

# Good Foods Co-op Board of Directors

## Governance Policies

February 2019

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## **I. Ends**

Good Foods Co-op is at the forefront of a vibrant cooperative economy and is engaged in community partnerships to nourish:

- An equitable and sustainable local food system,
- Education that cultivates food citizenship, and
- Access to healthy food for all.

## **II. Executive Limitations**

The General Manager (GM) 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.

## **A. Treatment of Consumers**

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. Allow an unsafe or unfair shopping experience for our customers.

## **B. Ownership Rights and Responsibilities**

The General Manager must not allow owners to be uninformed or misinformed of their rights and responsibilities.

The GM must not:

1. Create or implement an owner equity system without the following qualities:
  - a) The required owner equity, or fair share, is determined by the Board.
  - b) Owners 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 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 owners.
3. Sell the ownership list.

### **C. Staff Treatment and Compensation**

With respect to treatment of staff, the General Manager must not treat staff in any way that is unfair, unsafe, or unclear.

Further, he or she must not

1. Operate without written personnel policies which:
  - a. Clarify rules for staff
  - b. Provide clear, effective 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 or unfairly applied.
3. Allow staff to be untrained or unprepared to deal with emergency situations.
4. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
5. Establish compensation and benefits that are internally or externally inequitable.
6. Change the GM's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

#### **D. Financial Condition and Activities**

With respect to the actual, ongoing financial condition and activities, the General Manager must not cause or allow the Cooperative to be unprepared for future opportunities, or the development of fiscal jeopardy.

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 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, lease, or other similar contracts.
7. Allow late payments of contracts, loans, or other financial obligations.
8. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of business.
9. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
10. Acquire, encumber, or dispose of real property.
11. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).

## **E. Asset Protection**

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

Further, 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 by business interruption.
2. Allow facilities and equipment to be inadequately maintained.
3. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
4. Allow lack of due diligence in contracts.
5. Allow purchasing that is uncontrolled or subject to conflicts of interest.
6. Allow data or files to be unprotected from loss, theft, or significant damage.
7. Allow improper usage of owners' and customers' personal information.
8. Receive, process, or disburse funds under controls that are insufficient to meet the Board appointed auditor's standards.
9. Allow deposits or investments to be unreasonably risked.
10. Allow damage to or significantly alter the Cooperative's public image or identity.



## **F. Planning and Financial Budgeting**

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's policy "Financial Condition and Activities."
  - b) Omit credible projection of revenues and expenses, 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 tested for feasibility.
2. Provide less for Board expenditures during the year than is set forth in the Board budget.

## **G. Emergency General Manager Succession**

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

## **H. Communication to the Board**

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

The GM must not:

1. Fail to submit monitoring reports that are timely, accurate, and contain operational interpretations 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 Board-GM relationship and Board Process, 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 any 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.

## **I. Board Logistical Support**

The General Manager must not allow the Board to have inadequate logistical support.

The GM must not:

1. Provide the Board with insufficient staff administration to support governance activities and Board communication.
2. Allow the Board to be without a workable mechanism for official Board, officer, or committee communications.
3. Allow directors to be without an updated copy of the Policy Register and the Bylaws.
4. Provide inadequate information and notice to owners concerning Board actions, meetings, activities, and events.
5. Allow insufficient archiving of Board documents.

### **III. Board Management Connection**

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

## **A. Accountability of the General Manager**

1. The General Manager is the Board's only link to operational achievement and conduct.
2. The Board will view GM performance as identical to organizational performance so that organizational accomplishment and organizational operation within Executive Limitations will be viewed as successful GM performance.
3. The Board will not instruct or evaluate any employee other than the GM.

## **B. Delegation to the General Manager**

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

1. As long as the General Manager uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the General Manager is authorized to establish all further policies, practices, and plans for the Cooperative.
2. The Board will respect and accept the General manager'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 to the future.

### **C. Unity of Control**

Only official decisions of the Board are binding on the General Manager. 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. In the case of directors or committees requesting information or assistance without Board authorization, the General Manager can refuse any requests that in the GM's opinion may disrupt operations or that require too much staff time.



#### **D. Monitoring General Manager Performance**

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 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's annual evaluation of the General Manager will be based on a summary of monitoring reports received. The Board will make its decisions concerning the evaluation in accordance with the timing stated in the GM employment contract.

## Annual Compliance Report Schedule

I. ENDS	Internal Annual: February
II. EXECUTIVE LIMITATIONS	
A. Treatment of Consumers	Internal Annual: June
B. Ownership Rights & Responsibilities	Internal Annual: July
C. Staff Treatment	Internal Annual: Sept.
D. Financial Condition and Activities	Internal Quarterly: Feb, May, Aug, Nov
E. Asset Protection	Internal Quarterly: Feb, May, Aug, Nov
Insurance Coverage	Internal Annual: August
Audit/Review	External Annual: May
F. Planning and Financial Budgeting	
• Budget	Internal Annual: December
• Business Plan	Internal Annual: January
G. Emergency GM Succession	Internal Annual: March
H. Communication to the Board	Internal Annual: April
I. Board Logistical Support	Internal Annual: April
III. BOARD MANAGEMENT CONNECTION	President Annual: October
IV. GOVERNANCE COMMITMENT	President Annual: March

## **E. General Manager Contract, Evaluation, and Compensation**

1. *Compensation Proposal.* The GM may provide the Board a compensation proposal in January of even numbered years. The Board's request will set forth criteria for the GM's compensation proposal. In the first quarter of the year the Board will review the GM's proposal and work together with the GM to develop an acceptable compensation plan.
2. *General Manager Performance Review.* GM performance shall be evaluated after the close of the performance year, which runs from January to December. The President shall see that a tally of GM compliance reports relating to the previous year is compiled (including the February Ends report on the prior year). The Board will meet with the GM to review the previous 12 months and plan for the upcoming year.
3. *GM Bonus Decision and Contract Renewal.* In the first quarter of each year the Board will consider a GM bonus for Co-op performance, as outlined in the agreed-upon compensation plan. The Board will also consider whether to renew the biennial contract with the GM at appropriate two year intervals. The Board shall notify the GM of its intent to renew or not at least 6 months before the new contract period.

#### **IV. Governance Commitment**

The Board has fiduciary responsibility to the owners. 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.

## **A. Responsibility to Owners**

Within reasonable cost constraints, the Board is accountable to the owners and is committed to communication with owners which includes, but is not limited to:

1. Seeking owners' values on what Good Foods Co-op should achieve and the limitations within which achievement should be accomplished.
2. Informing owners about the Board's governance work and educating owners on their role as owners.
3. Accounting to the owners about Good Food Co-op's accomplishment of Ends within acceptable means.

## **B. Governance Investment**

The Board will invest in its own governance capacity.

1. The Board will make sure that its skills, methods, and supports are sufficient to allow us to govern with excellence.
2. The Board will incur governance costs prudently, though not at the expense of endangering the development and maintenance of superior capability.
3. The Board 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.
4. The Board will arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance.
5. The Board will use outreach mechanisms as needed to ensure our ability to listen to owner viewpoints and values.
6. The Board will use professional and administrative support.
7. The Board will develop its 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.

### **C. The Board's Job**

In order to govern successfully, the Board will:

1. Practice, protect, promote, and perpetuate a healthy democracy for the 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. Rigorously monitor operational performance in the areas of Ends and Executive Limitations, and Board performance in the areas of Board Management Connection and Governance Commitment.
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.

## **D. Governing Style**

The Board will govern in a strategic, accountable, cooperative, and democratic manner. In order to do this, the Board 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.
3. 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)
4. Maintain team discipline, authority, and responsibility.
5. Practice the habits of a successful democracy.
6. Obey all relevant laws and Bylaws.



## **E. Annual Agenda Planning**

The Board will follow a strategic multi-year workplan and annual agenda that focuses Board attention upward and outward.

1. The Board will create, and modify as necessary, an annual calendar that includes tasks and events related to the Board's multi-year workplan, ownership meetings, Board training schedule, monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board Manage Connection policies.

## **F. Officers' Roles**

The Board will elect a President, Vice-President, Secretary, and Treasurer as officers.

1. The President ensures the Board acts consistently with Board policies.
  - a) The President is authorized to make decisions that are consistent with Governance Commitment and Board Management Connection policies in order to facilitate the Board's functioning.
  - b) The President will chair and set the agenda for Board meetings which may be modified at the meeting by consensus.
  - c) The President plans for leadership (officer) perpetuation.
  - d) The President may represent the Board to outside parties.
2. The Vice-President will perform the duties of the President in her/his absence.
3. The Treasurer will lead the Board's process for creating and monitoring the Board's (not the Cooperative's) budget.
  - a) The Treasurer will facilitate the Board's understanding of the financial condition of the Cooperative.
  - b) The Treasurer will review the General Manager's credit card purchases monthly, or at least quarterly, to ensure prudent spending of cooperative funds.
4. The Secretary will make sure the Board's documents are accurate, up to date, and appropriately maintained.
5. Officers may delegate their authority, but remain accountable for its use.

## **G. Board Meetings**

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

1. The Board will use Board meeting time only for work that is the whole Board's responsibility. The Board will avoid committee issues, operational matters, personal concerns, and other topics that are not the highest and best use of Board time.
2. Meetings will be open to the ownership except when Executive Session is officially called.
  - a) The Board will use Executive Session to deal with confidential matters, as long as the purpose of the session is stated. When possible, announcement of the Executive Session should be on the published agenda.
3. The Board will reach decisions through consensus. If consensus cannot be achieved, then decisions will be finalized through a majority vote.

## H. Board Members' Code of Conduct

The Board expects of itself and its members ethical and businesslike conduct. Immediately after election, each new Board member will be given a copy of the form below and asked to sign and date it for Co-op records. In May every year returning Board members will re-sign the Code of Conduct. This report will be kept on file.

### CODE OF CONDUCT for Board Members of the Good Foods Co-op

As a Co-op director, I pledge to do my best for Good Foods Co-op and will:

1. Devote the time to fulfill the responsibilities of the position;
2. Attend all regular and special Board meeting and task groups of which I am a member and actively participate in Board training sessions and retreats to enhance Board understanding and cohesiveness;
3. Be prompt, attentive, and prepared for all Board and committee meetings;
4. Contribute to and encourage open, respectful, and thorough discussions by the Board;
5. Consider the business of the Co-op and its owners to be confidential in nature;
  - a. *Confidentiality is the preservation of privileged information. It is the policy of Good Foods Co-op that all Board members will not disclose confidential information belonging to, or obtained through their affiliation with the Good Foods Co-op to any person unless the Cooperative has authorized such disclosure. When communicating with another Board member on a confidential topic, it is important to obtain permission from the author of an email before forwarding the message to another individual. Upon resignation of any Board member, or at the end of a term, that individual shall return all documents, paper and other materials which contain confidential information. Additionally, the duty to not reveal confidential information extends beyond the Board member's term end or resignation. Breach of this duty of confidentiality may subject the individual to binding mediation. The term confidential information shall include, but is not limited to, personnel and human resource issues, present or pending litigation, financial and contractual matters, personal health related to a specific individual and any other matter in which disclosure would be prejudicial to the Cooperative. Broad generic information, policy statements or statistical information, however, is not classified as confidential. Where doubt exists regarding the confidentiality of information, one should presume confidentiality exists until determined otherwise.*
6. Disclose any personal, organizational or business conflict of interest(s) I may have pertaining to governing, monetary interests, or relations with competing organizations, and refrain from discussing or voting on any issues related to said conflict(s);
7. Be honest, helpful, diligent, and respectful in my dealings with the Co-op, with other directors, and the Co-op's management, staff, and owners;
8. Work for continued and increased effectiveness in the Co-op's ability to serve its owners;
9. Abide by decisions of the Board, even if it is not my personal opinion, and present the agreed-upon view of the Board when I speak for the Co-op to owners, potential owners, employees, shoppers and the general public. While we strive for consensus, such agreement may not be possible in every instance. The commitment to the Board includes respectful expression of dissent as well as proper use of authority and appropriate decorum when acting as Board members;
10. Refrain from asking for special privileges as a Board member and from interfering with management's authority;
11. Work to ensure that the Co-op is controlled in a democratic fashion by its owners and that all elections are open, fair, and encourage the participation of all owners;
12. Strive at all times to keep the owners informed of the Co-op's status and plans, and of the Board's work, as appropriate;
13. Continually seek to learn more about the Co-op and its operations and about my responsibilities as a Board member by pursuing educational opportunities.

As a Co-op director, I agree to abide by this Code of Conduct. I agree that if I have violated the letter or spirit of this agreement, the other Board members may take action to remove me from the Board pursuant to the Co-op's bylaws.

## **I. Policy on Self-Perpetuation**

It is the Board's responsibility to achieve its own self-perpetuation. The Board accomplishes this through the recruitment and development of skilled, committed, and motivated members.

1. The current Board President remains the President until the May meeting, and shall prepare the agenda for the May meeting. New Board officers shall be elected at the May meeting.
2. Orientation for all Board members shall be held prior to the new Board members' first Board meeting in order to brief new members on the governance structure of the Co-op and to create a constructive team spirit.
3. Any Board member who is also a paid employee has the same duties and responsibilities as any other Board member and also has the duty of ensuring segregation of staff and Board responsibilities.
  - a. A Board member who is also a paid employee is responsible to the ownership as a whole and does not serve as Board representative for staff.
  - b. If a Board member who is also a paid employee becomes subject to written warnings or probationary status because of inadequate performance of his or her duties at the Co-op, the Board has the discretion to require that the Board member take a leave of absence from the Board until his or her performance improves and is no longer subject to written warnings or probationary status.
  - c. If a Board member who is also a paid employee is terminated for cause, the Board member will resign from the Board effective the date employment at the Co-op terminates.

## **J. Committees**

The Board will use committees to help accomplish its 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.
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) The Board will carefully state committee expectations and authority to make sure they do no conflict with authority delegated to the GM.