



BOARD OF DIRECTORS

POLICY GOVERNANCE MANUAL

Brattleboro Food Co-op
2 Main Street
Brattleboro, VT 05301

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POLICY GOVERNANCE MANUAL

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INTRODUCTION TO POLICY GOVERNANCE

The Brattleboro Food Co-op's board of directors practices a form of leadership called Policy Governance®. Created by John Carver and practiced by many cooperative boards, it's a governance model designed to empower boards to fulfill their obligation of accountability for the organizations they govern. The model enables the board to focus on the larger issues, to delegate with clarity, to control management's job without meddling, and to rigorously evaluate the accomplishment of the organization; in other words, to truly lead its organization.

In contrast to the approaches typically used by boards, Policy Governance separates issues of organizational purpose (ENDS) from all other organizational issues (MEANS), placing primary importance on those Ends. Policy Governance boards demand accomplishment of purpose and only limit the staff's (i.e., the general manager's) available means to those that do not violate the board's pre-stated standards of prudence and ethics.

Policy Governance gives boards the capacity and role clarity to truly be trustees for the member-owners. (Note: BFC has moved away from the term "members" in favor of "shareholders," which we feel better captures the essence of ownership and responsibility in our co-op.)

Policy Governance addresses the fundamental challenges of governing boards:

- How can representatives of shareholders responsibly exercise control over activities they will never completely see, toward goals they cannot fully measure, through jobs and skills they themselves will not master?
- How can boards remain accountable, without needlessly constraining the creativity and responsibility of management?
- How can boards lead when Board members disagree, when time is limited, and when current issues demand attention?

Policy Governance provides benefits including:

- **Clarity of Group Values.** The authority of the board is not as individuals but as a group. Policies are the explicitly stated "voice" of the board as a whole.
- **Clarity of Board & Management Roles.** A board adds unique value to the cooperative. Governing by policy clarifies the board's job and focuses the board on leadership. Clear guidance through policies effectively uses the expertise of the general manager and the board.
- **Leverage and Efficiency.** By handling the most fundamental issues through agreed-upon policies, the board can affect many decisions with less effort. Boards that use time well are more effective.

The Four Types of Policies and Brattleboro Food Co-op's Policy Governance Manual:

The BFC board's policy governance manual is broken into four quadrants (sections), each representing one of the following types of policies:

- **A. Ends:** The board defines which human needs are to be met, for whom, and at what worth. Written with a long-term perspective, these policies embody most of the board's part of long-range planning.
- **B. Means/Executive Limitations:** The board establishes the boundaries of acceptability within which staff methods and activities can responsibly be left to staff. These limiting policies, therefore, apply to staff means rather than to ends and are the policies that the general manager must work within in the overall management of the co-op.
- **C. Board-Management Delegation (Board-Management Relations):** The board clarifies the manner in which it delegates authority to staff, as well as how it evaluates staff performance on provisions of the Ends and Executive Limitations policies.

- **D. Governance Process (Board Process Policies):** The board determines its philosophy, its accountability, and specifics of its own job.

Policy Monitoring:

The GM is responsible for overseeing the fair and proper execution of A. and B. policies. A monitoring report for each policy is presented by the GM to the board at pre-determined times throughout the year. Monitoring consists of comparing performance data against a reasonable interpretation of each policy and allows the board to know the degree to which a reasonable interpretation of each policy is being fulfilled. Each monitoring report should seek to answer two questions: (1) has the GM or the board made a reasonable interpretation of the policies, and (2) does the data demonstrate accomplishment of that interpretation? The board should expect to see the GM's interpretation of the policy along with justifications for the board to find them reasonable, as well as the data that demonstrates achievement of those interpretations. The board is then responsible for fairly but rigorously deciding whether the data in a GM monitoring report credibly prove compliance.

C. and D. policies are monitored by the board. An on-line survey is initiated by the board administrator for each policy and the results collated for discussion by the full board. (The board calendar contains the GM and board monitoring reports schedule.)

The Policy Governance model does not dictate what a board does if it finds a policy to be in non-compliance, except that it cannot ignore the non-compliance. In some instances, the board's best judgment would be to declare the non-compliance, but take no disciplinary action unless the non-compliance continues. In other instances, immediate firing of the GM might be best. And there any number of options in between. It is possible, of course, that the board—having had its attention drawn to the policy being monitored—will choose to change the policy. However, policy change is a separate issue and never to be done simply because of non-compliance, but only due to an actual change in the board's values about the matter.

For more information: Refer to page 30, Policy Governance Source Document.

A - ENDS

The BFC 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.

Approved 4/2/07

Amended 9/14/09

Amended 11/3/14

B - MEANS/EXECUTIVE LIMITATIONS

B. The General Manager will not cause or allow an organizational practice, activity, decision, or circumstance which is either unlawful, imprudent or in violation of commonly accepted business and professional ethics and practices in accordance with cooperative principles and values.

B - MEANS/EXECUTIVE LIMITATIONS**B.1 - Financial Planning**

B.1.1 Planning. With respect to operational and fiscal planning, the General Manager may not cause nor allow planning to deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a strategic long-term plan.

Further, without limiting the scope of the foregoing by this enumeration,

B.1.1.1 The General Manager may not cause nor allow plans that omit credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

B.1.1.2. The General Manager may not cause nor allow plans that contain insufficient details to support assumptions.

B.1.1.3 The General Manager may not cause nor allow plans that are not updated annually.

B.1.1.4. The General Manager may not cause nor allow plans that do not protect the long-term health of the co-op as described in Financial Conditions policy.

B.1.1.5. The General Manager may not cause nor allow plans that do not provide appropriate financial support of the Neighboring Cooperatives collaboration.

B.1.1.6. The General Manager may not cause nor allow plans that do not provide for Board prerogatives as set forth in the Cost of Governance policy.

Amended 2/6/06

Amended 6/1/09

Amended 6/7/10

B.2 - Financial Condition and Activities

The General Manager will not cause or allow an organizational practice, activity, decision, or circumstance which is either unlawful, imprudent or in violation of commonly accepted business and professional ethics and practices in accordance with cooperative principles and values.

Further, without limiting the scope of the foregoing by this enumeration,

B.2.1. The General Manager may not cause nor allow indebtedness on behalf of the Co-op other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business, unless specifically authorized by the Board.

B.2.2. The General Manager may not cause nor allow use of restricted funds for any purpose other than that required by the restriction.

B.2.3. The General Manager may not cause nor allow liquidity, or the ability to meet cash needs in a timely and efficient fashion, to be insufficient.

B.2.4. The General Manager may not cause nor allow any requirements or contracts, payroll, loans or other financial obligations to be unmet or overdue.

B.2.5. The General Manager may not cause nor allow tax payments or other government-ordered payments or filings to be overdue or incorrectly filed.

B.2.6. The General Manager may not cause nor allow material deviations in net income or cash flow from that projected in the approved Annual Business Plan to go unreported to the Board in a timely manner.

B.2.7. The General Manager may not cause nor allow financial record-keeping systems to be inadequate or out of conformity with generally accepted accounting principles.

B.2.8. The General Manager may not cause nor allow a failure to provide the Board with a quarterly financial report, including but not limited to, a balance sheet, net income statement and statement of cash flows.

Amended 2/6/06

Amended 3/6/06

Amended 4/6/09

Amended 6/1/09

B.3 - Relationship with Employees

The general manager shall not fail to deal with staff and volunteers in an ethical and legal manner consistent with the Ends policy. The general manager shall not treat staff in any way that is unfair, unsafe, unclear, or inconsistent with the cooperative values and principles.

B.3.1 The G.M. shall not fail to operate with written personnel policies and/or collective bargaining agreements that:

- A. Are accessible to all employees;
- B. Clarify rules for all union and non-union employees;
- C. Are consistently applied;
- D. Provide for fair and thorough handling of grievances.

B.3.2. The G.M. shall not fail to establish compensation and benefits that conform to best practices for sound financial management, and that are equitable for employees.

B.3.3. The G.M. shall not fail to provide for adequate documentation, security and retention of personnel records and all personnel-related decisions.

B.3.4. The G.M. shall not fail to operate in a manner that is compliant with state and federal laws and regulations.

Approved 7/16/00

Amended 3/3/09

Amended 5/5/14

Amended 3/6/17

B.4 - Asset Protection

With respect to the cooperative's assets, the General Manager shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.

Further, without limiting the scope of the foregoing by this enumeration,

B.4.1 The General Manager shall not allow inadequate records or collection of accounts receivable.

B.4.2 The General Manager shall not allow inadequate security of premises and property.

B.4.3 The General Manager shall not allow uncontrolled purchasing or purchasing subject to conflicts of interest.

B.4.4 The General Manager shall not allow lack of due diligence in contracts and real estate acquisitions.

B.4.5 The General Manager shall not allow equipment and facilities to be uninsured, inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.

B.4.6 The General Manager shall not allow unnecessary exposure to liability or lack of insurance protection from claims of liability.

B.4.7 The General Manager shall not allow data, intellectual property, or files to be unprotected from loss, theft, or significant damage.

B.4.8 The General Manager shall not allow unauthorized use of shareholder information or shareholder records including name, address, equity payments, or eligibility status for benefits/voting.

B.4.9 The General Manager shall not allow inaccurate or out-of-date shareholder records.

B.4.10 The General Manager shall not allow shareholders to be uninformed or misinformed of their rights and responsibilities.

Amended 2/6/06

Amended 3/6/06

Amended 10/6/08

B. 5 - Continued Operation

B.5.1 Absence of the General Manager: The General Manager shall not fail to provide for the continued operation of the Co-op in the event of their absence, whether that absence is planned, unplanned or permanent.

B.5.1.1 Interim General Manager: The General Manager shall not fail to maintain a key person or persons able to act in the capacity of the General Manager on an interim basis as necessary.

B.5.1.2 Board Contact: The General Manager shall not fail to provide the Board with the name(s) of the Interim General Manager, and to provide for that person(s) to have formal contact with the Board.

B.5.2 Succession Planning for Key Management: The General Manager may not cause nor allow plans that leave the co-op unprepared for loss of key management personnel.

Approved 3/26/01

Amended 8/7/06

Amended 6/7/10

Amended 4/4/19

B.6 - Shareholders

The General Manager may not fail to establish, maintain and promote a vital shareholder program in a manner consistent with the cooperative principles and the bylaws of the Brattleboro Food Cooperative.

B.6.1 The General Manager may not fail to establish and maintain a Shareholder Labor System as established by the board and ratified by the shareholders.

B.6.2 As a retail consumer cooperative all profits from operations or other Co-op activities will be returned to shareholders, held by the Co-op for their common good, or otherwise distributed as the shareholders direct.¹

Approved 12/18/00

Amended 10/6/08

¹ By-laws Article IX Fiscal Matters, Sec. 9.2 - Fiscal Policies

B.7 – Communication to the Board

Full Disclosure: The General Manager shall not fail to keep the Board fully informed of internal and external material changes, which may affect the assumptions upon which Board policy rests.

B.7.1 Monitoring Reports: The General Manager shall not fail to submit timely, accurate and complete monitoring reports as the Board may require.

B.7.2 Non-Compliance - General Manager: The General Manager shall not fail to inform the Board of actual or anticipated non-compliance with the Ends or Executive Limitations policies in a timely manner.

B.7.3 Non-Compliance - Board: The General Manager shall not fail to advise the Board if, in the opinion of the General Manager, the Board or any of its members is in non-compliance with the policies on Board Process or Board/General Manager Relationship.

B.7.4 Board Administration and Communication: The General Manager shall not fail to provide the Board with sufficient staff to administer all Board governance activities.

B.7.5 The Board as a Whole: The General Manager shall not fail to deal with the Board as a whole.

Approved 3/26/01

Amended 4/3/06

B.8 - Conflict of Interest

The General Manager shall not fail to disclose their actual or potential conflicts of interest in any matter involving the Brattleboro Food Co-op. The General Manager shall make their disclosure to the Board of Directors. The General Manager shall not be a party to a contract with the Co-op unless approved by the Board of Directors.

The General Manager shall participate in the discussion of such actual/potential conflict[s] of interest or contract, but decision on the matter shall be made without the General Manager present, unless otherwise determined by the Board of Directors.

Approved 10/15/01

Amended 4/3/06

Amended 5/5/14

Amended 4/4/19

C - BOARD/MANAGEMENT RELATIONS

C.1 - Board/Management Relations

Board Relationship: The only official connection of the Board to the operational organization, its achievements, and conduct shall be through the general manager.

C.1.1 Unity of Control: Only decisions of the Board are binding on the general manager.

Accordingly:

C.1.2 Delegation: Decisions or directives of individual Board members, officers, or committees are notbinding on the General Manager except in instances where the Board has specifically authorized suchexercise of authority.

C.1.3 Requests for Information: In the case of Board members or Board committees requesting information or assistance without Board authorization, the general manager can refuse such requests if,in the opinion of the general manager, the request requires a material amount of staff time, resources, or is disruptive to operations. All requests for information will be made to the general manager and notto the staff.

Approved 3/26/01

C.2 - Delegation to the General Manager

The Board will instruct the general manager through written policies that prescribe the organizational ends to be achieved and describe organizational situations and actions to be avoided, allowing the general manager to use any reasonable interpretation of these policies.

C.2.1 The general manager is authorized to establish all further policies, make all decisions, take all actions and develop all activities that are a reasonable interpretation of the Board's policies that have been delegated to them. The Board may extend its policies by "un-delegating" areas of the general manager's authority, but will respect the general manager's purview so long as the delegation continues. The Board may obtain information about activities in the areas delegated to the general manager.

C.2.1.1 The Board may change its policies, thereby shifting the boundary between Board and general manager domains. By doing so, the Board changes the latitude of choice given to the general manager. But as long as any particular delegation is in place, the Board will respect and support the general manager's choices.

C.2.1.2 This does not prevent the Board from obtaining information about activities in the delegated area.

C.2.2 All Board authority delegated to staff is delegated through the general manager, so that all authority and accountability of staff can be phrased - insofar as the Board is concerned - as authority and accountability to the general manager.

C.2.2.1 The Board will never give direction to persons who report directly or indirectly to the general manager, with the exception of staff whose job description includes facilitating the board's work. This does not prevent collaboration by Board and staff as authorized by the general manager.

C.2.2.2 The Board will refrain from evaluating, either formally or informally, any staff other than the general manager.

C.2.3 Any requests by the full Board for information on topics within the general manager's responsibility will be made clear and delivered to the general manager in a timely manner to allow for proper preparation of a response.

C.2.4 If the general manager deems it necessary to violate Board policy, they will inform the Board in a timely manner. Board response, either approving or disapproving, does not exempt the general manager from subsequent Board judgment of the action. Violation of Board policy shall not be kept from the Board.

Approved 3/26/01

Amended 4/2/07

Amended 4/6/09

Amended 4/6/15

Amended 5/4/15

Amended 4/4/19

C.3 - General Manager Job Contribution

The general manager is the Board's single official link to the operating organization and is accountable for organizational performance. The general manager exercises all authority transmitted into the organization by the Board. The general manager's performance will be considered synonymous with organizational performance.

The general manager's job contributions can be stated as performance in only two areas:

C.3.1 The general manager's job contributions will be based on the organizational accomplishment of Board policies on *Ends*.

C.3.2 The general manager's job contribution will also be based on the organizational operations being within the boundaries of prudence and ethics established in Board policies on *Executive Limitations*.

Approved 3/26/01

Amended 4/2/07

C.4 - Monitoring Management Performance

Monitoring Definition: Monitoring management performance is synonymous with monitoring organizational performance against Board policies on *Ends* and *Executive Limitations*.

C.4.1 Monitoring Purpose: The purpose of monitoring is to determine the degree to which Board policies are being fulfilled. It is the Board's responsibility to understand when the organization is making progress or is not accomplishing its goals.

C.4.2 Monitoring Methods: A given policy can be monitored in any or all of three ways:

C.4.2.1 Internal Report: One method of monitoring is by Internal Report, which describes the disclosure of compliance information to the Board from the general manager.

C.4.2.2 External Report: One method of monitoring is by External Report, which describes the discovery of compliance information by a disinterested external auditor, inspector or judge who is selected by, and reports directly to the Board. Such reports must assess the performance of the general manager only against policies of the Board, and not the standards set by the third party.

C.4.2.3 Direct Board Inspection: One method of monitoring is by Direct Board Inspection, which describes the discovery of compliance information by a Board member, officer, committee or the Board as a whole. Direct inspection will be performed only when requested by the Board as a whole.

C.4.3 Internal monitoring reports by the general manager shall include:

- C.4.3.1 A statement of the Board's policy;
- C.4.3.2 The General Manager's interpretation of the Board's policy;
- C.4.3.3 Data demonstrating compliance with the policy;
- C.4.3.4 A statement by the general manager regarding compliance;
- C.4.3.5 Date and signature.

C.4.4 The Board will judge (a) the reasonableness of the general manager's interpretation and (b) whether data demonstrates accomplishment of the interpretation.

C.4.5 The standard for compliance shall be any reasonable general manager interpretation 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 Board members or by the Board as a whole.

C.4.6 Monitoring Schedule: *Ends* and *Executive Limitations* policies of the Board shall be monitored according to a set method and schedule established by the Board and general manager (see Appendix A), although the Board may monitor any policy at any time by any method.

Approved 3/26/01

Amended 4/3/06

Amended 4/2/07

D - BOARD PROCESS POLICIES

D.1 - Board Duties

The Board of Directors shall assure that the values, purpose and mission statements of the Co-op, as described in the Ends Policies, are properly carried out and shall direct and control its business and affairs in the interests of its shareholders.²

D.1.1 Governing Style: The Board shall approach its task with a style that emphasizes strategic leadership, and long-term impacts (Ends) rather than administrative detail, and a clear distinction between Board and General Manager duties.

In this spirit, the Board shall:

D.1.1.1 Direct the organization through the careful establishment of the Ends as the broadest organizational values and policies.

Policies will address:

- *Ends*: Why the Co-op exists;
- *Executive Limitations*: How those Ends may and may not be achieved;
- *Board - General Manager Relations*: Describing how the Board relates to the General Manager;
- *Board Process*: How the Board fulfills its function.

D.1.2 Govern with excellence. Policies are enacted, implemented, and regularly reviewed concerning attendance, participation, respect of Board versus management role, speaking with one voice, and adherence to policies.

D.1.3 Be accountable to shareholders and the community for competently, conscientiously and effectively carrying out its duties. It will not allow any individual Director or individual committee to usurp or hinder this process.

D.1.4 Use regularly-scheduled reports for each Board policy, and monitor and regularly discuss the process and performance of the Board.

D.1.5 Ensure continuous improvement through regular training.

Approved 3/26/01

Amended 5/8/06

Amended 5/8/07

Amended 7/7/14

Amended 4/2/18

² By-laws Article V Board of Directors, Sec. 5. I - Powers and Duties

D.2 - Board Meetings

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

D.2.1 Meeting discussion content will only be those issues that, according to Board policy, clearly belong to the Board to decide, rather than the General Manager.

D.2.2 Deliberation will be timely, fair, orderly and thorough, but also efficient, limited to time and kept to the point.

D.2.3 The agenda is set by the Board President in consultation with the General Manager and includes "Shareholder input on issues". Any Director may add or delete items from the agenda, subject to majority agreement. To request addition of an item to the printed agenda, a Director will contact the Board President in a timely manner.

D.2.4 Only issues within the Board's responsibilities may consume meeting time.

D.2.5 Meetings are chaired by the President. A relaxed version of Robert's Rules of Order is observed except where the Board has superseded them with policy statements. A recording secretary takes minutes.

D.2.6 Directors will be prompt and prepared for meetings, having read the packet of information that is made available to Directors the week before each meeting.

D.2.7 Meetings will be open to the shareholders except when executive session is officially called.³

D.2.8 All discussions undertaken in Executive Session are confidential and all matters of confidentiality must be undertaken in Executive Session.

D.2.9 Staff Directors participate in Executive Sessions regarding issues other than the General Manager compensation.

D.2.10 The purpose of executive session is to discuss matters of a confidential nature such as GM evaluation, GM compensation, Board member breaches of conduct, etc. but:

D.2.10.1 A motion must be made to go into Executive Session and approved by a majority of the Board.

D.2.10.2 No decisions may be made in Executive Session

D.2.10.3 No minutes are recorded

D.2.10.4 The time of going into and coming out of Executive Session will be recorded in the Board meeting minutes along with the names of the persons who moved and seconded motions to enter and leave Executive Session.

D.2.11 Directors may request an Executive session but:

D.2.11.1 The purpose of the session must be stated;

D.2.11.2 The Board may include no one else or anyone else it chooses;

D.2.11.3 Authority to declare the session is the President's unless overridden by a simple majority;

D.2.11.4 When possible, announcement of the executive session should be on the published agenda.

³ By-laws Article VI Meetings of the Board, Sec. 6. 2- Open Meetings

Approved 3/26/01

Amended 6/4/07

Amended 5/5/14

Amended 5/1/17

Amended 11/5/18

Amended 3/4/19

D.3 - Board Member Code of Conduct

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.⁴ Board members will abide by all Board Policies and Bylaws.

Board members agree to respect the following:

D.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.

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

D.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.

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

D.3.3.1 Directors will not speak to the public, the press, or other entities for the Board.⁵

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

D.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.

D.3.6 Directors will avoid any conflicts-of-interest.⁶

D.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.

D.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.

⁴ By-laws Article V Board of Directors, Sec. 5.7 - Standards of Conduct

⁵ See Board Officers Policy QIV 7.2.1

⁶ By-laws Article V Board of Directors, Sec. 5.9 - Conflicts of Interest in conducting business with the Co-op

D.3.6.3 Directors will not use their position on the Board to leverage unfair competitive advantage

D.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.

D.3.7 Directors agree to follow these meeting procedures:

D.3.7.1 To monitor policies, according to current practice;

D.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.

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

D.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.

D.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.

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

D.3.8.1 Come to Board meetings willing to participate responsibly;

D.3.8.2 Express one's own opinions;

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

D.3.8.4 Accept group decisions as legitimate;

D.3.8.5 Share responsibility for group behavior and productivity;

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

D.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.⁷

D.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.

⁷ By-laws Article V Board of Directors, Sec. 5.10 – Termination

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.

Approved 3/26/01

Amended 9/13/04

Amended 7/10/06 and 9/11/06

Amended 6/4/07

Amended 6/3/08

Amended 11/10/08

Amended 3/3/14

Amended 6/13/16

Amended 1/2/17

Amended 2/5/18

Amended 11/5/18

Amended 3/4/19

Amended 4/4/19

D.4 - Cost of Governance

Because poor governance costs more than learning to govern well, the Board will invest in its governance capacity.

Accordingly:

D.4.1 Board skills and methods will be sufficient to assure governing with excellence.

D.4.1.1 Training will be used to orient new Directors and Board candidates, as well as to maintain and increase skills of existing Directors. New Board members shall attend Policy Governance trainings at the earliest available opportunity in their first term.

D.4.1.2 Outside monitoring assistance will be arranged as needed so the Board can exercise confident control over its performance. This includes but is not limited to fiscal audit of the Board budget.

D.4.1.3 Outreach will occur as needed to link the Board to shareholder viewpoints and values.

D.4.2 Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of superior capability.

D.4.2.1 Prior to the beginning of the fiscal year, the Board shall present annually to the General Manager a budget for the Board that will include expenses for: training, such as consultants and attendance at conferences and workshops; external, third-party monitoring of Board performance, such as audits and legal advice or reviews; outreach costs to link with shareholders, such as surveys, forums, focus groups, and the annual shareholder meeting; and Board perpetuation costs, such as meeting support, recruiting, and election costs.

D.4.3 Directors are compensated for time spent on Board business through receipt of work credits. Directors are responsible for proper recording and reporting of work credits earned. Work credits are earned for time spent at Board meetings and retreats, at committee meetings, preparing for meetings, working on assigned projects, and directly engaged in other Co-op business. Day(s)-long activities, such as workshops and conferences, will be compensated at a maximum of eight hours per day. Travel time to and from Board and committee meetings will not be compensated. Mileage to conferences and the like will be compensated at the normal Co-op rate. [By-laws Article V Board of Directors, Sec. 5.6 – Compensation]

Monitoring: Internal, Annual – November

Approved 3/26/01

Amended 6/5/06

Amended 6/4/07

Amended 6/8/15

D.5 - Records Policy⁸

D.5.1 Approved minutes from the most recent Board meeting are posted in a public location. All approved minutes from previous meetings will be made available to shareholders upon request. Unapproved minutes will not be made available.

D.5.2 An archive will be kept secured and will consist of each mailing to all shareholders and the full contents of each Board mailing, with the exception of confidential documents such as legal matters and employee evaluations.

Approved 6/18/01

Amended 6/4/07

⁸ By-laws Article II Shareholder Status, Sec. 2.5 – Access to Information

D.6 - Board Job Products

The Board's job is to create a vision born of its linkage with the Co-op's shareholders, write policy that will guide and govern the Co-op, and hire and monitor the General Manager.⁹

Accordingly, the Board's job products will be:

D.6.1 A shared vision that informs long-range planning;

D.6.2 Effective linkage between the Co-op and its shareholders;

D.6.3 Written governing policies that address the following at the broadest levels and are monitored according to the attached schedule (Appendix A):

D.6.3.1 Ends: The Co-op's intended impacts, benefits and outcomes; what good, for whom, at what cost

D.6.3.2 Means/Executive Limitations: Constraints on management's authority that establish the prudence and ethics boundaries within which lie acceptable management activity and decisions.

D.6.3.3 Board/Management Relations: How power is delegated and its proper use monitored.

D.6.3.4 Board Process: How the Board conceives, carries out and monitors its tasks.

Approved 6/18/01

Amended 8/3/09

⁹ By-laws Article V Board of Directors, Sec. 5.1 – Powers & Duties

D.7 - Board Officers

The Board of Directors elects officers to assist in carrying out its duties.¹⁰

D.7.1 Officers are elected by the Board at the first Board meeting following the close of the Board of Directors' election. The President proposes a slate of officers for consideration by the Board. In the event that the President is no longer on the Board after the election, the Vice President will assume the responsibility of proposing the slate of candidates. In the event that both the President and VP are no longer on the board after the election, the Treasurer will assume the responsibility of proposing the slate of candidates. In the event that the President, VP and Treasurer are no longer on the board after the election, the Secretary will assume the responsibility of proposing the slate of candidates. Staff Directors may not hold the office of President, Vice President or Treasurer.

D.7.2 Responsibilities of individual officers, in addition to those delineated in the by-laws, areas follows:

D.7.2.1 President: The President is responsible for the integrity of the Board's process. The President is the only person authorized to speak for the Board in an official capacity, other than in rare and specific instances as authorized by the President or the Board.

D.7.2.1.1 A job product of the President is that the Board behaves in a way consistent with its own rules (see Board Meetings and Board Member Code of Conduct policies) and those legitimately imposed upon it from outside the organization.

D.7.2.1.2 The authority of the President includes making any decision on behalf of the Board which falls within or is consistent with Board policies on Board Process and on Board/Management Relations.

D.7.2.1.3 The President sets the Board meeting agenda and is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing).

D.7.2.1.4 The President's authority does not extend to making decisions within the Ends or Means/Executive Limitations policies which are in the purview of the General Manager.

D.7.2.1.5 The President will maintain regular contact with the General Manager.

D.7.2.1.6 The President will set the agenda for the Annual Meeting in collaboration with staff (e.g., GM, marketing, shareholder services, etc.) and will bring the agenda to the Board for approval. The President will preside over the Annual Meeting, appointing a facilitator as needed.

D.7.2.1.7 The President ensures Board committees create annual charters and monitors committee activity.

D.7.2.2 Vice President

D.7.2.2.1 Assume the President's role in the absence of the President.

¹⁰ By-laws Article VIII Officers

D.7.2.2.2 The Vice President collaborates with the President in their responsibilities for the Annual meeting and other shareholder status meetings.

D.7.2.2.3 The Vice President is responsible for the timely preparation of the Annual Report.

D.7.2.3 Treasurer

D.7.2.3.1 Chair the ad hoc finance workgroup as needed.

D.7.2.3.2 Ensure financial education for the Board, as needed.

D.7.2.3.3 Present, in a timely manner, a draft of the Board budget for the next fiscal year for review and vote by the Board prior to submitting to the GM.

D.7.2.5 Secretary

D.7.2.5.1 Oversee orientation for new Directors, create and/or assemble materials appropriate for this purpose.

D.7.2.5.2 The Secretary or the Board Administrator maintains and has available at each Board meeting the contents of each Board packet, plus the minutes for the previous two years.

D.7.2.5.3 The Secretary or the Board Administrator ensures that minutes are taken at each meeting of the Board of Directors and that the minutes are maintained and archived.

Approved 6/18/01

Amended 7/2/12

Amended 7/1/13

Amended 6/13/16

Amended 7/2/18

Amended 10/7/19

Amended 6/26/20

D. 8 - Board Perpetuation, Election and Orientation of Board Members

D.8.1 The Board Recruitment Committee (standing committee) shall serve the purpose of overseeing the process for recruiting suitable board candidates, encouraging each board member to recruit, and ensuring candidates address all parts of the board candidate application, including:

- Filling out the form
- Reading the candidate packet
- Submitting a photo
- Interviewing with a Board member
- Potentially attending a Board meeting

D.8.1.1 The Board Recruitment Committee shall report to the board monthly with information about potential candidates and any timely actions requested of board members.

D.8.1.2 The Board Recruitment Committee shall ensure the candidates are presented to shareholders.

D.8.1.3 No action by the Board Recruitment Committee or the Board shall infringe on the right of any shareholder to run for a seat on the Board as provided for in the by-laws. (See Bylaw Article 5. Board of Directors. Section 5.4.)

D.8.1.4 Recruitment Schedule: the committee is responsible for updating the recruitment schedule annually, working backwards in time from the Annual Meeting, and keeping in mind that a candidate can step forward up to two weeks prior to the Annual Meeting. (Although this timing may preclude timely publication of that candidate's statement in the Co-op's outreach materials.)

D.8.2 Board members shall make themselves available for ballot counting which is organized by the General Manager. All ballot counters will sign the paper that lists the final tally.

D.8.3 Orientation of new Board members is coordinated and overseen by the Board Secretary and will include a store tour, review of the Co-op's financial situation, and other relevant training. New Directors will be paired with experienced directors to whom they may go with questions.

D.8.4 When a Board member leaves the Board, the Board will inform the shareholders of the vacancy. The Board shall discuss, in Executive Session, whether, how and by when to fill the vacancy. The board will decide whether to: (a) appoint someone to fill the term, or (b) leave the position open until the next election.

D.8.5 Board members elected as patron director or staff director shall serve only in the role to which they were elected. When a staff director is no longer employed by the Co-op, that person must vacate their board seat; when a patron director applies for a position at the Co-op, they must vacate their board seat.

Approved 6/18/01

Amended 5/2/05

Amended 1/8/07

Amended 11/2/09

Amended 3/5/12

Amended 6/13/16

Amended 12/4/17

Amended 4/2/18

D.9 - Board Relationship to Shareholders

The Brattleboro Food Co-op is owned by those people who have purchased shares, whom we call “shareholders”.

D.9.1 The Board obtains its authority from these shareholders and has the fiduciary and legal responsibility to represent their best interests. To make informed policy decisions, the Board must understand the values and needs of the shareholders. The Board must, therefore, have adequate and appropriate information on the shareholder base.

D.9.2 The Board reports periodically to the shareholders on its activities and decisions.

D.9.2.1 The Board’s accountability to the shareholders is realized at the Annual Meeting. The Board presents reports and engages with shareholders on matters that vitally affect the Co-op.

D.9.3 The Board is responsible for ensuring that the process of becoming a shareholder in the Co-op is clear and available to everyone.

Approved 12/18/00

Amended 10/7/19

D.10 - Board Committees

Board Committees: The Board may establish committees to help carry out its responsibilities.

D.10.1 Committee Authority: Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes. Such authority will be carefully stated in order not to conflict with authority delegated to the General Manager.

D.10.2 Committee Purpose: Board committees are created to help the Board do its job.

D.10.3 Committee Minutes: Board committee chairpersons will ensure that minutes are taken at each committee meeting to be available for the next scheduled Board meeting, or that verbal reports are given at the next scheduled board meeting.

D.10.4 Policy Application: This policy applies only to board committees, whether or not the committees include non-Board members.

D.10.4.1 All non-Board members who serve on Board committees must agree to abide by the Board Member Code of Conduct (QIV 3) for the duration of their work on the committee.

Approved 3/26/01

Amended 7/9/07

Amended 8/3/09

Amended 7/2/12

Amended 7/6/15

Amended 9/10/18

D.II - Board Audit Requirements

The Board ensures the engagement of the services of an outside Certified Public Accountant annually for the purpose of examining the year-end financial statements. This examination shall be as extensive as necessary to comply with the terms and conditions of the Co-op's financial obligations to lenders and stakeholders.¹¹

Approved 3/26/01

Amended 8/03/08

Amended 10/06/08

Amended 10/1/12

¹¹ By-laws Article IX, Sec. 9.3 – Accountability

D.12 - Management Succession Plan

The Board shall not fail to have in readiness a procedure for the hiring of the General Manager. The procedure shall be simple and clear, and allow for such hiring to be accomplished in a timely fashion. The procedure is documented and maintained on the Board's website.

Approved 8/7/06

Amended 3/2/09

Amended 8/1/11

Amended 8/6/12

Appendix A: Policy Governance Annual Monitoring Schedule

Governance Policy #	Policy Name	Monitoring Month	Monitored by
ENDS POLICIES:			
A	Ends	November	GM
MEANS/EXECUTIVE LIMITATIONS POLICIES:			
B.1	Financial Planning	June	GM
B.2	Financial Condition and Activities	Feb/May/Aug/Nov	GM
B.3	Relationship with Employees	July	GM
B.4	Asset Protection	August	GM
B.5	Continued Operations	January	GM
B.6	Shareholders	September	GM
B.7	Communication to the Board	January	GM
B.8	Conflict of Interest	April	GM
BOARD/MANAGEMENT RELATIONS:			
C.1	Board/Management Relations	January	Board
C.2	Delegation to the General Manager	January	Board
C.3	General Manager Job Contribution	February	Board
C.4	Monitoring Management Performance	February	Board
BOARD PROCESS POLICIES:			
D.1	Board Duties	April	Board
D.2	Board Meetings	May	Board
D.3	Board Member Code of Conduct	October	Board
D.4	Cost of Governance	June	Board
D.5	Records Policy	June	Board
D.6	Board Job Products	May	Board
D.7	Board Officers	September	Board
D.8	Board Perpetuation, Election & Orientation of Board Members	December	Board
D.9	Board Relationship to Shareholders	July	Board
D.10	Board Committees	March	Board
D.11	Board Audit Requirements	October	Board
D.12	Management Succession Plan	August	Board

Appendix B. 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.” (Webster’s)

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.

8. 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.

9. 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 delegatees, 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.

10. 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.

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