

Policy Governance Quick Guide

(Courtesy of CDS Consulting Co-op: cdsconsulting.coop)

Policy Governance is an operating system for boards of directors. As with operating systems for computers, the system itself is not the point of the board's work; the system simply provides an underlying framework on which boards can build further agreements and activities. Policy Governance does not mandate specific decisions, but does highlight the kinds of decisions a board should make. These decisions include agreements about how the board will work together, how the board will empower and hold accountable the cooperative's management, how the board will articulate the cooperative's purpose and set up the cooperative for movement in that direction, and how the board understands the role of member-owners and others in the governance of the cooperative. The Policy Governance operating system is essentially an integrated set of principles – principles that gain their power when used together. Key to the principles is the meaning of the word “policy.” Within the context of Policy Governance, policies are the proactive articulation of values or principles that guide action.

Policy Governance principles:

1. **Ownership**
 - The cooperative is owned by its members. The board exists to act and make decisions on behalf of and in the best interest of the owners.
2. **Position of Board**
 - The board is a distinct link in the chain of empowerment and accountability within the cooperative. The owners empower the board through the bylaws, and the board is accountable to owners for the success of the cooperative. In turn, the board empowers and holds management accountable, delegating authority to management through Ends and Executive Limitations policies.
3. **Board Holism**
 - The authority of the board belongs to the whole. To say that the board “speaks with one voice” means that the board's authority is a group authority. The “voice” of the board is expressed through the written policy decisions. Directors can work to persuade and influence the board in its deliberations and decision-making; beyond that, individual directors or subsets of the board have no authority to instruct staff.
4. **Board Means Policies**
 - The board defines in writing its own job and how it operates. These decisions are agreements about the board's means, categorized as Board Process policies and Board-Management Relationship policies.
5. **Clarity and Coherence of Delegation**
 - The board unambiguously identifies the authority and responsibility of any person (e.g., GM or board president) or committee to whom the board delegates. No individual director, officer, or committee can be delegated responsibility that interferes with or duplicates responsibility delegated to the GM.
6. **Ends Policies**
 - The board defines in writing the cooperative's purpose in terms of: intended effects/benefits to be produced, intended recipients of those benefits, and (if desired) the intended cost-benefit or priority of those benefits. (Any decisions about issues that don't fit the definition of Ends are *means* decisions.)
7. **Executive Limitations Policies**
 - The board defines in writing its expectations about the means of the cooperative. Rather than prescribing board-chosen means, Executive Limitation policies define limits on operational means – essentially, defining boundaries on the GM's authority. Executive Limitation policies describe means that are not allowed even if they are effective. The board retains the authority to make decisions that are outside of the GM's authority.

8. Policy sizes

- The board decides the four types of policies first at the broadest, most inclusive level. The board can then further define each policy in further levels of detail until reaching a point at which the board can accept any reasonable interpretation of the written policy.

9. Any Reasonable Interpretation

- More detailed decisions about Ends and operational means are delegated to the GM, who has the right to use any reasonable interpretation of the board's written policies. A reasonable interpretation will include more detailed and/or clarified meaning of the board's policy, along with operational definitions (the metrics and benchmarks used to gauge accomplishment). More detailed decisions about board means (and the right to use any reasonable interpretation of those written policies) are delegated to the board chair – unless part of the delegation is explicitly directed to another officer or committee.

10. Monitoring

- The board must check to ensure that the cooperative has achieved (or made progress toward) the Ends while operating within the Executive Limitation boundaries. The board judges the GM's interpretation and operational definition for reasonableness, and judges whether the data demonstrates accomplishment of that interpretation and operational definition. The ongoing monitoring of Ends and Executive Limitations policies constitutes the GM's performance evaluation. The board must monitor its own performance according to the stated board means policies.

Policy Governance is a registered service mark of John Carver.

For further information, see:

- Carver, John. *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, third edition. San Francisco: Jossey-Bass, 2006.
- Policy Governance Source Document, International Policy Governance Association, policygovernanceassociation.org
- carvergovernance.com, the authoritative website for the Policy Governance model
- Policy Governance FAQ in the CBLD Library, cdsconsulting.coop/cbldlibrary
- Goehring, Mark. "Taking Policy Governance to Heart," *Cooperative Grocer*, March 2009

Policy QIV- I: Ends

Approved by the Board of Directors in 2007; amended in 2009 and 2014

The Brattleboro Food Co-op exists to meet its shareholders' collective needs for:

1. Reasonably priced food and products with an emphasis on healthy, locally grown, organic, and fairly traded goods;
2. A welcoming community marketplace;
3. A workplace community where cooperative values are modeled.
4. A regenerative business that has a net positive environmental impact;
5. A sustainable local economy;
6. Relevant information about food and related products, the environment, and the Cooperative Values and Principles;
7. Reasonable access to participation in the cooperative.

QIV 3 - Board Member Code of Conduct

Approved by the Board of Directors in 2001; most recently amended in 2019

The Board expects of itself, as a whole and each individual director, ethical, responsible and business-like conduct. Directors are legally responsible for discharging their duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner reasonably believed to be in the best interests of the Co-op. Board members will abide by all Board Policies and Bylaws.

Board members agree to respect the following:

3.1 Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board meetings and/or Board service. Issues of a sensitive nature include, but are not limited to, personnel information, information identifying shareholders, unannounced expansion plans, strategies or other contractual relationships, certain legal issues that necessitate confidentiality, or draft documents that have not been released to the public.

3.1.1 Respecting the confidentiality appropriate to issues of a sensitive nature applies to Board members and anyone else participating in Board work.

3.2 Directors will conduct themselves as Board members rather than as individual shareholders. Directors will represent un-conflicted loyalty to the interests of the shareholders. This accountability supersedes any conflicting loyalty (e.g. to other advocacy or interest groups or other organizations) and supersedes the personal interest of any Director.

3.3 The Board of Directors speaks with one voice—the power of the Board is not as individuals but as a group.

3.3.1 Directors will not speak to the public, the press, or other entities for the Board.

3.4 Directors or sub-groups of Directors will not attempt to exercise individual authority over staff, or make judgements of staff performance.

3.5 Directors or sub-groups of Directors will not attempt to exercise individual authority over the General Manager except as explicitly set forth in Board policies. Directors will make no judgments of the General Manager performance outside the process explicated in Board policies.

3.6 Directors will avoid any conflicts-of-interest.

3.6.1 Directors have an affirmative obligation to state any possible conflict of interest of their own as well as that of another Director. The conflict of interest forms required of all directors shall be made freely available to all other directors.

3.6.2 A Director with a conflict of interest will not vote on the related issue and will absent themselves from discussion of the issue at the pleasure of the Board.

3.6.3 Directors will not use their position on the Board to leverage unfair competitive advantage in conducting business with the Co-op.

3.6.4 Directors will not use their positions to obtain for themselves, family members, or close associates employment or business with the Co-op.

3.7 Directors agree to follow these meeting procedures:

3.7.1 To monitor policies, according to current practice;

3.7.2 Directors are required to attend Board meetings and be prompt and prepared, having read the board packet and any additional documents carefully noting relevant questions or comments. The board packet shall be sent to Directors the week before each meeting.

3.7.3 If a Director is unable to attend a meeting, they will notify the President.

3.7.4 To provide the continuity necessary to conduct the business of the Board, Board members are required to attend regular Board meetings. A Board member who misses two regular Board meetings in a term year will be asked by the president to assess their ability to fulfill their responsibilities as a Board member. A Board member who misses four regular Board meetings in a term year must resign from the Board of Directors unless, in Executive Session, a majority of Board members vote to retain the Board member.

3.7.5 Directors will be prompt and prepared for meetings, having read the packet of information that is mailed to Directors the week before each meeting.

3.8 Board members have the responsibility to participate effectively in Board meetings. Specifically, each Board member has the responsibility to:

3.8.1 Come to Board meetings willing to participate responsibly;

3.8.2 Express one's own opinions;

3.8.3 Listen respectfully to the opinions of others; to honor divergent opinions;

3.8.4 Accept group decisions as legitimate;

3.8.5 Share responsibility for group behavior and productivity;

3.8.6 Support the Board President on Board discipline and Board accountability.

3.9 Board members who do not follow the Board Code of Conduct policy shall be removed from the Board by a two-thirds vote of the Board.

3.10 All Directors shall complete and sign the Board-adopted Code of Conduct Agreement for Board of Directors each year at the first Board meeting they attend after the cooperative's Annual Meeting. Directors elected or appointed at other times shall complete and sign the Board agreement at their earliest convenience or at the first Board meeting they attend as director. Refusal to complete and sign the Agreement will automatically disqualify any individual from the Board.

**Code of Conduct Agreement
For Board of Directors**

I agree to abide by Board Policy QIV 3, Board Member Code of Conduct, and any subsequent changes the board makes to that policy.

According to policy QIV 3.6.1, I have an affirmative duty to disclose my actual and potential conflicts of interests. These are listed below. I understand that I have a duty to disclose any additional conflicts that may arise and to abide by board policy regarding participation in matters under consideration by the board.

The Seven Cooperative Principles

Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

Autonomy and Independence

Cooperatives are autonomous self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

Cooperation Among Coops

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Concern for the Community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.