

# APPENDICES

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Appendices compiled June 2011; last amended July 2011.

## Appendix A

### Bylaws of the Springfield Food Co-op

Last Revised: 6/23/11

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#### **Article I Membership**

Section 1.1 - Eligibility. Membership in the Co-op shall be open to any individual or organization who wishes to patronize and support the Co-op and abide by these bylaws. Organizational members must be nonprofit groups or be organized on a cooperative basis. Any individual or organization becoming a member shall be provided a copy of these bylaws upon request.

Section 1.2 - Admission. An applicant will be admitted to membership upon submitting an application form, executing a subscription for stock and paying a minimum amount toward purchase of stock, each of which shall be in such form and amount as may be prescribed by the Board of Directors.

Section 1.3 - Responsibilities. Each member shall contribute to the capital needs of the Co-op through purchasing one \$75 membership voting share per household and an amount of \$5 preferred non-voting shares equaling at least one for each adult in her or his household. Each member may also contribute to the operational needs of the Co-op through contributions of her or his labor or services to the extent determined by the Board of Directors, entitling such member to a discount on purchases. The Board may waive in whole or in part capital contributions for reasons of financial hardship and labor contributions for reasons of personal hardship.

Section 1.4 - Access to information. Members shall be provided reasonably adequate and timely information, as to the organizational and financial affairs of the Co-op. Members shall be provided access to the books and records of the Co-op for any proper purpose at all reasonable times.

Section 1.5 - Settlement of disputes. In any dispute between the Co-op and any of its members or former members which relates to normal membership transactions and which cannot be resolved through informal negotiations, it shall be the policy of the Co-op to prefer the use of mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually agreeable settlement. Members are encouraged to cooperate in this process.

Section 1.6 - Termination. Membership may be terminated voluntarily by a member at any time upon notice to the Co-op. Membership may be terminated for cause, including willful violation of these bylaws, by the Board of Directors after a fair hearing at which the member is given the opportunity to speak and present evidence in her or his behalf. Upon termination of membership, any amounts due on outstanding stock subscriptions shall remain due and payable. Upon termination of membership for any reason, all rights

and interests in the Co-op shall cease except for rights to redemption of capital pursuant to Article VI of these bylaws.

## **Article II Meetings of Members**

Section 2.1 - Annual meeting. An annual meeting of members shall be held within the first calendar quarter of each fiscal year, whenever practicable, and at a place convenient to members. The time and place of the meeting shall be determined by the Board of Directors. The purposes of the meeting shall be to hear reports on the operations and finances of the Co-op, to elect directors and to conduct such other business as may properly come before the meeting.

Section 2.2 - Special meetings. Special meetings of members may be called by the Board of Directors. A special meeting shall be called within eight weeks of receipt of petitions of not less than ten percent of the member households of the Co-op which specifically state the appropriate business to be brought before the meeting.

Section 2.3 - Notice. Written notice of the time and place of any meeting of members, together with a statement of the purposes of such meeting, shall be mailed to each member household not less than fourteen days before the date of the meeting.

Section 2.4 - Quorum. The presence of a representative from twenty member households or ten percent of all member households, whichever is lesser, shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of members.

Section 2.5 - Voting. Each member household shall have one vote on all matters submitted to a vote of members. . Proxy voting shall not be permitted. Voting by absentee ballot may be authorized by the Board of Directors provided the issues for decision are fully stated in the notice of the meeting. All issues shall be decided by a majority of member households voting except where a higher percentage is required by law or by these bylaws. Decisions on issues which are not included in the notice of the meeting shall be of an advisory nature only.

Section 2.6 - Issues submitted by members. Notices of a meeting of members shall include any appropriate issues submitted by petition of not less than fifteen member households. Petitions must be received at the office of the Co-op not less than one month before the date of the meeting.

## **Article III Board of Directors**

Section 3.1 - Powers and duties. Except as to matters reserved to membership by law or by these bylaws, the business and affairs of the Co-op shall be directed and controlled in

the interests of members by the Board of Directors (sometimes referred to in these bylaws as "the Board"). The powers and duties of the Board shall include, but not be limited to, engaging a general manager and monitoring and evaluating her or his performance, overseeing the operations of the Co-op, ensuring fiscal controls, ensuring good conditions of employment and assuring that the purposes and aims of the Co-op are properly carried out.

Section 3.2 - Number and qualifications. The Board shall, whenever possible, consist of nine persons but shall in all cases consist of at least five persons. All directors must be members of the Co-op.

Section 3.3 - Nomination. Candidates for director positions shall be nominated by the Nominating Committee or may also be nominated by petitions signed by a minimum of ten member households of the Co-op. Members desiring to run for election as directors should notify the Nominating Committee not less than one month before the date of the annual meeting.

Section 3.4 - Election. All directors shall be elected by plurality vote at the annual membership meeting. Directors shall normally be elected to serve for terms of three years or until election of their successors. The terms of directors shall be so staggered that approximately one-third shall expire in each year. Directors may serve for no longer than three consecutive full terms; they may, however, be reelected to the Board after an absence of one year.

Section 3.5 - Contracts for profit. During her or his term of office, a director shall not be a party to any contract for profit with the Co-op differing in any way from the business relations accorded each member or upon terms differing from those generally current among members.

Section 3.6 - Conflicts of interest. Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board. Directors having such an interest may not participate in the decision of the matter.

Section 3.7 - Committees. The Board may designate one or more standing committees, including but not limited to committees on finance, nomination, membership, education, personnel, and space and facilities, to advise the Board and to exercise such authority as the Board shall designate. Such committees shall consist only of members of the Co-op and shall ideally include at least one director.

Section 3.8 - Termination. The term of office of a director may be terminated prior to its expiration in any of the following ways:

- (1) voluntarily by a director upon notice to the Co-op;
- (2) automatically upon termination of membership in the Co-op;
- (3) involuntarily, with or without cause, by action of a membership meeting; and
- (4) involuntarily for cause by a two-thirds vote of the Board after a fair hearing at which

the director is given the opportunity to speak and present evidence, provided that such person is accorded the right of appeal at a membership meeting. The decision of the Board referred to members will stand until annulled or modified by the members.

A director who fails to attend two consecutive meetings of the Board without notification shall be considered to have resigned.

Section 3.9 - Vacancies. Any vacancy among directors occurring between annual meetings may be filled by the Board of Directors for the time remaining until the next membership meeting. The number of directors comprising the Board may be determined or altered only at a meeting of members.

#### **Article IV Meetings of the Board**

Section 4.1 - Meetings. A regular meeting of the Board of Directors shall be held, without any other notice, immediately after the annual meeting of members. The Board may determine the times and places of additional regular meetings. Special meetings shall be called upon request of at least three directors. A meeting of the Board shall be held not less than ten times per year. Meetings of the Board of Directors or of any committee shall be open to all members of the Co-op except when the Board of Directors enters executive session pursuant to Section 4.7 of these bylaws. [Note: Section 4.7 has not been enacted.]

Section 4.2 - Notice. Meetings called by the Board shall require no further notice than the decision of the Board. All other meetings shall require written or oral notice to all directors. Written notices shall be delivered not less than ten days before the date of the meeting, and oral notices in person or by telephone shall be given not less than three days before the date of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place on the Co-op premises.

Section 4.3 - Quorum and voting. The presence in person at the opening of the meeting of a majority of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board. Decisions of the Board shall be made by a majority vote of directors present.

Section 4.4 – Meetings by telephone and electronic communications. The Board may conduct its business via telephone conference or electronic communications. Participation by such means shall constitute presence in person at a meeting of the Board.

Section 4.5 - Action without a meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a written consent to the action is signed by all directors and filed with the minutes of meetings.

Section 4.6 - Referendum. At the request of three or more directors, a decision of the Board shall be referred to a meeting of members. A decision referred to members will

stand until annulled or modified by members. Modification by members shall not impair rights previously acquired by third parties.

## **Article V Officers**

Section 5.1 - Designation. The officers of the Co-op shall consist of President, Vice President, Treasurer, Secretary, and such other officers or assistant officers as may be determined by the Board. The offices of Treasurer and Secretary may be held by the same person. All officers shall be directors.

Section 5.2 - Election, term and removal. Officers shall be elected by the Board of Directors. Officers shall serve for terms of one year or until election of their successors. Officers may be removed at any time, with or without cause, by the Board.

Section 5.3 - Duties. Officers shall have the following duties and such additional duties as is determined by the Board:

- (a) The President shall preside at all Board and membership meetings, shall present a report to the annual membership meeting on the organizational affairs of the Co-op and shall, as authorized by the Board, sign formal documents on behalf of the Co-op;
- (b) The Vice President shall perform the duties of the President in her or his absence and shall, as requested, assist the President in the performance of her or his duties;
- (c) The Treasurer shall monitor the financial affairs of the Co-op and the filing of all required reports and returns, shall present a report to the annual membership meeting on the financial affairs of the Co-op and shall, as authorized by the Board, sign formal documents on behalf of the Co-op; and
- (d) The Secretary shall oversee the issuance of required notices and the keeping of minutes of all Board and membership meetings and shall, as authorized by the Board to sign or attest to formal documents on behalf of the Co-op

## **Article VI Capital Stock**

Section 6.1 - Authorized stock Stock which the Co-op shall have authority to issue or reissue is two thousand shares of common stock, called membership shares, with a par value of seventy-five dollars per share and fifty thousand shares of preferred stock with a par value of five dollars per share.

Section 6.2 - Issuance and terms. Membership shares may be issued to any persons eligible for and admitted to membership in the Co-op, and no more than one such share shall be issued to any person. No share shall be issued until it has been fully paid for. All shares shall be non-assessable and shall not be transferable. Membership shares shall be entitled to no dividend or other monetary return on investment, Preferred shares in excess of the required one per adult in a household shall accrue dividends at an annual rate of not more than five percent, except that neither such dividends shall accrue nor shall there

be any distribution of net savings or dividends paid to members or shareholders (ordinary or preferred shares) of the SFC during the term of any loan, or before disposal of any assets secured with a grant, provided by a US federal agency. Co-op shall have a first lien on all shares to the extent of amounts due and payable to the Co-op by the holder.

Section 6.3 - Certificates. Every holder of fully paid shares shall be entitled to receive a certificate evidencing such holding. All certificates shall be signed personally or by facsimile by the President and the Treasurer and shall be numbered and registered by the Co-op. Each certificate shall contain a prominent notation that it is not transferable. Each common stock certificate shall contain a prominent notation that voting rights pertain only to membership in the Co-op on the basis of one vote per member, and each preferred stock certificate shall contain a prominent notation that it is nonvoting. The Co-op may issue a replacement certificate for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

Section 6.4 - Redemption. Capital stock may be redeemed, at the discretion of the Board, whenever and to the extent that share holdings of any members shall exceed the then current membership requirements. Capital stock shall be redeemable at no more than its carrying value on the books of the Co-op. No redemption shall be made when such payment would endanger the financial condition of the Co-op.

## **Article VII Fiscal Matters**

Section 7.1 - Fiscal year. The fiscal year of the Co-op shall begin on the first day of April in each year and end on the last day of March of the succeeding year.

Section 7.2 - Fiscal policies. The Co-op shall be operated according to sound business practices insofar as they are consistent with the purposes and aims of the Co-op. In lieu of distributing patronage dividends, the Co-op may use its net savings for its development needs and for the provision and extension of services to members.

Section 7.3 - Accountability. Financial statements of the Co-op shall be audited or reviewed by an accountant selected by the Board of Directors. There shall be an annual financial/management review of the operations of the Co-op by a committee appointed by the Board. Areas of review shall include management performance, adherence to governing policy, adequacy of operating controls and procedures and other matters as determined by the Board.

## **Article VIII Indemnification**

Section 8.1 - Rights. The Co-op shall, subject to the terms and conditions in this Article, indemnify or reimburse its directors and officers for all claims and liabilities, including those formerly holding such positions, against all liabilities and expenses, including

reasonable attorneys' fees, to which they may be subject by reason of their positions with the Co-op or their services in its behalf.

Section 8.2 - Limitations. Indemnification shall be provided if the person or persons to be indemnified is successful on the merits in defense of the action or proceeding. Further, if the person or persons to be indemnified is unsuccessful on the merits in defense of the action or proceeding, indemnification shall be provided unless it is determined that the person or persons did not act in good faith or in the best interests of the Co-op, if such determination is not made in a legal proceeding related to the claim, it may be made by a quorum of directors who were not parties to the action or proceeding or by independent legal counsel selected by such quorum. If not made or able to be made by either, such determination shall be made by independent legal counsel selected by members. In any action or proceeding by or in the right of the Co-op, indemnification shall be provided only as to reasonable expenses and only if the person is not adjudged liable to the Co-op on such bases. Indemnification payments shall be made only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its other obligations as they become due.

#### **Article IX Notice**

Section 9.1 - Notice. Any notice required under these bylaws shall be deemed delivered when deposited in the United States mail with names and addresses as they appear in the records of the Co-op.

Section 9.2 - Waiver of notice. Any notice of a meeting required under these bylaws may be waived in writing at any time before or after the meeting for which notice is required. The attendance of any person at a meeting shall constitute a waiver of notice of the meeting except where the person attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

#### **Article X Bylaws**

Section 10.1 - Severability. In the event that any provision of these bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

Section 10.2 - Amendment. These bylaws may be altered, amended or repealed only at an annual or special meeting of members. Notice of the proposed change or amendment of the bylaws shall be given in writing to all members at least fourteen days prior to the meeting. In order to take effect, the proposed change must be approved by a two-thirds majority of ballots cast.

#### Mission Statement

Last Revised:       circa 2005 (adopted by membership vote)

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The Springfield Food Co-op operates as a member owned store that provides healthy natural foods, emphasizing local and organic products in keeping with the International Cooperative Principles and values, and with our Purposes and Aims.

## Appendix C:

### Purposes and Aims of the Springfield Food Co-op

#### Last Revised:

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The purposes for which the Cooperative is formed is to engage in any one or more lawful mode or modes of acquiring, producing, operating, furnishing, exchanging or distributing food products and other goods and services for the primary and mutual benefit of its members and patrons of the Cooperative.

The specific aims of the Cooperative are as follows:

- a) to create a community-based member-owned not-for-profit consumer buying service;
- b) to make available wholesome natural foods and products as inexpensively as possible with consideration given to the political, social and ecological effects of products being marketed;
- c) to support and encourage local growing of fresh organic foods;
- d) to provide educational and informational materials concerning nutrition and agricultural practices with the aim of developing alternative patterns of production, consumption and use;
- e) to purchase and purvey, whenever feasible, the goods or services of local and regional growers and producers; and
- f) to serve as a center for activities and services in keeping with the above purposes and which otherwise enrich the life of the community.

Appendix D:

International Cooperative Principles

Last revised: 1995

Source: International Cooperative Alliance

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### **Voluntary and Open Membership**

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

### **Democratic Member Control**

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

### **Member Economic Participation**

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

### **Autonomy and Independence**

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

### **Education, Training and Information**

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

### **Co-operation among Co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

### **Concern for Community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Appendix E: Board Annual Calendar and Monitoring Schedule

Last revised: May 2011

<b>Board → Responsibilities</b>	<b>Link with Member-owners</b>	<b>Enact Policy</b>	<b>Assure GM performance/monitoring</b>	<b>Board perpetuation and development</b>	<b>Board Self-Evaluation/Monitoring</b>	<b>Misc/Other/Annual</b>
Related Policies →	B4, C2	Global Governance Commitment	D4, C2	C1, C2, C8, C6	C1, C5, D1	
<i>Activities...</i>	...Include Annual Meeting, reporting to members, learning what values are held by members	...Include regular re-examination of Ends, reviewing and revising or adding to existing policies	...Include receiving and taking action on monitoring reports from the GM, compiling monitoring data into annual GM review	...Include updating the Board's yearly calendar, board budget, board recruitment, orientation and training of new directors	...Include evaluating the Board's performance, preparing and acting on reports that monitor Board Process policies and Board-GM Relationship policies	...Include Bylaw review, financial and regulatory paperwork
January			B3: Asset protection  FYI: Q1 Budget update	CBL 101 Training  Update Board Calendar  Set Board budget	C7: Officer's Roles  C8: Board Committee Principles	Bylaw Review
February	Review member equity and benefits		B1: Financial Condition, Q3 Results  B9: Succession	Identify potential Board nominees	C9: Governance Investment	
March	Identify time and place of Annual meeting		B2: Planning and Budgeting, Annual Business Plan  B5: Customers	Contact potential board nominees	D1: Unity of Control	

April	Develop Annual meeting agenda, warning, and Annual Report letter from the board.		B4: Membership	Survey potential board nominees	D2: Accountability of the GM	
<b>Board Responsibilities →</b>	<b>Link with Member-owners</b>	<b>Enact Policy</b>	<b>Assure GM performance/Monitoring</b>	<b>Board Perpetuation and Development</b>	<b>Board Self-Evaluation/Monitoring</b>	<b>Misc/Other/Annual</b>
May	Annual Membership Meeting		B1 Financial Condition (Q4 and Year-end Results)		C: Global Governance Commitment D: Global Board-GM Connection	Elect Officers, Sign Officer exclusion forms, submit biennial paper work to VT Sec of State
June			B: Global Constraint FYI: Tax filing status		C2: Governing Style C6: Director's Code of Conduct	Sign taxes, update bank account signers  Orient new Directors
July			B6: Staff FYI: Q2 Budget update			Make committee assignments
August	Develop Annual Plan for member linkage		B1: Financial Condition, Q1 Results		C4: Agenda Planning C5: Board Meetings	
September	Member Appreciation Day	Discuss Ends policy	A: Ends		C3: Board's Job	
October		Discuss education needs related to Ends policies	A: Ends, continued FYI: Q3 Budget update		D3: Delegation to the GM D4: Monitoring GM Performance	

November			B1: Financial Condition, Q2 Results			
December			B7: Board Communication B8: Board Support	Yearly Reflection: What have we learned? How can we integrate this learning and lead into the future?		

Appendix F  
Monitoring Decision Tree

Source: Cooperative Development Service

Appendix G

Committee Charters (Sample)

Last Revised: April 2011

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COMMITTEE: NOMINATION AND RECRUITMENT

DATE CHARTERED:

END OF TERM:

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

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

## Appendix H

### Member Benefits Structure

Last Revised: **July 2008**

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Section 1.3 of the Bylaws of the Co-op states, in part: “Each member shall contribute to the capital needs of the Co-op through purchasing one \$75 membership voting share per household and an amount of \$5 preferred non-voting shares equaling at least one for each adult in her or his household. Each member may also contribute to the operational needs of the Co-op through contributions of her or his labor or services to the extent determined by the Board of Directors, entitling such member to a discount on purchases.”

In accordance with the above, the Co-op shall extend discounts as described below. All discounts shall be based on the same price given to non-member shoppers, whether sale or regular price, and shall be extended at the time of purchase.

#### **Eligibility Definitions**

A **member household** is a household which has purchased a share of Common Stock in the Co-op.

An **eligible resident (ER)** is a full-time resident of a member household who (a) has purchased a share of Preferred Stock in the Co-op or (b) is a child under age 18.

#### **Discounts**

**Basic Member Discount:** Eligible residents of each member household shall be entitled to receive a 2% discount off all Co-op purchases.

**Member Case Discount:** Eligible residents of each member household shall be entitled to receive a 10% discount off purchases of full, unopened caselot goods.

**Basic Working Member Discount:** Eligible residents of member households which meet the following criteria shall be entitled to a 5% discount off all purchases for the duration of one calendar month:

ERs of the household have completed at least four (4) hours of approved work in the Working Members program in the previous month; OR

An ER was an active member of the Board of Directors in the previous month.

**Super Working Member Discount:** Eligible residents of member households which meet the following criteria shall be entitled to a 10% discount off all purchases for the duration of one calendar month:

ER's of the household have completed at least eight (8) hours of approved work in the Working Members program in the previous month; OR

An ER was an active member of the Board of Directors AND ER's of the household completed at least four (4) hours of approved work in the Working Members program in the previous month; OR

An ER was the President of the Board of Directors in the previous month.

#### **Combined discounts**

Member case discounts and Working Member Discounts, when applicable, shall be combined with the Basic Member discount as follows:

**A Basic Member who buys a caselot** shall receive 10% off the case in addition to 2% off the total purchase.

**A Basic Working Member** shall receive a 2% Basic Member Discount in addition to a 5% Working Member Discount.

**A Super Working Member** shall receive a 2% Basic Member Discount in addition to a 10% Working Member Discount.

**A Working Member who buys a caselot** shall receive a 10% case discount in addition to a 2% Basic Member Discount and a 5% or 10% Working Member Discount.

#### **Limitations to combined discounts**

The maximum combined discount shall be the Basic Discount plus the Case Discount plus the Super Working Member discount, or 2% + 10% + 10%. Members who qualify for and receive the maximum combined discount shall not qualify for additional discounts such as the Senior Discount or Employee Discount.

#### **Excess hours**

When eligible residents of a household complete more hours of approved work than necessary to qualify for a Working Member category, but not enough to qualify for the next category, the excess hours shall be credited to the following month's total of hours worked. Excess hours shall be carried over month to month for the duration of the Co-op's fiscal year ending March 31. At the beginning of each fiscal year on April 1, only excess hours actually worked in the month of March shall be carried over. Excess hours carried over from earlier in the year shall be forfeited. The General Manager may make exceptions to this rule on a case-by-case basis.

## Appendix I

### Policy Governance Source Document

Last Revised: June 2011

Source: Produced by International Policy Governance Association in consultation with John and Miriam Carver. Policy Governance® is a registered service mark of John Carver. Used with permission. Copying permitted if attributed to source. If referenced as source document, must reference entire document and, if copied, be copied in its entirety.

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#### **Why a Source Document?**

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

Without a simply expressed clear point of source, interpretations, opinions, writings and implementations may intentionally or unintentionally diverge from the originating intent and ultimately be undifferentiated.

Without a simply expressed clear source document on Policy Governance, Policy Governance is not reliably grounded and not transferable as a distinction. It is left vulnerable to interpretation, adaptation and impotence.

#### **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 has principles for committees, it does not prohibit committees nor require specific committees.
2. Policy Governance is not a set of individual “best practices”
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 or anything else
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 distinctions that, when consistently applied, allow governing boards to realize their accountability.

Policy Governance starts from certain principles about governing boards, which can be said to be true across all cases. These “universal principles” were not invented by John

Carver, but are very clearly distinguished by him and are the basis for Policy Governance:

### **Principles of Governance**

1. **Ownership:** The source of board legitimacy – to which the board must morally and/or legally connect its authority and accountability for the organization. Other “stakeholders” such as staff, customers and suppliers are *not* “owners” unless they independently qualify as such.
2. **Governance:** The job of the group granted full accountability and full authority for value produced on behalf of those who morally if not legally own the organization. The servant-leadership work of the highest and initial authority within the organization.
3. **Board Holism:** Board authority lies in the group’s one voice honed from the diversity of the whole group
4. **Accountable, Effective, Delegation:** In being accountable for an entire organization’s conduct, achievement, values, and destiny, a board has no choice but to exercise unambiguous control. However, the imposition of controls on delegates can be as destructive to owner interests as it is favorable to them. Consequently, a board needs to exercise a type of control that safeguards owner values, optimally empowers human beings in the enterprise, and never delegates the same responsibility or authority to more than one point.

The following design distinctions make the principles of governance operational.

### **Operational Design**

**Policy:** Explicit, brief, written statements of values and perspectives, which guide *all* current and future decisions. These board decisions are made in categories, which separate what the organization is *for* from what it *does*. In each category, the board begins by making its decisions at the broadest level and, as necessary, continuing into more detailed levels that narrow the interpretative range of the higher levels, one articulated level at a time.

Policies, then, are grouped as follows:

**Policies about Ends:** The board prescriptively defines the intended results, changes, or benefits that should come about for specified recipients, beneficiaries, or otherwise designated impacted group, and at what cost or relative priority for the various benefits or various beneficiaries. In equity corporations, Ends typically describe shareholder value.

**Policies about Means:** All decisions that are not Ends, are “means” by definition.

1) The board defines in writing and takes full responsibility for agendas, behaviors, values-added, practices, disciplines, and conduct of the board itself and of the board’s delegation/ accountability relationship with its own subcomponents and with the executive part of the organization.

2) The board defines proscriptively and in writing, those conditions it requires staff to avoid even if they work. The board does not circumvent the spirit of this rule by using negative language merely to prescribe preferred means.

**Reasonable Interpretation:** In authorizing further decisions - beyond the ones recorded in board policies - the board grants delegates the right to use any reasonable interpretation of those policies. In each instance, the delegate is never ambiguous.

**Monitoring:** The board periodically receives information, providing evidence that performance in both governance and management complies with a reasonable interpretation of the board’s stated expectations in these domains.

These governance and design distinctions exist and are real when distinguished and don’t exist when they are not distinguished. When distinguished, and therefore brought into play, they allow for a governing board to realize owner accountability. When they are not distinguished, and so not brought to play, true owner accountability is not available.

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

## Appendix J

### 10 Policy Governance Principles

Last Revised: June 2011

Source: Carver Guide #1: Basic Principles of Policy Governance by John Carver and Miriam Mayhew Carver, published by Jossey-Bass, 1996.

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1. Trust in trusteeship - the board governs on behalf of others. The board must establish, maintain, clarify and protect its relationship with owners.
2. The board speaks with one voice - the power of the board is not as individuals but as a group. To ensure one voice, establish written policy and assess performance only against board established criteria.
3. Board decisions should predominately be policy decisions - policies are values and perspectives that underlie all action. The board's wisdom and leadership are reflected in its policy.
4. Boards formulate policy by determining the broadest values before progressing to more narrow ones - policies may be about large important issues or smaller, less important issues. Settle the large issues first. When the board reaches sufficient level of policy detail it delegates all further definition to someone else and agrees to accept any reasonable interpretation.
5. A board should define and delegate rather than react and ratify - board policies tell the board and manager what plans are "approvable", freeing the board from unnecessary detail and allowing the manager creativity to carry out board policy.
6. Ends determination is the pivotal duty of governance - ends describes what good is to be done for whom at what cost. A board focuses on outcomes, why an organization exists at all.
7. The board's best control over staff means is to limit, not prescribe - set clear boundaries of acceptable activity rather than tell staff how to do its job. Means are actions and arrangements needed to accomplish ends or to safeguard the operations that produce ends. Setting constraints allows greater control with less dabbling into details and provides greater accountability.
8. A board must explicitly design its own products and process - the board states what it expects of itself, who it serves, and how it does its job.
9. A board must forge a linkage with management that is both empowering and safe - establishing and maintaining an effective relationship between the board and the manager is critical for effective governance and management.
10. Performance of the manager must be monitored rigorously, but only against policy criteria - Good monitoring is essential for the board to govern by policy. Pre-

established criteria are set in board policies on ends and executive limitations and are the only management activity that the board monitors.