings and implementations may intentionally or unintentionally diverge from the originating intent and ultimately be undifferentiated. The point of source (“authoritative source”) is John Carver, the creator of Policy Governance, with Miriam Carver his fellow master teacher.

Without a simply expressed clear source document, Policy Governance is not reliably grounded and not transferable as a paradigm of governance. It is left vulnerable to interpretation, adaptation and impotence. This document has been produced by the International Policy Governance Association and approved by John and Miriam Carver as being true to source.

What Policy Governance is NOT!

1. Policy Governance is not a specific board structure. It does not dictate board size, specific officers, or require a CEO. While it gives rise to principles for committees, it does not prohibit committees nor require specific committees.
2. Policy Governance is not a set of individual “best practices” or tips for piecemeal improvement.
3. Policy Governance does not dictate what a board should do or say about group dynamics, methods of needs assessment, basic problem solving, fund raising, managing change.
4. Policy Governance does not limit human interaction or stifle collective or individual thinking.

What Policy Governance IS!

Policy Governance is a comprehensive set of integrated principles that, when consistently applied, allows governing boards to realize owner-accountable organizations.

Starting with recognition of the fundamental reasons that boards exist and the nature of board authority, Policy Governance integrates a number of unique principles designed to enable accountable board leadership.

Principles of Policy Governance

1. **Ownership:** The board exists to act as the informed voice and agent of the owners, whether they are owners in a legal or moral sense. All owners are stakeholders, but not all stakeholders are owners, only those whose position in relation to an organization is equivalent to the position of shareholders in a for-profit corporation.
2. **Position of Board:** The board is accountable to owners that the organization is successful. As such it is not advisory to staff but an active link in the chain of command. All authority in the staff organization and in components of the board flows from the board.
3. **Board Holism:** The authority of the board is held and used as a body. The board speaks with one voice in that instructions are expressed by the board as a whole. Individual board members have no authority to instruct staff.
4. **Ends Policies:** The board defines in writing its expectations about the intended effects to be produced, the intended recipients of those effects, and the intended worth (cost-benefit or priority) of the effects. These are Ends policies. All decisions made about effects, recipients, and worth are Ends decisions. All decisions about issues that do not fit the definition of Ends are means decisions. Hence in Policy Governance, means are simply not Ends.
5. **Board Means Policies:** The board defines in writing the job results, practices, delegation style, and discipline that make up its own job. These are board means decisions, categorized as Governance Process policies and Board-Management Delegation policies.
6. **Executive Limitations Policies:** The board defines in writing its expectations about the means of the operational organization. However, rather than prescribing board-chosen means – which would enable the CEO to escape accountability for attaining Ends, these policies define limits on operational means, thereby placing boundaries on the authority granted to the CEO. In effect, the board describes those means that would be unacceptable even if they were to work. These are Executive Limitations policies.
7. **Policy Sizes:** The board decides its policies in each category first at the broadest, most inclusive level. It further defines each policy in descending levels of detail until reaching the level of detail at which it is willing to accept any reasonable interpretation by the applicable delegatee of its words thus far. Ends, Executive Limitations, Governance Process, and Board-Management Delegation policies are exhaustive in that they establish control over the entire organization, both board and staff. They replace, at the board level, more traditional documents such as mission statements, strategic plans and budgets.

Clarity and Coherence of Delegation: The identification of any delegatee must be unambiguous as to authority and responsibility. No subparts of the board, such as committees or officers, can be given jobs that interfere with, duplicate, or obscure the job given to the CEO.

8. **Any Reasonable Interpretation:** More detailed decisions about Ends and operational means are delegated to the CEO if there is one. If there is no CEO, the board must delegate to two or more delegates, avoiding overlapping expectations or causing confusion about the authority of various managers. In the case of board means, delegation is to the CGO unless part of the delegation is explicitly directed elsewhere, for example, to a committee. The delegatee has the right to use any reasonable interpretation of the applicable board policies.
9. **Monitoring:** The board must monitor organizational performance against previously stated Ends policies and Executive Limitations policies. Monitoring is for the purpose of discovering if the organization achieved a reasonable interpretation of these board policies. The board must therefore judge the CEO's interpretation for its reasonableness, and the data demonstrating the accomplishment of the interpretation. The ongoing monitoring of board's Ends and Executive Limitations policies constitutes the CEO's performance evaluation.

All other practices, documents, and disciplines must be consistent with the above principles. For example, if an outside authority demands board actions inconsistent with Policy Governance, the board should use a 'required approvals agenda' or other device to be lawful without compromising governance.

Policy Governance is a precision system that promises excellence in governance only if used with precision. These governance principles form a seamless paradigm or model. As with a clock, removing one wheel may not spoil its looks but will seriously damage its ability to tell time. So in Policy Governance, all the above pieces must be in place for Policy Governance to be effective. When all brought into play, they allow for a governing board to realize owner accountability. When they are not used completely, true owner accountability is not available.

Policy Governance boards live these principles in everything they are, do and say.

Produced by International Policy Governance Association in consultation with John and Miriam Carver, 2005 – 2007 – 2011.

Policy Governance® is a registered service mark of John Carver. Used with permission.

Copying permitted if attributed to source. If referenced as source document, must reference entire document and, if copied, be copied in its entirety.

Policy Governance ® is an internationally registered service mark of John Carver. Registration is only to ensure accurate description of the model rather than for financial gain. The model is available free to all with no royalties or licence fees for its use. The authoritative website for the Policy Governance model is www.carvergovernance.com