POLICY REGISTER

GOVERNANCE POLICIES

United with management, the Board adopted the policies in this policy register. These policies are intended to introduce the philosophy of policy governance as the guiding force underlying all future Board decision-making. In adopting these policies, the Board recognizes that the policies are, in part, aspirational, and may require flexibility in application and refinement based on experience. At the same time, these policies represent the Board's considered determination of the philosophical structure which will best advance the interests of Wild Oats Food Co-op and the community it serves.

DATED: November 17, 1998
LAST REVISED: October 17, 2016

CONTENTS

POLICY TYPE: Ends
POLICY TITLE: E –Wild Oats Food Co-op Mission and Ends ADOPTED:
                 April 27, 2009
LAST REVISED: July 18, 2016

Ends Global: Mission

While adhering to the Cooperative Principles*, Wild Oats Market exists to provide its member-owners, customers, employees, and our regional community:

E1. A plentiful selection of fresh, healthful food at reasonable prices, with an emphasis on organically grown and fair–trade products, provided by local farmers and producers and by cooperative businesses when possible;

E2. A stable and responsive employer that is committed to employee well-being and to promoting and practicing environmental stewardship;

E3. A welcoming, sustainable, cooperatively-owned full-service business that is inclusive of diverse persons and needs and strengthens the local community;

E4. Access to relevant information about food, nutrition, the environment, the cooperative business model, and the co-op's long-term vision;

E5. Excellent customer service from well-trained, respectful, friendly, and knowledgeable staff; and

E6. An advocate for and supporter of local producers, small farms, and other cooperative businesses.

* Cooperative Principles

1. Voluntary and open membership.
2. Democratic member control.
3. Member economic participation.
4. Autonomy and independence.
5. Education, training and information.
6. Cooperation among cooperatives.
7. Concern for community.

This policy will be monitored annually by internal report.

POLICY TYPE: Executive Limitations
POLICY TITLE: L – Global Executive Constraint ADOPTED:
                November 17, 1998
LAST REVISED: May 23, 2016

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

POLICY TYPE: Executive Limitations POLICY TITLE:
                  L1 – Treatment of Customers ADOPTED:
                  November 17, 1998
LAST REVISED: May 23, 2016

The General Manager will not be unresponsive to customer needs. Accordingly, the General

Manager must not:

L1.1   Operate without a system for soliciting and considering customer opinion regarding
        preferences, product requests, complaints and suggestions.

L1.2   Allow an unsafe shopping experience for our customers.

This policy will be monitored annually by internal report.

POLICY TYPE: Executive Limitations
POLICY TITLE: L2 – Staff Treatment and Compensation ADOPTED:
November 17, 1998
LAST REVISED: May 23, 2016

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

the General Manager must not:

L2.1 Operate without written personnel policies that: L2.1.1 Clarify

rules for staff.

L2.1.2 Provide for fair and thorough handling of grievances.

L2.1.3 Are accessible to all employees.

L2.1.4 Inform staff that employment is neither permanent nor guaranteed.

L2.2 Cause or allow personnel policies to be inconsistently applied.

L2.3 Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.

L2.4 Establish compensation and benefits that are internally or externally inequitable.

L2.5 Change the General Manager's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

This policy will be monitored annually through a written report from the General Manager and as needed.

POLICY TYPE: Executive Limitations
POLICY TITLE: L3 – Financial Condition and Activities ADOPTED:
                 November 14, 1999
LAST REVISED: May 23, 2016

With respect to the actual, ongoing financial conditions and activities, the General Manager will not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

Accordingly, the General Manager must not:

L3.1   Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.

L3.2   Use restricted funds for any purpose other than that required by the restriction.

L3.3   Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

L3.4   Default on any terms that are part of the Co-op's loans.

L.3.4.1 Allow late payment of contracts, payroll, loans or other financial obligations.

L3.5   Allow operations to generate an inadequate net income.

L3.6   Allow sales to be inadequate.

L3.7   Allow liquidity, or the ability to meet cash needs in a timely and efficient fashion, to be insufficient.

L3.8   Allow solvency, or the relationship of debt to equity, to be insufficient, or allow member investment in the Co-op to be insufficient.

L3.9   Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles.

L3.10   Acquire, encumber or dispose of real estate.

This policy will be monitored quarterly by internal report and as needed by external report (review, audit or financial analysis).

POLICY TYPE: Executive Limitations
POLICY TITLE: L4 – Business Planning and Financial Budgeting ADOPTED:
                  November 17, 1998
LAST REVISED: July 18, 2016

The General Manager must not operate without an annual budget and a multi-year plan, which must not deviate materially from the Board's Ends priorities nor risk fiscal jeopardy.

Accordingly, the General Manager must not create plans or budgets that:

L4.1   Risk incurring those situations or conditions described as unacceptable in the Board policies "Financial Condition and Activities" (L3) or "Asset Protection" (L5).

L4.2   Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

L4.3   Plan expenditures in any fiscal year that would result in default under any of the Cooperative's financing agreements or cause the insolvency of the Cooperative.

L4.4   Have not been tested for feasibility.

L4.5   Provide less for Board prerogatives during the year than is set forth in the Cost of Governance Policy (G7).

L4.6   Do not address excellence in business systems and operations.

L4.7   Leave the co-op unprepared for future opportunities.

This policy will be monitored annually by internal report.

POLICY TYPE: Executive Limitations   POLICY
TITLE: L5 – Asset Protection
ADOPTED: November 17, 1998
LAST REVISED: May 23, 2016

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

Accordingly, the General Manager must not allow:

L5.1   Equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.

L5.2   Unnecessary exposure to liability or lack of insurance protection from claims of liability.

L5.3   Inadequate security and maintenance of premises and property.

L5.4   Data, intellectual property, or files to be unprotected from loss, theft or significant damage.

   L5.4.1 Improper usage of members' and customers' personal information.

L5.5   Uncontrolled purchasing or purchasing subject to conflicts of interest.

L5.6   Lack of due diligence in contracts and real estate acquisitions.

L5.7   Damage to the Co-op's public image.

L5.8   Receipt, processing, or disbursement of funds under controls insufficient to meet the Board-appointed auditor's standards.

L5.9   Failure to establish and require strict compliance with written procedures with respect to the handling of cash.

L5.10   Deposit of the organization's funds in institutions where they are not fully protected unless specifically approved by the Board.

This policy will be monitored annually by internal report, and by external report (review or audit) as needed, as determined by the Board.

POLICY TYPE: Executive Limitations
POLICY TITLE: L6 – Communication to the Board ADOPTED:
                 November 17, 1998
LAST REVISED: May 23, 2016

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

Accordingly, the General Manager must not:

L6.1   Submit monitoring data that is untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy.

L6.2   Report any actual or anticipated noncompliance with any policy of the Board in an untimely manner, along with a plan for reaching compliance and a proposed schedule regarding follow up reporting.

L6.3   Allow the Board to be unaware of relevant trends, public events of the Cooperative, or internal and external changes that affect the assumptions upon which Board policy has previously been submitted.

L6.4   Withhold his/her opinion if the General Manager believes the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the General Manager.

L6.5   Deal with the Board in a way that favors or privileges certain Board members over others except when responding to officers or committees duly charged by the Board.

L6.6   Fail to supply for the Board's consent all decisions delegated to the General Manager yet required by law, regulation or contract to be Board-approved.

This policy will be monitored annually by internal report.

POLICY TYPE: Executive Limitations POLICY TITLE:
                  L7 – Board Logistical Support ADOPTED:
                  March 15, 2010
LAST REVISED: May 23, 2016

The General Manager will not allow the Board to have inadequate logistical support. Accordingly,

the General Manager must not:

L7.1   Provide the Board with insufficient staff administration to support governance activities and
        Board communication.

L7.2   Allow the Board to be without a workable mechanism for official Board, officer or committee
        communications.

L7.3   Allow the Board members to be without an updated copy of the Policy Register and the
        Bylaws.

L7.4   Provide inadequate information and notice to members concerning Board actions, meetings,
        activities and events.

L7.5   Allow insufficient archiving of board documents.

This policy will be monitored annually by internal report.

POLICY TYPE: Executive Limitations
POLICY TITLE: L8 – Emergency General Manager Succession ADOPTED:
                 November 17, 1998
LAST REVISED: October 25, 2010

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

This policy will be monitored annually by internal report.

POLICY TYPE: Governance Process
POLICY TITLE: G – Global Governance Commitment ADOPTED:
                  November 17, 1998
LAST REVISED: May 23, 2016

Acting on behalf of the member-owners, the Board ensures the success of the cooperative by working together effectively, empowering and holding accountable professional management, providing strategic leadership for our cooperative, and perpetuating our democratic organization.

POLICY TYPE: Governance Process POLICY
TITLE: G1 – Governing Style `ADOPTED:
                November 17, 1998
LAST REVISED: May 23, 2016

The Board will govern in a manner consistent with the Four Pillars of Cooperative Governance (Teaming, Accountable Empowerment, Strategic Leadership, Democracy, see Appendix). In order to do this, we will: (1) exemplify strategic leadership by focusing our vision outward and toward the future, (2) provide clear distinctions between Board and management roles, and (3) encourage diverse viewpoints but govern with one voice.

Accordingly:

G1.1   The Board will direct the organization through careful establishment of written policies reflecting the Cooperative's values, ends to be achieved and means to be avoided, with a focus on intended long-term effects.

G1.2   The Board will cultivate a sense of group responsibility for excellence in governing, enforcing upon itself whatever discipline is needed in matters such as attendance, preparation, policy-making principles, and respect of roles. The Board will allow no director or committee to hinder or be an excuse for not fulfilling Board commitments or following Board policy.

G1.3   The Board will monitor and discuss its process and performance regularly including an annual board self-evaluation.

G1.4   The Board will obey all relevant laws and Bylaws.

G1.5   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). See Appendix.

This policy will be monitored annually through the Board self-evaluation.

POLICY TYPE: Governance Process POLICY TITLE:
                       G2 – Board Job Description ADOPTED:
                       November 17, 1998
LAST REVISED: May 23, 2016

The job of the Board is to represent the member-owners in determining and requiring appropriate organizational performance within the boundaries presented by the Bylaws.

Accordingly:

G2.1   The Board will create and sustain a relationship with member-owners

G2.2   The Board will have expectations in the form of written governing policies that realistically address the broadest levels of all organizational decisions and situations. The Board will write these policies in the form of Ends, Executive Limitations, Governance Process, and Board-General Manager Connection, as described in the Policy Governance policies.

G2.3   The Board will rigorously monitor operational performance in the areas of Ends and Executive Limitations, and Board performance in the areas of Governance Process and Board-General Manager Connection.

G2.4   The Board will hire, compensate, delegate responsibility to, and hold accountable a General Manager. (See M, Board-General Manager Connection, policies.)

          G2.4.1 The Board will use a strategic process to establish GM compensation and complete this process in a timely manner.

G2.5   The Board will perpetuate its leadership capacity using recruitment, training and ongoing professional development.

G2.6   The Board will perform other duties as required by the Bylaws or because of limitations on GM authority.

This policy will be monitored annually through the Board self-evaluation.

POLICY TYPE: Governance Process POLICY
TITLE: G3 – Agenda Planning ADOPTED:
                 November 17, 1998
LAST REVISED: May 23, 2016

To accomplish its job the Board will follow an annual agenda, with a
potential multi-year work plan. Accordingly:

G3.1   The Board will create (and modify as needed) an annual calendar. The calendar will include all
       Board events such as membership meetings, Board training, monitoring schedule, review of
       specific policies, and the General Manager evaluation and compensation decisions as outlined in
       the Board-General Manager Connection policies.

G3.2   The Board's current policy discussions and the annual calendar will provide the basis for
       determining the broad outlines of the next meeting's agenda. The following process will be
       used to determine the Board's agenda:

       G3.2.1 In the interim before the next meeting, directors should review the designated policy
              areas scheduled for the next agenda and consider if there are policies that they would like
              to see added, modified or deleted.

       G3.2.2 The Board President will produce an agenda a week in advance for the next Board
              meeting. Urgent items that show up in the interim and require Board attention may also
              be included.

       G3.2.3 All reports from the General Manager will be provided to Board members at least four
              days before the meeting.

       G3.2.4 The agenda may be modified by the Board and the General Manager at the beginning of
              the next meeting; voted by a simple majority if needed.

This policy will be monitored annually through the Board self-evaluation.

POLICY TYPE: Governance   Process   POLICY
TITLE: G4 – Officers' Roles ADOPTED:
                  November 17, 1998
LAST REVISED: May 23, 2016

The Board will elect officers to help accomplish its job. Accordingly:

G4.1   The Board President will ensure the Board acts in accordance with Board polices and with laws imposed from outside the Cooperative.

G4.1.1 Board meetings will cover issues which, according to Board policy, clearly belong to the Board to decide, not the General Manager.

G4.1.2 Deliberation will be fair, open, and thorough but also timely, orderly and kept to the point.

G4.1.2.1 Executive session may be used 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.

G4.1.3 The President is authorized to use any reasonable interpretation of Board polices on Governance Process and Board-General Manager Connection, except where the Board specifically designates portions of this authority to others.

G4.1.4 The President, in consultation with the Vice President and the GM, will set the agenda for and will chair board meetings.

G4.1.5 The President will develop the Board budget in consultation with the Treasurer and the General Manager.

G4.1.6 The President whose term is ending shall solicit interested and willing directors to compose an initial slate of officers for the next year. The slate will be presented at the first full Board meeting immediately following the fall annual membership meeting. Should an officer position become vacant at a later time, the Board shall elect a replacement officer.

G4.1.7 The President will acquire necessary monitoring data and create an internal report disclosing Board compliance with policies on Governance Process and Board-General Manager Connection for annual report to the members. The president may delegate this authority.

G4.1.8 The President will occasionally represent the Board to outside parties. The president may delegate this authority.

G4.2   The Vice President will perform the duties of the president in his/her absence and, as requested, assist the president in the performance of his/her duties.

G4.3   The Treasurer will help develop the Board's budget in consultation with the President and the General Manager and will facilitate the Board's understanding of the financial condition of the Cooperative.

G4.4   The Clerk will make sure the Board's documents are accurate, up to date and appropriately maintained.

This policy will be monitored annually through the Board self-evaluation.

POLICY TYPE: Governance Process
POLCY TITLE: G5 – Directors' Code of Conduct
ADOPTED: November 17, 1998
LAST REVISED: February 23, 2023

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

G5.1   Every director is responsible at all times for acting in good faith, in a manner which
        she/he reasonably believes to be in the best interests of the Cooperative, and with such
        care as an ordinarily prudent person in a like position would use under similar
        circumstances.

    G5.1.1   Every director must be aware of and follow the organization's Bylaws and the
              Board's policies, including avoidance of conflict of interest.

    G5.1.2   Every director must bring complete honesty and personal integrity to the Board.

    G5.1.3   Every director must openly and impartially consider all issues, researching them
              and seeking additional expertise as required.

G5.2.   Directors must demonstrate unconflicted loyalty to the interests of the Cooperative's
        owners. This accountability supersedes any conflicting loyalty such as that to advocacy
        or interest groups, membership on other Boards or staffs, and the personal interest of any
        director acting as an individual consumer or member.

    G5.2.1   There will be no self-dealing or any conduct of private business or personal
              services between any director and the Cooperative except as procedurally
              controlled to assure openness, competitive opportunity and equal access to
              "inside" information.

    G5.2.2   At a new director's first board meeting, he/she will complete the "Conflict of
              Interest Disclosure" form, and will verbally report to the whole board the
              potential conflicts. Any subsequent potential conflicts will be reported to the
              whole board immediately. All Board members complete "Conflict of Interest
              Disclosure" forms once a year, in the month following the Annual Meeting.

    G5.2.3   When the Board is to decide on an issue about which a director has an
              unavoidable conflict of interest, that director shall abstain from the conversation
              and the vote.

    G5.2.4   A director who applies for employment at Wild Oats Market must first resign
              from the Board.

G5.3.   Directors may not attempt to exercise individual authority over the organization.

G5.3.1   When interacting with the GM or employees, directors must carefully and openly recognize their lack of authority except when explicitly Board- authorized.

G5.3.2   When interacting with the public, the press, or other entities, directors must recognize the same limitation and the inability of any director to speak for the Board except to repeat explicitly stated Board decisions.

G5.4   Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service. Personnel, real estate, marketing, legal, strategic planning, and financial matters may be considered sensitive issues subject to directors' good faith and discretion unless or until made specifically clear by Board action.

G5.5   Directors will prepare for, attend, and participate fully in all Board meetings and trainings and will notify board members by email when an absence is unavoidable.

G5.6   Directors will support the legitimacy and authority of the Board's decision on any matter, irrespective of the director's personal position on the issue.

G5.7   Any director who does not follow the code of conduct policy can be removed from the Board by a 2/3 majority vote of the remaining Board.

This policy will be monitored annually through Board self-evaluation, which will consider the opinions of the General Manager

POLICY TYPE: Governance Process
POLICY TITLE: G6 – Board Committee Principles
ADOPTED: November 17, 1998
LAST REVISED: May 23, 2016

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

G6.1. Committees will reinforce and support Board holism.

G6.1.1. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.

G6.2. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.

G6.3. The Board will establish, regularly review and control committee responsibilities in written committee charters.

G6.3.1. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.

This policy will be monitored annually through the Board self-evaluation.

POLICY TYPE: Governance Process
TITLE: G-7 Governance Investment
ADOPTED: November 17, 1998
LAST REVISED: April 30, 2012

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

Accordingly:

G7.1   The Board will make sure that Board skills, methods and supports are sufficient to allow it to govern with excellence.

    G7.1.1 The Board will provide training to orient new directors and to maintain and increase the skills of existing directors.

    G7.1.2 The Board will arrange outside monitoring assistance as needed so it can exercise confident control over organizational performance. This includes but is not limited to fiscal review.

    G7.1.3 The Board will use outreach mechanisms as needed to make sure that it stays in touch with member-owner viewpoints and values.

    G7.1.4 The Board will use professional and administrative support.

G7.2   The Board will develop its annual budget in a timely way so as not to interfere with the development of the Cooperative's annual budget. In no case will the Board complete this work later than May. The Board will incur costs prudently.

This policy will be monitored annually through the Board self-evaluation.

POLICY TYPE: Governance Process
POLICY TITLE: G8—Board Meetings
ADOPTED: October 17, 2016?

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

G8.1. We will use Board meeting time only for work that is the whole Board's responsibility. We will minimize committee issues, operational matters, personal concerns and other topics that are not the highest and best use of our time.

G8.2. Meetings will be open to the membership except when executive session is officially called.

G8.2.1 We may occasionally 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.

G8.2.2 We will seek consensus through discussion. We will then finalize and document decisions through the use of motions, seconds and majority vote.

POLICY TYPE: Board-General Manager Connection
POLICY TITLE: M – Global Board-General Manager Connection
ADOPTED: August 22, 2016

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

POLICY TYPE: Board-General Manager Connection
POLICY TITLE: M1 – Unity of Control
ADOPTED: November 17, 1998
LAST REVISED: May 23, 2016

Only decisions of the Board acting as a body are binding on the General Manager.

Accordingly:

M1.1   Decisions or instructions of individual directors or committees are not binding on the General Manager except in rare instances when the Board has specifically authorized such exercise of authority.

M1.2   In the case of directors or committees requesting information or assistance without Board authorization, the General Manager can refuse such requests that require, in the General Manager's opinion, a material amount of staff time or funds, or are disruptive.

This policy will be monitored annually through the Board self-evaluation.

POLICY TYPE: Board-General Manager Connection
POLICY TITLE: M2 – Accountability of the General Manager
ADOPTED: May 23, 2016

The General Manager is the Board's only link to operational achievement and conduct, so all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the General Manager.

Accordingly:

M2.1   The Board will never give instructions to persons who report directly or indirectly to the General Manager.

M2.2   The Board will refrain from evaluating, either formally or informally, any staff other than the General Manager.

M2.3   The Board will view General Manager performance as identical to organizational performance, so that organizational accomplishment of Board-stated Ends and compliance with Executive Limitations Policies will be viewed as successful General Manager performance.

This policy will be monitored annually by internal report.

POLICY TYPE: Board-General Manager Connection
POLICY TITLE: M3 – Delegation to the General Manager
ADOPTED: May 23, 2016

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

M.3.1 As long as the GM uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the GM is authorized to establish all further policies, practices and plans for the cooperative.

M3.2 The Board will respect and accept the GM's choices as long as those choices are based on reasonable interpretations of Board policies.

M3.3 If the Board changes an Ends or Executive Limitations policy, the change only applies in the future.

This policy will be monitored annually through Board review.

POLICY TYPE: Board-General Manager Connection
POLICY TITLE: M4 – Monitoring General Manager Performance
ADOPTED: November 17, 1998
LAST REVISED: May 23, 2016

Systematic and rigorous monitoring of General Manager job performance will be solely against organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations.

Accordingly:

M4.1   Monitoring is simply to determine the degree to which Board policies are being met. Data not meeting this criterion shall not be considered monitoring data.

M4.2   The Board will acquire monitoring data by one or more of three methods:

      M4.2.1. By internal report, in which the General Manager discloses compliance information to the Board.

      M4.2.2. By external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies.

      M4.2.3. By direct Board inspection, in which a designated director or directors assess compliance with the appropriate policy criteria.

M4.3   In every case, the standard for compliance shall be any reasonable General Manager interpretation of the Board policy being monitored.

M4.4   All policies that instruct the General Manager will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on the following routine schedule:
Policy / Method / Frequency / Date
E – Wild Oats Food Co-op Mission and Ends: Internal/Annually/September L1 – Treatment of Customers: Internal/Annually/March *[starting 2011]*
L2 – Staff Treatment and Compensation: Internal/Annually/April L3 – Financial Condition and Activities:
      Internal/Quarterly/February, May, August, November
      External/Biannually/November
L4 – Business Planning and Financial Budgeting: Internal/Annually/June L5 – Asset Protection: Internal/Annually/April
            External/As Determined by Board L6 – Communication to the Board: Direct/Annually/August
L7 – Board Logistical Support: Internal/Annually/August *[starting 2011]*
L8 – Emergency General Manager Succession: Internal/Annually/January

M4.5   There are two general ways to measure conformance with Board policies:

M4.5.1 Measuring compliance with requirements is appropriate for policies that require full compliance for effective operation of the organization. These policies are typically financial in nature, and monitoring reporting provides a Yes/No answer with summary information.

M4.5.2 Measuring incremental progress towards long-term outcomes is appropriate for policies that are visionary in nature. These policies are typically Ends policies, and monitoring reporting requires prior establishment of (1) a baseline or history for comparison, (2) a reliable and credible measurement technique, and (3) a short-term (12 month) target.

M4.6   General Manager remuneration will be decided after a review of monitoring reports received by June regarding the prior year.

This policy will be monitored annually through Board review.

Board Development Committee

Desired Outcome
- Be sure the board has the training and education it needs.
- Ensure that the next board is at least as good, if not better than, this board.

Responsibilities
- Organize active recruitment of a pool of potential candidates for election.
- Select candidates from pool for upcoming board (ad hoc committee within standing committee of board members not up for re-election).
- Plan annual retreat.
- Plan orientation for new board members.
- Determine additional board training needs; plan and arrange for training.

Related Policies: G2.4, G6 (all), G7.1, G7.1.1, G7.2, G7.2.1, M1.1, M1.2

Member Linkage Committee

Desired Outcome
- Be sure the board is in touch with the values held by members.
- Ensure that members are informed about the board's activities and decisions.

Responsibilities
- Plan and implement outreach activities (such as surveys, forums, focus groups, meetings) that will educate the board about the values held by members.
- Plan and implement communications with members to inform them about board activities and decisions.
- Plan annual membership meeting with GM.
- Assist the GM with communicating the values of membership to the co-op's patrons.

Related Policies: G2.1, G6 (all), G7.1.3, G7.2, G7.2.1, M1.1, M1.2

Finance Committee
(Open to Member-Owners)

Desired Outcomes
- Be sure that the Board fully understands the financial condition of the Co-op at all times
- Ensure that Co-op management prepares accurate and timely financial reports for Board review and approval
- Ensure the Co-op maintains proper banking relationships and carries adequate levels of debt to meet short-term and long-term needs
- Ensure the Board understands all contracts brought forward by Co-op management for approval

Responsibilities
- Review and summarize for the Board the quarterly and annual financial results prepared by Co-op management
- Review and summarize for the Board the annual budget (including an annual review of salaries) and business plan prepared by Co-op management
- Hire and oversee independent auditors of the Co-op's financial records
- Review and summarize for the Board all proposals to borrow funds or refinance debt by the Co-op
- Review and summarize for the Board all contracts requiring Board approval

Related Policies: L3 – Financial Condition and Activities, L4 – Business Planning and Financial Budgeting, G.4.1.5, G4.3

The Four Pillars of Cooperative Governance are:

Teaming: successfully working together to achieve common purpose.

Accountable Empowerment: successfully empowering people while at the same time holding them accountable for the power granted.

Strategic Leadership: successfully articulating the cooperative's direction/purpose and setting up the organization for movement in this direction.

Democracy: successfully practicing, protecting, promoting, and perpetuating our healthy democracies.

Four Pillars of Cooperative Governance

By Marilyn Scholl, Art Sherwood
170 January - February 2014
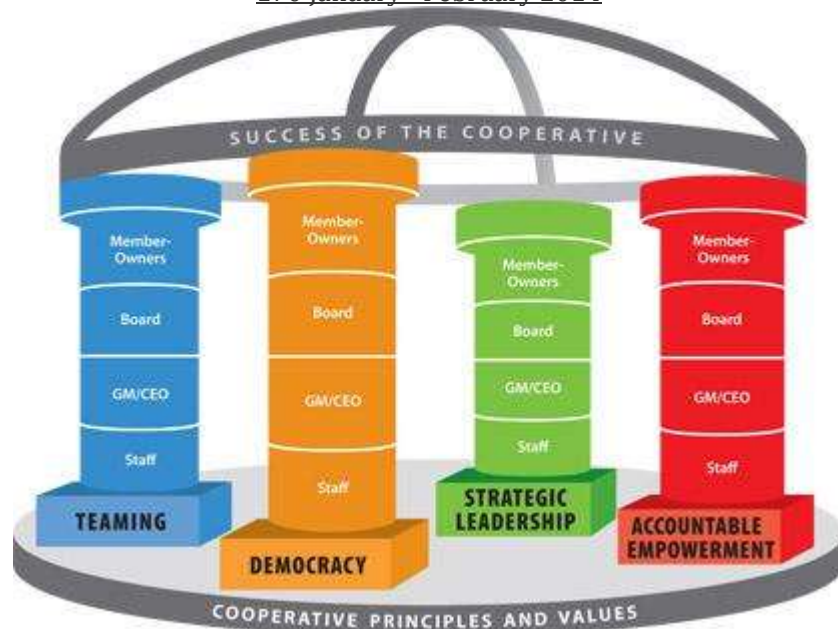
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Great leaders demonstrate how to be a force for good in local communities and beyond. Our cooperative heroes—the Rochdale Pioneers—were striking weavers who opened a grocery co-

op in 1844 in Rochdale, England, to help themselves and others get free from indebtedness to the company store.

The Pioneers asked and answered some compelling questions: Shouldn't the economy serve the people rather than the people serve the economy? What does it look like when that happens? Their belief in economic equity and fairness led to the worldwide consumer cooperative movement.

In keeping with the Rochdale Pioneers' vision, and a well-defined current global need for financial and environmental -stability, the International Cooperative Alliance (ICA) in 2012 outlined a strategic agenda for cooperatives.

At the same time, the present authors had been asking ourselves whether there should be a model of cooperative governance, and if so, what would it need to look like to support and drive forward the success of our cooperatives?

Tools for cooperatives

Co-ops have many governance tools at their disposal that have served them well, such as Policy Governance, a system for defining Ends and clarifying roles and structure for organizing the board's work. Over the last decade, co-op boards have been strengthened by a solid focus on Ends accomplishment and good process and systems. This has helped create positive and effective relationships with general managers. We have seen the outcome this has had on both business growth and social impact in our movement.

However, the cooperative boardroom does not share all the same purposes as the boards of investor-owned corporation or nonprofits. Co-ops are organized to benefit their owners, and that is more important than a financial return on investment. We concluded it was time to re-create our understanding of cooperative governance.

Last spring, one of the authors, Art -Sherwood, was invited to be a visiting scholar to address our questions at the world-renowned Vincent and Elinor Ostrom Workshop on Political Theory and Policy Analysis at Indiana University. Based on Nobel Prize Laureate Elinor Ostrom and Vincent Ostrom's work, Sherwood conducted research addressing the expectations we have of cooperative governors and how this might differ from investor-owned corporations.

Based on the results of this research (see References) and our team's deep experience with cooperative leadership, we designed the Four Pillars of Cooperative Governance model. We have since presented it at the International Cooperative Governance Symposium in Halifax, Nova Scotia, and we explain the model below.

Four Pillars of Cooperative Governance

Cooperative governance is the act of steering cooperatively owned enterprises toward economic, social, and cultural success. It consists of answering key questions, defining roles and responsibilities, and establishing processes for setting expectations and ensuring accountability.

A model is a way of framing so that the parts and processes make sense. Our Four Pillars model is a not about changing systems but is a new way of making sense of cooperative governance. We think it addresses current gaps in strengthening owner relationships and democratic practices that are not clearly part of other business or governance models. The Four Pillars of Cooperative Governance are:

Teaming: successfully working together to achieve common purpose.

Accountable Empowerment: successfully empowering people while at the same time holding them accountable for the power granted.

Strategic Leadership: successfully articulating the cooperative's direction/purpose and setting up the organization for movement in this direction.

Democracy: successfully practicing, protecting, promoting, and perpetuating our healthy democracies.

Within a co-op, no matter what the role, the expectation is that everyone is responsible for working together effectively, to be accountable and able to empower others, to be focused on purpose, and to participate in ensuring a healthy democracy. It is what co-ops are working to achieve, not only in the boardroom but also in the workplace and with members in the co-op. Governance—steering, making key decisions, working together for common goals—happens throughout the co-op at every level.

Therefore, the Four Pillars of Cooperative Governance is a framework for connecting the co-op's values to governance activities at all levels: staff, management, board, and owners. Each of the four pillars—Teaming, Accountable Empowerment, Strategic Leadership, and Democracy—is relevant to each constituency in a co-op. Again, Four Pillars of Cooperative Governance is not about changing systems, but a new way of thinking about the role of governance in a co-op.

Four pillars at the board level

The remainder of this article will focus on understanding cooperative governance at the level of the board of directors. The work that co-op boards are charged with (stewardship of a community-owned asset) is being carried out, but it is currently missing a framework for directors to easily define it and have a vocabulary for it.

We need to build on what we've learned about effective governance to demonstrate with intention how boards express cooperative values in the way they govern. When the Rochdale Pioneers created structure for their ideas by shaping a set of Cooperative Principles, cooperation became a bona fide business model that allowed the idea to grow beyond one single group into a worldwide movement. What the Pioneers did is give cooperatives a framework, based on the practical application of their values. This allowed cooperation as an economic philosophy, and a business, to grow.

In our work with boards, we find that they need to understand the big picture and also be able to home in on specific skills, processes, or tools that they need at any given time. We see the Four Pillars of Cooperative Governance as a way to do both—to have a good perspective on the whole mission and yet be able to focus in on specific needs. The Four Pillars is also a way to identify things that are working well within a particular co-op and show opportunities for areas of advancement and improvement. (We will explore these opportunities in more depth in a followup article).

Teaming

The board is responsible for perpetuating board excellence and for organizing and managing its own work. The board must work together effectively as a team to make this possible. This includes having a common agreement about the work, clear expectations of individuals and the group itself, an effective decision-making system, and effective leadership of the group.

The board has power as a unit. An individual director's only power, beyond that of any other co-op owners, is the ability to influence the board group. Diversity of opinion is necessary and valuable. Yet the group must have the ability to think and learn together, to come to a decision and support that decision. The board must create and maintain a group culture that supports

their work. Viewed through the lens of the Four Pillars of Cooperative Governance, self-responsible teaming is the first step for board effectiveness.

Accountable empowerment

To fulfill its fiduciary duties on behalf of owners, a board needs to be vigilant. The board also delegates power to the general manager or
CEO to empower him or her to act. Power is the ability to get things done and to be effective. Power is necessary and good. The ideal situation is having both a powerful board and a powerful general manager. Unaccountable power is a problem, however, so boards must have effective systems of accountability.

Accountability is having clear expectations, assigning responsibility, and checking. Policy Governance is one model for ensuring accountability, and it has been an excellent method for role clarity, accountability, and focus. Because many co-op boards have effectively used Policy Governance, it is a valuable tool for accountable empowerment in the Four Pillars of Cooperative Governance.

Democracy

The board must practice, protect, promote, and perpetuate the democratic nature of the cooperative. Democracy in cooperatives is about more than voting. A healthy democracy gives owners opportunities to meaningfully participate in reflection and change in their organization. All owners have the right to participate in the cooperative regardless of their wealth, investment, patronage, or values and beliefs. Owners are entitled to information, voice, and representation, and boards must understand the diverse needs of their owners.

Further, the board needs to build alignment and shared understanding among owners about the strategic choices the co-op needs to make. From newsletter articles and member meetings to surveys and focus groups, co-op leaders have a plethora of opportunities to build relationships with member owners. Ownership and democracy are at the heart of what makes a co-op different from other businesses.
 The Four Pillars of Cooperative Governance includes this all-important aspect of co-op - governance to provide critical focus on an area that has not reached its full potential.

Strategic leadership

Strategic leadership is about defining purpose and setting direction. How can the cooperative most effectively meet owner needs? How can it distinguish itself in the marketplace? What should the co-op achieve?

The board has a responsibility to establish direction and to facilitate movement toward the desired direction through their choice of management, ensuring adequate resources, and monitoring progress. Providing strategic leadership requires information, knowledge and wisdom. Boards need to be able to learn and build wisdom together in order to develop foresight and make informed decisions. Boards need a way to free up board agendas to focus on strategic thinking and have a process for building the knowledge pool.

Elevate participation and governance

Over the last decade, we have observed that co-op boards have learned ways to systematically work better together and to practice accountable empowerment. Now that boards have become more skilled at that, the next phase of co-op governance is to clearly articulate democracy in

how we work together with all our stakeholders and express strategic leadership in ways that demonstrate the co-op difference. We see many opportunities and synergies for co-ops to match their efforts with those happening globally through the 20/20 Challenge and the ICA's Blueprint for a Cooperative Decade.

When we look to icons of leadership throughout history, we are struck by their abilities to speak well, be courageous, and solve problems with compassion and creativity. Yet those whose legacy will be most lasting are the ones who powerfully embody the values they champion. There is no substitute for authenticity. This is also part of the cooperative advantage.

What is more, directors of co-ops are some of the most dedicated, passionate, and dynamic cooperators out there. We can help lead the way toward answering the question of what leadership in an economic democracy looks like. The Four Pillars of Cooperative Governance is an invitation for you to participate in this emerging conversation.

In the next issue of the *Cooperative Grocer*, we will further this discussion by talking about the practical application of the Four Pillars of Cooperative Governance model.
Thank you to Patricia Cumbie and Mark Goehring for their assistance with this article.

References

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Taking Policy Governance to Heart

The practical significance of the 10 principles of Policy Governance
By Mark Goehring
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A great cooperative thinker, Sid Pobihushchy, wrote an article in 2002 to help us understand the 10 cooperative values, "The Cooperative Values: Their meaning and practical significance" (find it at www.cdsconsulting.coop/cbld). In his opening paragraph, he asserted that the cooperative movement and its businesses are the only way to accomplish the objective of community, the optimum condition for human fulfillment; that cooperative education is required; and that the 10 cooperative values provide the foundation for that education. While there are many ways for us to discuss aspects of cooperatives, the values provide the foundation.

Similarly, the 10 principles of Policy Governance* provide a foundation to understand the governance operating system used by many cooperatives (and other types of organizations). Governance education is required to realize effective governance in much the same way that cooperative education is necessary to realize functional cooperatives. To learn and understand the Policy Governance system, the place to start is the fundamental principles that define the system.

In his article, Pobihushchy offered a nifty framing so that his definitions would convey enough of the meaning of each of the 10 cooperative values to serve as a starting point for further thought and deliberation. Here, I too ask that you accept this article as a starting point.

1. Ends policies
Cooperatives are clearly mission-driven organizations. Cooperatives exist to create a difference in the world, to provide a benefit and value on behalf of member owners. Ends describe this, in three parts:
Desired outcomes. What difference are we expecting as a result of our co-ops? The preamble that I've found to be useful to get me into "outcome thinking" mode is:
As a result of all we do, all the programs and activities of everyone involved in our co-op, we will have _____ (fill in your expectation for desired outcomes).

Recipients of the desired outcomes. Thinking about the intended desired outcomes, who is it that we name as the beneficiaries of those outcomes?

Relative cost. There are various approaches to understanding this aspect of an Ends policy. My favorite: Is the outcome that we're creating worth all the effort and resources it takes to deliver it? While I believe this is a critical governance question that may, in time, help us make a strong case for the cooperative advantage, I haven't seen it play out yet in a meaningful way. (To read a great "at what cost" report, read the book, The Three Trillion Dollar War: The true cost of the Iraq conflict, by Stigiltz and Bilmes.)

2. Ownership

The organization exists because we have owners, and it exists to create a benefit and value on behalf of owners. Owners authorize the board to act on its behalf, and when we consider the flow of empowerment and accountability through the organization, it starts and ends with our member owners.

When giving the introduction to Policy Governance in our Cooperative Board Leadership 101 "foundations class" for newly elected directors, I've found it useful to point out that our owners don't always agree about everything (smile), which is at least one good reason for the board to fully assume its leadership position as authorized by a diverse group of member/owners.

This principle coupled with the Ends principle show the strong synergy between Policy Governance and cooperatives: We know we have owners; we know our cooperatives are purpose-driven.

3. Board process policies

These policies describe the expectations the board has for itself and its work-the agreements the board has made about how it intends to perform its role. Here's the global policy from our sample set:

Acting on behalf of our owners, the board ensures that our cooperative produces benefit and value, while avoiding unacceptable actions and situations.

It's typical to include subpolicies (see principle 8 "Policies come in sizes"). Here are the types of policies included in our sample set: governing style, the board's job, agenda planning, board meetings, officers' roles, directors' code of conduct, board committee principles and governance investment.

Note: the cooperative board leadership development team of the CDS Consulting Co-op has recently revised its set of policy samples. It was a major revision and, in our view, transformational. We encourage you to give them consideration.
(www.cdsconsulting.coop/cbld)

4. Board holism

The board runs such a good process that each director fully supports board decisions even when a director doesn't agree with the decision. This is a powerful concept, a high bar for being in touch with group dynamics and the board's authority. This expectation is typically embedded in the director code of conduct policy, but my sense is that accomplishment of the expectation comes from a mature understanding of board policies and its process for deliberation and decision-making. Board holism does not mean that all directors are supposed to think the same; it does mean that all directors are expected to support all board decisions.

5. Board/general manager (or equivalent) relationship policies

These policies describe the relationship between the board and its delegate, the general manager (or equivalent). The concept of "sole point of delegation" is in play here and is described in these policies.
Here's the global policy from our sample set:

The board's sole official connection to the operations of the cooperative will be through the general manager.

Again, it's typical to include subpolicies. Here are the ones included in our sample set: unity of control, accountability of the general manager, delegation to the general manager and monitoring general manager performance.

6. The governance position

This principle represents the line that is drawn whenever delegation occurs. If the board says, "We authorize _____ to do this work," then the person named has the responsibility for this work and no one else.

Here is a personal example I give in class where the relationship was blurred: When I was a child, my mom told me to clean my room and then cleaned my room for me. True, my room was always clean, but whose job was it? From my view at the time, it was easy for me to say that it was my mom's!

The board, being near the top of the accountability chain, gets to determine the governance position line in its policies. Once that's done, be clear in honoring the authority, delegation, and accountability reflected in the policies.

7. Executive limitation policies

In its Ends policies, the board described its expectations for organizational accomplishment. Limitation policies limit the authority of the general manager (or equivalent) as it goes about accomplishing the Ends. Don't confuse limitation policies with organizational accomplishment; limitation policies are not intended to explain why the co-op exists or how great it is!

Here's the global policy from our sample set:

The general manager shall 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.

Again, it is typical to include subpolicies. Here are the ones included in our sample set: financial conditions and activities, business planning and financial budgeting, asset protection, membership equity and benefits, treatment of consumers, staff treatment and compensation, communication and support to the board, board logistical support, and emergency general manager succession.

The board is accountable for ALL the countless actions, decisions and organizational circumstances of the cooperative. This principle provides a powerful method for the board to provide values-based boundaries and limits of authority to the general manager.

Do not think of limitation policies as a way to tell the general manager what to do, just using negative language. Rather, think of them as saying, in advance, what's not OK. "It's not OK if _____."

In a recent session, a director offered up this example of use of limitation policies: Just tell the child, "It's not OK to throw the blocks." It's easier and more effective than providing directives if the goal is for the child to have fun with the blocks.

We are quite pleased with our new sample limitation policies and encourage boards using or considering using Policy Governance to check them out.

8. Board decisions (policies) come in sizes

The board's decisions, written down as policies, are organized using a "broad to specific" concept. This principle is often illustrated using a nested bowls concept: largest bowl controls all the bowls nested inside that bowl. The "global" policy for each type of policy is the broadest expectation.

The starting point for understanding the board's expectations, leadership, and control is always the global policy in one of the four policy areas of Ends, board process, board/general manager relationship, and executive limitations. An easy way to practice this is by asking: What have we

already said about this?Then go to the global policy, and step down to the specific policy under consideration.

How does a board know when to stop writing policies (that it has been specific enough)? The answer to this comes when coupling the "broad to specific" concept to the "any reasonable interpretation" principle, below.

9. Any reasonable interpretation
The board agrees that it is willing to accept any reasonable interpretation of its policies.

As a result, those granted authority by board policy (the general manager and board chair, for example) may assume their responsibilities knowing that all related actions, decisions, and circumstances will be judged based on reasonableness.

In the abstract, "reasonable interpretation" may seem vague. Here are the two ways it typically comes into play for the board:

Policy setting: When a board is stepping down from the broadest policy level to a more specific one, with each step it asks, "Are we willing to accept any reasonable interpretation of this expectation?" Taking this process seriously will result in the board having only the policies it really needs to do its job. (Note: using the "broad to specific" concept is critically important to realizing this objective.)

Monitoring: When a board is judging a monitoring report supplied by the general manager (Ends and limitation policies) or from the board chair or a board member (board process and board/general manager relationship), acceptance begins with the question: "Are we able to accept the interpretation(s) of policy as being reasonable?" Thane Joyal's article on "reasonable" did a great job framing the notion (Cooperative Grocer, Sept.–Oct. 2008). As Joyal also points out, honoring this principle is consistent with how Kathryn Sedo describes what's necessary for directors to fulfill their legal duties in her article, "Legal Duties and Responsibilities of Board Members" (Cooperative Grocer, April–May 1986).

10. Monitoring
If a board goes to the trouble of having expectations and writing them down (a good idea!), it must also follow through and check to see if its expectations are being met. The monitoring principle closes the accountability loop by requiring a response that demonstrates that the expectations expressed in the policies have been met or honored.

Typically this is done via a monitoring schedule, so that all parties know when monitoring reports are presented to the board. All four types of policies should be checked: Ends and Limitation policies are presented to the board by the general manager; board process and board/general manager relationship policies are presented by either the board chair or another director assigned the task.

In an earlier article, "Entering the Accountability Zone," I describe the task of considering a monitoring report presented by the general manager (*Cooperative Grocer*, March–April 2006). These 10 principles work in concert to provide a complete operating system for effective governance. Sid Pobihushchy's paper guides us to deepen our understanding of cooperative values to expand what's possible in the cooperative movement. Aspiring to that model, I encourage directors to deepen their understanding of these principles of Policy Governance to advance what is possible through effective governance of our cooperatives.

Further reading
- The International Policy Governance Association maintains a Policy Governance Source Document, which you can find here: www.policygovernanceassociation.org/PG-SOURCE-DOC.doc

- Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations by John Carver (Jossey-Bass, 1990; 2nd edition, 1997; 3rd edition, 2006). From www.carvergovernance.com. This book is the "flagship" explanation of the Policy Governance model as it relates to nonprofit and governmental boards. It is the single most inclusive text on the model.