



Hanover
Consumer
Cooperative
Society Inc.

**GOVERNANCE
POLICIES**

12.07.2018

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Definitions: The Hanover Consumer Cooperative Society is herein referred to as “the Co-op.”
The General Manager is herein referred to as “the GM.”

The Policy Governance Model

Board leadership requires, above all, that the Board provide vision. To do so, the Board must first have an adequate vision of its own job. That role is best conceived neither as volunteer-helper nor as watchdog but as trustee-owner. Policy Governance is an approach to the job of governing that emphasizes values, vision, empowerment of both Board and employee, and the strategic ability to lead leaders.

Observing the principles of the Policy Governance model, a Board crafts its values into policies of the four types below. Policies written this way enable the Board to focus its wisdom into one central, brief document.

Ends

The Board defines which human needs are to be met, for whom, and at what cost. Written with a long-term perspective, these mission-related policies embody most of the Board's part of long-range planning.

Executive Limitations

The Board establishes the boundaries of acceptability within which employee methods and activities can responsibly be left to employees. These limiting policies, therefore, apply to employee's means rather than to ends.

Board-Executive Linkage

The Board clarifies the manner in which it delegates authority to employees as well as how it evaluates employee performance on provisions of the Ends and Executive Limitations policies.

Board Process

The Board determines its philosophy, its accountability, and specifics of its own job.

Board Leadership: Policy Governance in Action, John Carver ed., No. 52

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Ends Global – The Results We Aim to Create in the World

The Hanover Consumer Cooperative Society exists to create a well-nourished community cultivated through cooperation.

We discern seven distinct groups comprising “our members and community,” as follows:

1. Co-op members
2. Non-member customers
3. Co-op employees and their families
4. Local suppliers
5. Local community
6. Larger cooperative community
7. Past and future generations of Hanover Co-op members

Because of the Hanover Consumer Cooperative Society:

1. The Upper Valley will have a retail source of food that is affordable, healthy, grown and/or processed locally to the fullest extent possible.
2. There will be economic value returned to the community via charitable contributions, outreach projects, patronage refunds to member and other avenues.
3. Customers and employees will be better educated about food issues and, as a result, make healthier choices.
4. There will be vibrant cooperative sector in the economy, both nationally and regionally, and a local community educated in the value of cooperative principles and enterprises.
5. The cooperative’s bioregion will have a vibrant local agricultural community and that community will, in turn, have a reliable retail market for its products.
6. There will be a major source of employment in the community that provides personal satisfaction to employees, livable wages and financial security for employees and their families.
7. There will be a thriving business organization that protects and restores the environment.
8. Everyone engaging with our business shall be included, welcomed, and appreciated, contributing toward more diversity, inclusivity, and equity in our Upper Valley community.

This policy will be monitored annually in March.

EL Global – Executive Limitations

The General Manager (GM) will not cause or allow any organizational practice, activity, decision, or circumstance that is unlawful, imprudent, unethical, or inconsistent with cooperative principles and values.

EL I – Planning

The General Manager may not cause or allow planning to deviate materially from the Board's Ends priorities or fail to be derived from a strategic long-term plan.

Further, without limiting the scope of the foregoing by this enumeration, the General Manager may not cause or allow plans that:

EL 1.1: Omit credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

EL 1.1.1: Contain insufficient information to support assumptions.

EL 1.2: Are not updated at least annually.

EL 1.3: Do not protect the long-term health of the Co-op as described in Financial Conditions policy.

EL 1.4: Are planned in isolation or do not provide appropriate support of the Neighboring Cooperatives collaboration.

EL 1.5: Do not provide for governance development (as set forth in GP 3).

EL 1.6: Leave the Co-op unprepared for loss of key management personnel.

This policy will be monitored annually in December.

EL 2 – Financial Condition and Performance

With respect to the actual ongoing activities of the Co-op, the General Manager may not jeopardize the current and long-term financial health or allow material deviation from Board priorities as stated in the Ends Policies.

Further, without limiting the scope of the foregoing by this enumeration, the General Manager may not cause or allow:

- EL 2.1:** Indebtedness of a type and level that jeopardizes the ability of the cooperative to repay its current and long-term debts in a timely and efficient fashion.
- EL 2.2:** Liquidity, or the ability to meet cash needs in a timely and efficient fashion, to be insufficient.
- EL 2.3:** Any requirements of contracts, payroll, loans, or other financial obligations to be unmet or overdue.
- EL 2.4:** Tax payments or other government-ordered payments or filing to be overdue or inaccurately filed.
- EL 2.5:** Consolidated operations to generate inadequate net income.
- EL 2.6:** Financial record-keeping systems to be inadequate or out of conformity with generally accepted accounting practices (GAAP).
- EL 2.7:** A failure to provide the Board, on at least a quarterly basis, with an accurate balance sheet, statement of cash flows, net income statement, and such additional indices and reports as the General Manager deems useful to the Board in the discharge of its fiduciary responsibilities.

This policy will be monitored quarterly.

EL 3 – Asset Protection

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

Further, without limiting the scope of the foregoing by this enumeration, the General Manager shall not allow:

- EL 3.1:** Inadequate security of premises and property.
- EL 3.2:** Uncontrolled purchasing or purchasing subject to conflicts of interest.
- EL 3.3:** Lack of due diligence in contracts and real estate acquisitions.
- EL 3.4:** Uninsured, inadequately insured, or otherwise irreplaceable equipment and facilities, considering potential damage or destruction.
- EL 3.5:** Unnecessary exposure to liability or lack of insurance protection from claims of liability.
- EL 3.6:** Unprotected data, intellectual property, information, or files, considering potential loss, theft, or significant damage.
- EL 3.7:** Damage to the Co-op's good will, its public image, its credibility, or its ability to accomplish Ends.

This policy will be monitored annually in August.

EL 4 – Member/Shopper Experience

The General Manager shall not cause or allow conditions, procedures, or decisions that fail to reflect the high standard of customer service that the public should expect of a consumer cooperative. Accordingly,

EL 4.1: The General Manager shall not cause products to be offered for sale that are unreasonably dangerous to human health.

EL 4.1.1: Because the serious health hazards of tobacco products are contrary to the Co-op's ends, values, and mission, the GM shall not cause or allow the sale of tobacco products at the Co-op.

EL 4.2: The General Manager shall not fail to respect the privacy of any information customers share with the cooperative.

EL 4.3: The General Manager shall not fail to treat customers respectfully, courteously and helpfully.

EL 4.4: The General Manager shall not fail to act in the best interests of consumers when choosing products for retail sale, determining their prices, and providing information about such products.

EL 4.5: The General Manager shall not fail to establish a clear understanding with customers of what may be expected and what may not be expected from the service offered.

EL 4.6: The General Manager shall not fail to provide a mechanism for customers to express concerns to the management and to respond to such expressions of concerns on a timely and responsive basis.

EL 4.7: The General Manager shall not fail to conduct regular customer satisfaction surveys. This policy is not intended to interfere with the use of customer survey information for educational or Board purposes.

This policy will be monitored annually in June.

EL 5 – Employee Experience

The General Manager shall not treat employees in any way that is unfair, unsafe, unclear or inconsistent with the Cooperative Values and Principles.

The General Manager shall not fail to:

EL 5.1: Operate with written personnel policies that:

- a. Clarify rules and employment expectations for employees.
- b. Provide for fair and thorough handling of grievances in a way that does not include the board as a participant in the grievance process.
- c. Are accessible to all employees.
- d. Inform employees that employment is neither permanent nor guaranteed.

EL 5.2: Apply personnel policies in a consistent fashion.

EL 5.3: Permit employees to participate meaningfully in achieving business success for their departments, their stores, and the cooperative as a whole, in part through appropriate training programs for new employees and employees new to their positions.

EL 5.4: Maintain objective, quantifiable measures of employee opinion and to report the results to the Board at least every three years.

EL5.5: Provide for adequate documentation, security and centralized retention of personnel records and all personnel related decisions.

EL 5.6: Provide a thorough training program for all management/supervisory personnel concerning the effective handling of performance and discipline issues.

EL 5.7: Provide for a progressive corrective disciplinary system applicable to employees who have completed their respective probationary periods that:

- a. allows employees the opportunity to correct behavior reasonably amenable to corrective discipline without infringing on the General Manager's right to suspend or to discharge employees immediately for serious violations of law or policy.
- b. advises employees of the reason(s) for any disciplinary actions taken, including discharge, and
- c. reserves to the General Manager the sole right to determine what constitutes proper cause for disciplinary action, including discharge.

EL5.8: Authorize compensation and benefits that are internally and externally equitable.

EL 5.9: Advise the Board prior to paying any employee bonus, establishing or modifying any incentive plan for employee compensation, or providing for any program of employee discount.

EL 5.10: Refrain from changing the General Manager's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

EL 5.11: Recognize that the serious health hazards of tobacco products are contrary to the Co-op's ends, values, and mission by:

- a. Restricting the use of tobacco products on property owned or leased by the Co-op to designated areas to be determined by management.
- b. Educating employees regarding the opportunities to participate in smoking cessation programs.

This policy will be reviewed by the Board at least annually by internal report of the GM to the Board in July and/or by such other monitoring mechanism as the Board may from time to time request.

EL 6 – Compensation and Benefits

The General Manager may not cause inexplicable discrimination with respect to employment, compensation, and benefits to employees, consultants, contract workers, and volunteers, or allow jeopardy to fiscal integrity or public image.

Accordingly,

EL 6.1: The General Manager will not fail to establish a current compensation and benefits schedule which:

Represents the geographic and/or professional market for the skills employed.

Is based on revenues that can be safely projected.

Represents internal equity.

Adheres to policies adopted by the Board and distributed to the employee.

EL 6.2: The General Manager will not fail to inform an employee that employment is neither permanent nor guaranteed.

EL 6.3: The General Manager will not allow compensation and benefits significantly beyond the limits established by the pay schedule.

This policy will be monitored annually in July.

EL 7 – Communication and Counsel to the Board

The General Manager shall not cause or allow the Board to be uninformed or unsupported in its work. Accordingly, the General Manager will not

- EL 7.1:** Submit monitoring data that is untimely, inaccurate, or hard to understand.
- EL 7.2:** Fail to report, or report in an untimely manner, any actual or anticipated noncompliance with any policy of the Board.
- EL7.3:** Allow the Board to be unaware of relevant trends, public events of the Cooperative, or internal and external changes that may be important to the Board or
 - EL 7.3.1:** concern which employees report directly to the general manager or the job responsibilities of such employees,
 - EL 7.3.2:** arise out of contact with, or actions by, government instrumentalities or other institutions that have significant impact on the affairs of the cooperative,
 - EL 7.3.3:** affect any current or planned capital projects, or
 - EL 7.3.4:** involve matters that members, government authorities or the general public would reasonably expect the Board to be aware of.
- EL 7.4:** 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 conduct that is detrimental to the work relationship between the Board and the General Manager.
- EL 7.5:** Deal with the Board in a way that favors or privileges certain Board members over others except when (a) fulfilling individual requests for information or (b) responding to officers or committees duly charged by the Board.
- EL 7.6:** Fail to supply for the Board's agenda all decisions delegated to the General Manager yet required by law, regulation, or contract to be Board-approved.
- EL 7.7:** Fail to supply direct evidence to the Board on a timely basis that the Cooperative is in compliance with all obligations that may trigger the personal legal liability of Board members.

This policy will be monitored annually in September.

EL 9 – Cooperative Giving Programs

The Co-op Giving Programs will contribute to the quality of life in the Upper Valley and promote cooperation.

Accordingly,

EL 9.1: The General Manager will not fail to administer several giving programs, in cash or in kind, in support of organizations, including cooperatives, which are neighboring, regional, national, or international.

EL 9.2: The General Manager will not include among recipients of the giving programs organizations that;

are for-profit;

discriminate on the basis of race, creed, gender, national origin, age, sexual orientation, or physical disability;

do not primarily benefit Upper Valley¹ communities and their citizens; and

are fund-raising for programs that are intended to advance a particular religious belief or particular political position.

EL 9.3: The General Manager shall not fail to administer;

The Hanover Co-operative Community Fund (HCCF), which will provide the Co-op with a long-term charitable giving endowment fund; its purpose is to provide funding for the Gerstenberger Scholarship Fund and Community Project Grants.

The HCCF is managed in cooperation with the Twin Pines Cooperative Foundation (TPCF), a California-based tax-exempt 501(c) (3) corporation (see the Appendix for the contract). The Board guides the fund through the GM and the HCCF Advisory Committee.

EL 9.4 The General Manager will not fail to administer a voluntary round-up payment program at the cashier stands (that may be called “Pennies for Change”) to provide revenues in support of organizations, as described in GP 8.

EL 9.5 The General Manager will not fail to organize fundraising activities on at least an annual basis in order to continue to grow the HCCF.

This policy will be monitored annually in May and by direct report of the HCCF Advisory Committee.

¹ Note: There is no logical inconsistency between the mention of national and international organizations in EL 9.1 and the mention of Upper Valley here. An organization may be distant, but the benefit of associating with it must have a local benefit. Example: A Gerstenberger Scholarship to a local person for a degree in Co-operative Management Education from Saint Mary’s University in Canada would benefit the Upper Valley upon that person’s return.

EL 10 – Appropriate Architecture and Design

When constructing new buildings, or substantially modifying existing buildings, the General Manager shall not fail to consider the importance of building design and architecture to:

EL 10.1: The human spirit, customer and employee satisfaction, and the community served by the cooperative;

EL 10.2: The possible impact on other relevant board policies, particularly those relating to the environment, customer service, and the financial success of the organization.

This policy will be monitored in November, by report of the General Manager during the programmatic phase of architecture or design, and at any additional time the General Manager thinks is appropriate.

EL 12 – Board Logistical Support

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

Accordingly, the General Manager will not:

- EL 12.1:** Provide the Board with insufficient employee administration to support governance activities and Board communication.
- EL 12.2:** Allow the Board to be without a workable mechanism for official board, officer or committee communications.
- EL 12.3:** Allow Board members to be without an updated copy of the Policy Register and the Bylaws.
- EL 12.4:** Provide inadequate information and notice to members concerning Board actions, meetings, activities and events.

This policy will be monitored annually in January.

EL 14 - Cooperation Among Cooperatives

Our cooperative is deeply committed to the sixth cooperative principle, which reflects a commitment to cooperation among cooperatives.

Accordingly, the General Manager shall not fail to:

EL 14.1: Operate our Co-op in a manner designed to recognize the spirit of cooperation expressed in Cooperative Principle 6.

This policy will be monitored annually in October.

B-GM Global – Board-GM Flow of Authority

The Board of Directors is a policy-making body. The Board oversees the cooperative exclusively by drafting and monitoring compliance with policies that are binding on the General Manager. Thus the Board's link to the cooperative is exclusively through the General Manager. The General Manager will be in active communication with the Board and may also, on occasion, delegate this responsibility to others. If so, the General Manager is responsible for and will be bound by such communications.

This policy will be monitored annually in March.

B-GM I – Unity of Control

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

Accordingly,

B-GM 1.1: Decisions or instructions of individual board members, officers, or committees are not binding on the General Manager except in rare instances when the Board has specifically authorized such exercises of authority.

B-GM 1.2: In the case of Board members 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 employee time or funds, or are disruptive.

This policy will be monitored annually in March.

B-GM 2 – Accountability of the GM

The General Manager is the Board's only link to operational achievement and conduct.

B-GM 2.1: The Board will view General Manager performance as identical to organizational performance so that organizational accomplishment of Ends and organizational operation within Executive Limitations will be viewed as successful General Manager performance.

B-GM 2.2: The Board will not instruct or evaluate any employee other than the General Manager.

This policy will be monitored annually in February.

B-GM 3 – Delegation to the GM

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

Accordingly,

B-GM 3.1: The Board will develop policies instructing the General Manager to achieve certain results, for certain recipients, at an appropriate cost. These policies will be developed systematically from the broadest most general level to more defined levels, and will be called Ends policies.

B-GM 3.2: The Board will develop policies that limit the latitude the General Manager may exercise in choosing organizational means. These policies will be developed systematically from the broadest most general level to more defined levels, and will be called Executive Limitations policies.

B-GM 3.3: As long as the General Manager uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the General Manager is authorized to establish all further policies, make all decisions, establish all practices, and develop all activities.

B-GM 3.4: The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and General Manager domains. By doing so, the Board changes the latitude of choice given to the General Manager. But as long as any particular delegation is in place, the Board will respect and support the General Manager's choices.

This policy will be monitored annually in February.

B-GM 4 – Monitoring GM Performance

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

Accordingly,

- B-GM 4.1:** Monitoring is simply to determine the degree to which the Board policies are being met. Therefore, the General Manager shall define metrics to measure results, set standards, and provide data that show performance relative to those standards.
- B-GM 4.2:** The Board will acquire monitoring data by one or more of three methods:
- (a) by internal report, in which the General Manager discloses compliance information to the Board;
 - (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with board policies, and
 - (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.
- B-GM 4.3:** In every case, the standard for compliance shall be any reasonable General Manager interpretation of the Board policy being monitored.
- B-GM 4.4:** 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 upon a routine schedule.
- B-GM 4.5:** The Board will review the performance of the General Manager annually based on a summary of the monitoring reports received during the previous calendar year.
- B-GM 4.5.1:** The Board will complete its review and consider possible action with regard to the General Manager’s employment and/or adjustment to the General Manager’s compensation no later than 1 March.
- B-GM 4.5.2:** A letter summarizing the review and possible adjustment to the employment and compensation rate of the General Manager will be prepared by the President, approved by the Board members in attendance at the regular March Board Meeting, and hand-delivered to the General Manager within two weeks following.

This policy will be monitored annually in March.

GP Global – Governance Process Commitment

The purpose of the Board, acting on behalf of the Co-op members, is to set strategic, long-range direction, hire the General Manager and monitor organizational performance, monitor Board performance, and provide effective leadership using the Policy Governance process.

This policy will be monitored annually in April.

GP I – Governing Style

The Board will govern with an emphasis on strategic leadership and outward vision.

Accordingly,

GP 1.1: The Board will be an initiator of policy that:

GP 1.1.1: is written,

GP 1.1.2: reflects its values and perspectives about ends to be achieved and means to be avoided, and

GP 1.1.3: is focused on the long-term effects outside the organization.

GP 1.2: The Board will:

GP 1.2.1: encourage diverse viewpoints,

GP 1.2.2: make collective decisions, and

GP 1.2.3: maintain a clear distinction between Board and GM roles.

GP 1.2.4: make all significant and important decisions formally by Board vote.

GP 1.3: The Board will strive for excellence through:

GP 1.3.1: group responsibility,

GP 1.3.2: discipline, meaning regular attendance, being prepared for meetings, following policy-making principles, and respecting one another's roles,

GP 1.3.3: Board development and orientation, and

GP 1.3.4: self-monitoring of the Board's process and performance.

This policy will be monitored annually in April.

GP 2 – Board Deliverables

The job of the Board is to represent all Co-op members in determining and demanding appropriate organizational performance.

Accordingly,

GP 2.1: The Board will ensure that:

- GP 2.1.1:** There is adequate communication between members and the organization and that there are working mechanisms to determine member needs.
- GP 2.1.2:** Members are well-informed about the nature of the Cooperative, the activities conducted by the Cooperative, and the results it achieves with respect to its Ends Policies.
- GP 2.1.3:** Members understand the industry of which the Cooperative is a part and can consider the activities of the Cooperative in the context of relevant markets.
- GP 2.1.4:** Members understand the different interests and stakeholders that exist within the Cooperative.
- GP 2.1.5:** The Cooperative continually analyzes changes in its membership and its environment, regularly revisits Ends-related issues in light of such changes, and innovates to meet changing member needs.
- GP 2.1.6:** A suitable version of the Board packet be posted on the Co-op website at least two days in advance of the monthly Board meeting.

GP 2.2: The Board will produce written governing policies that, at the broadest levels, address each category of organizational decision:

Ends: Organizational products, effects, benefits, outcomes, recipients, and their relative worth (what good for which recipients at what cost).

Executive Limitations: Constraints on executive authority that establish the prudence and ethics boundaries within which all executive activity and decisions must take place.

Governance Process: Specification of how the Board conceives, carries out, and monitors its own task.

Board-GM Linkage: How power is delegated and its proper use monitored; the GM role, authority, and accountability.

GP 2.3: The Board regularly evaluates General Manager performance against Ends and Executive Limitations Policies.

This policy will be monitored annually in January.

GP 3 – Governance Development

The Board will invest in its governance capacity. Board skills, methods, and supports will be sufficient to assure governing with excellence while incurring prudent costs.

Accordingly,

GP 3.1: While the Board will always be vigilant to avoid unnecessary or irresponsible expenses, it is anticipated that the total budget for the Board will typically be in the range of one-tenth to two-tenths of one percent of the organization’s total revenues.

GP 3.1.1: The Board shall develop and monitor an annual budget within GP 3.1 limits that includes expense categories that are consistent with the needs of the Board to carry out its other governance and fiduciary responsibilities.

GP 3.1.2: The Board shall develop and follow a budgetary process and schedule that includes the steps needed to put together the budget from the assembling of initial data to the final Board approval, with that approval occurring no later than three months before the start of the budget year.

GP 3.1.3: The Board shall monitor its compliance with agreed upon expenditure limits through review of quarterly reports of Board budgeted and actual expenditures provided by the General Manager.

GP 3.1.4: The Board shall develop and follow a process for making changes in the budget during the budget year that balances the need for quick action and the need for all Board members to have the opportunity to review and approve the budget changes.

GP 3.1.4.1: After approval of the final budget, and during the budgetary year, the Board needs to approve of any increases to budget allocations.

GP 3.2: New and veteran Board members will be provided with the skills and knowledge necessary to discharge their responsibilities most effectively.

GP 3.3: Outside monitoring will be arranged so that the Board can exercise confident control over the organizational performance. This includes, but is not limited, to fiscal audit and legal services.

The Board will hire independent, third-party representatives, monitors and/or auditors at rates that are consistent with prevailing market rates for such services in the Upper Valley. The costs of such services should fit within the stated guidelines for the Board’s total budget.

GP 3.4: Outreach mechanisms will be used as needed to ensure the Board’s ability to listen to member viewpoints and values.

The costs of such mechanisms should fit within the stated guidelines for the Board’s total budget.

This policy will be monitored annually in December.

GP 4 – Board Members’ Code of Conduct

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

Accordingly,

GP 4.1: Board members must represent unconflicted loyalty to the interests of the ownership. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other boards or employees. It also supersedes the personal interest of any Board member acting as a consumer of the organization’s services.

GP 4.2: Members must avoid conflict of interest with respect to their fiduciary responsibility.

GP 4.2.1: Board members must disclose and address conflicts of interest with respect to their fiduciary responsibilities to the Cooperative. A Board member has a conflict of interest within the meaning of this policy when s/he or a family member has a material financial interest in an issue or matter pending for discussion or decision by the Board and Management.

GP 4.2.1.1: For purposes of this policy, a “family member” is a Board member’s spouse, domestic partner, or child, as well as the spouse of a Board member’s child or other relative of a Board member living in the same household as the Board member.

GP 4.2.1.2: For purposes of this policy, a “material financial interest” is

- (1) an ownership or investment interest in an entity whose transactions, arrangements, potential transactions or potential arrangements with the Cooperative are before the Board or Management,
- (2) a compensation arrangement, including an employment relationship, with any such entity,
- (3) fiduciary duties, as a Board member or otherwise, or executive-level management authority at any such entity, or
- (4) direct personal participation (other than as a Board member) in a pending matter before the Board. A person who owns shares in a mutual fund does not have a “material financial interest” as to any of the fund’s holdings unless the Board or family member directs or advises the fund in connection with portfolio transactions.

GP 4.2.1.3: An employee member who becomes a Board member does not have a “material financial interest” by virtue of her or his employment relationship to the Cooperative.

GP 4.2.2: When a conflict of interest exists, a Board member must take one of two actions to address the conflict:

- (1) The Board member may advise the President, either in writing or at a Board meeting, that the Board member has a conflict of interest, and thereafter the Board member must absent herself or himself from all discussions and voting of the Board on any matter related to the conflict of interest.
- (2) The Board member may advise the Board that a conflict of interest exists and may ask the Board to waive the conflict and permit the Board member to participate in discussion and voting on the matter. In the second circumstance, the Board member may participate

in discussion and voting on the matter only by affirmative vote of the other Board members present and the Board may impose such conditions on the Board member's participation as the Board deems necessary to assure openness, competitive opportunity, access to inside information and the public perception that the Board is conducting its business fairly and ethically.

GP 4.2.3: Board members may not use their positions on the Board to obtain employment for themselves, family members, or close associates. A Board member wishing to pursue employment with the Cooperative may only do so after she or he has resigned or her or his term of office has expired.

GP 4.2.4: Upon taking office as a Board member, and prior to the May Board meeting of each year thereafter, each Board member shall report to the President, on a form approved by the Board, the existence of any actual conflict of interest or any other conflict of interest that the Board member has reason to believe may arise during the ensuing year. In addition, each Board member shall promptly report to the President any new conflict of interest that arises during the year.

GP 4.3: Board members may not attempt to exercise individual authority over the organization except as explicitly set forth in the board policies.

Board members' interaction with the General Manager or with employees must recognize the lack of authority vested in individuals except when explicitly board-authorized.

Board members' interactions with public, press, or other entities must recognize the same limitation and the inability of any board member to speak for the board except to repeat explicitly stated board decisions.

GP 4.4: Board members will respect the confidentiality appropriate to issues of a sensitive nature.

GP 4.5: Board members are not required to provide any personal data to the Co-op as a condition of Board service, except insofar as the Co-op requires such information to comply with applicable federal or state law. Board members must provide such information and otherwise comply with applicable legal requirements when the Co-op identifies the specific statute or rule involved and furnishes the applicable forms and instructions.

GP 4.6: In order to contribute to the Board, Board members must be capable of a high standard of behavior and performance.

They must meet the qualifications and accept the obligations specified in GP 6 (Election Process).

They must be civil, courteous, and professional.

They must communicate effectively with the rest of the Board.

They must fulfill their commitments.

This policy shall be monitored annually in February.

GP 5 – President’s Role

The Board President assures the integrity of the Board’s process and, secondarily, occasionally represents the Board to outside parties.

Accordingly,

GP 5.1: The job result of the President is that the Board behaves consistently with its own rules and those legitimately imposed upon it from outside the organization.

The President will assure that meeting discussion content will be only on those issues, which according to board policy, clearly belong to the Board to decide, not the GM.

The President will assure that deliberation will be fair, open and thorough but also timely, orderly and kept to the point.

The President will call for a vote on all seconded motions from the floor.

The President will assure that all decisions are voted.

The President will assure that diverse viewpoints are allowed to be presented at Board meetings and that all Board members are free to present their views to the Board.

GP 5.2: The authority of the President consists in making decisions that fall within topics covered by board policies on Governance Process and Board-GM Linkage, except where the Board specifically delegates portions of this authority to others. The President is authorized to use any reasonable interpretation of the provisions in these policies.

The President is empowered to set the agenda and chair Board meetings, with all the commonly accepted powers of that position (for example: ruling, recognizing, etc.).

The President has no authority to make decisions about policies created by the Board within Ends and Executive Limitations policy areas. Therefore, the President has no authority to supervise or direct the GM.

The President may represent the Board to outside parties in announcing board-stated positions and in stating decisions within the area delegated to the President.

The President may delegate this authority but remains accountable for its use.

This policy will be monitored by annual report in November of the President followed by an Executive Session with the GM and without the President in November of each calendar year.

GP 6 – Board Process for Recruitment and Continuity

To insure continuation of effective leadership and governance, the Board commits itself to recruiting high quality candidates for open Board positions.

Accordingly, the Board will appoint an Election Committee, constituted according to the Bylaws. The Election Committee will be responsible for the following activities:

GP 6.1: Recruit and identify potential candidates for the Board of Directors and when requested by the Board, for other board committees.

GP 6.1.1: The Election Committee will identify potential candidates who share the following qualifications:

Candidates will be committed to serve the Co-op and its members.

Candidates will be actively interested in linking to members and have a preference for long-term, strategic, and conceptual thinking.

Candidates will be willing to learn and work within the Policy Governance model (which will be explained thoroughly in the Orientation for new board members).

Candidates will be able to participate thoughtfully and assertively in deliberation, showing full respect for the opinions of others.

In accordance with the Bylaws, Article V, Section 1, “The governance of the Cooperative shall be vested in a Board of Directors, which shall consist of twelve (12) Members of the Cooperative, each of whom shall be at least 18 years of age.”

Candidates will have a Social Security card, or have begun the process of obtaining one. This is necessary because the Food Stamp program requires the Co-op to keep on file a copy of every Director’s Social Security card.

Candidates who have been convicted of a felony will notify the chairman of the Election Committee as soon as possible. This disclosure is necessary due to laws governing the Co-op’s state liquor license. The Election Committee Chair will need to provide guidance to the candidate so he/she can begin the process of obtaining a state liquor license waiver.

Candidates must be able to communicate by email.

GP 6.1.2: Election Committee members will communicate with potential candidates about the election process, the requirements of their service, and encourage potential candidates to attend a board meeting(s) if they have not already done so. The Election Committee will make clear to perspective candidates the obligations associated with board membership. Board members serve as unpaid volunteers who are expected to commit a significant amount of time per month to board activities, which include:

Preparation for and attendance at monthly Board meetings (6-8 hours per month). Meetings take place from approximately 5:30 PM – 9:00 PM with dinner provided by the Co-op Kitchen;

Participation in various working groups (e.g., committee work) during the month (2-3 hours per month);

Participation in the planning and conduct of the Annual Meeting (a few hours plus the meeting each year);

Participation in events, such as Producers Fair, and ballot counting. (Several hours a few days each year);

Attend annual Board retreat (a day-long session) and other leadership or cooperative development training sessions (from half-day to full day sessions, usually held on weekend);

Attend the annual CCMA conference one or two times a term (will require long distance travel and being away from home for four days time).

- GP 6.1.3:** Communicate with new candidates the requirements for their personal statements for the election materials, and provide them with any necessary support to prepare and submit this information in a timely manner.
- GP 6.1.4:** To insure a competitive election, the board will strive to recruit a sufficient number of applicants to provide for two more candidates than open Board positions.
- GP 6.1.5:** Schedule Board member participation to count ballots and inform candidates of the election results.
- GP 6.1.6:** Connect with new board members before they attend their first board meeting to confirm meeting time, Board materials they will require, forms needing to be filled out, and welcome new board members at the first meeting.

This policy will be monitored annually in June by a report prepared by the Election Committee Chair or designated committee member.

GP 7 – Monitoring Board Performance

The Board will assess and improve its own performance by annual assessment of compliance with Board policies on Board Process and Board-General Manager Relationship.

GP 7.1: The Board will monitor Board Process and Board- General Manager Relationship policies annually.

GP 7.2: Responsibility for preparing and presenting a brief monitoring report with respect to Board Process and the Board- General Manager relationship will be allocated among all Board members. When applicable, suggestions for improvement will be included in the brief monitoring reports.

GP 7.3: Reports will be discussed at Board meetings to determine the voice of the Board and to take relevant action as needed.

GP 7.4: The Board will disclose compliance information to the membership.

This policy will be monitored annually in April.

GP 8 – Cooperative Giving Programs

In furtherance of its Ends, the Hanover Consumer Cooperative Society (Co-op) engages in multiple giving efforts comprised of, but not limited to, programs called *Pennies for Change* and the *Hanover Cooperative Community Fund (HCCF)* as well as product discounts to non-profit organizations and food donations to *Willing Hands*. Together, these programs advance the Co-op's goals of providing value to the local community, regional agriculture, and the broader cooperative economy.

GP 8.1: General Principles

The Co-op's several giving programs are organized under the following four themes:

- Food assistance,
- Community building (including support of regional agriculture),
- Promotion of cooperative principles and activities, and
- Environment, energy and sustainability.

The pursuit of any additional themes is a decision reserved to the Board of Directors.

The Co-op may provide assistance both in-cash and in-kind.

GP 8.2: Pennies for Change

This is a voluntary program inviting shoppers to round the payment for their purchase to the next higher dollar value. While the Co-op collects the monies at its cashier stands, the accumulated money is not the Co-op's, and the Co-op only acts as a collection and distribution agent. The accounting is separate from the Co-op's operations.

In order to preserve the non-taxable nature of the revenues, proceeds may only be directed toward 501(c) (3) organizations.

GP 8.2.1: Distribution

The proceeds will be added and distributed on a monthly basis to five (5) separate organizations, three (3) of which will each receive 20% of the amount of the month and will remain the same for the entire calendar year. The remaining two (2) organizations will change monthly according to a pre-established schedule and share the remaining 40%. (See GP 8.2.2 below. Altering this arrangement is a prerogative of the Board of Directors).

GP 8.2.2: Supervision

The supervision of the program and selection of recipients will be facilitated by a *Pennies for Change Selection Committee* including a member of Outreach and Member Services, the Treasurer *ex officio*, and at least two other members appointed annually by the General Manager.

The Committee will convene at least quarterly and at the call of the Chair.

The Committee will consider requests for donations and set the schedule of recipients for the next 12 months on a rolling basis.

GP 8.2.3: Financial Reporting

The Pennies for Change Selection Committee will be responsible for the preparation of a brief annual report to the Society at its Annual Meeting.

GP 8.3: Hanover Cooperative Community Fund (HCCF)

As a permanently endowed fund, managed by the Twin Pines Cooperative Foundation a tax-exempt 501(c) (3) corporation, HCCF is intended to grow over time and a portion of its annual return will be available to fund:

- The Gerstenberger Scholarship Fund, and
- HCCF Community Project Grants.

The Board of Directors guides the fund through the HCCF Advisory Committee.

GP 8.3.1: Supervision

The supervision of the program, including communications with TPCF and recommendations for disbursements, will be facilitated by a member of the HCCF Advisory Committee.

Each year, the Board of Directors shall elect one of the current Directors as a member of the HCCF Advisory Committee. The Board will also designate a Chair of the Committee who will serve in such capacity for a term of one year or until a successor is duly elected and qualified.

The Chair of the Committee will select the remaining members, subject to the approval of the Board of Directors.

The Committee will have a minimum of four members.

GP 8.3.2: Contract with the Twin Pines Cooperative Foundation (TPCF)

The HCCF Advisory Committee will follow the most recent contract made with TPCF and will also ensure that the most recent contract is available in the Board of Directors files.

GP 8.3.3: Fundraising

Fundraising activities are to take place on at least an annual basis in order to continue to grow the Fund administered by TPCF.

The nature of these activities and the target amount to be raised each year are left to Management.

GP 8.3.4: Distribution

The HCCF Advisory Committee will recommend to the Board annual disbursements from TPCF interest in accordance with EL 9 guidelines and the TPCF contract.

GP 8.3.5: Financial Reporting

The HCCF Advisory Committee will be responsible for an annual report to the Board of Directors, which will include:

- Disbursement recommendations, including: (a) name and nature of each recipient organization or individual, (b) respective amounts, (c) percentages of the total donation going to each organization, (d) mention of which Co-op giving theme(s) each donation meets, and (e) a list of organizations that have applied.
- Cash flow statements
- Contributions and investments performance.

The HCCF Advisory Committee will also be responsible for the preparation of a brief annual report to the Society at its Annual Meeting.

GP 8.4: The Allen and Nan King Award for Service to the Community

At its Annual Meeting, the Co-op will recognize the achievements of one or several Co-op members who have demonstrated concern for the community by bestowing on them the *Allen and Nan King Award for Service to Community*.

The Award is normally given to a single individual, but several people, such as a couple, may be recognized if their work was collaborative.

The administration of this award is the sole responsibility of the Board of Directors, who will set the standards, call for nominations, make the selection, and set the amount of the award.

GP 8.5: Other In-cash Programs

At the discretion of Management, the Co-op may engage in additional financial support, such as a small donation program in response to requests.

Donations and payments made for the Co-op's self-promotion are considered as marketing expenses and do not fall under this policy.

GP 8.6: In-kind Programs

Food that is no longer of store quality but remains edible shall not be wasted.

Perishables that no longer meet store standards but are still deemed fit for human consumption will be given to local food assistance programs such as *Willing Hands*.

Food waste suitable for animal feed will be given to farms.

Employees may provide in-kind community services as part of their employment, at the discretion of Management.

GP 8.7: Administration

Excepted for the specific rights and duties of the committees assigned to supervise Pennies for Change and the HCCF, in accordance with GP 8.2 & 8.3 above, and for the Allen and Nan King Award as described in GP 8.4, the administration of the Co-op's giving programs is the responsibility of Management. These responsibilities include:

- The promotion of the programs,
- The development and publishing of policies guiding decisions,
- The collection logistics of the goods (in-cash & in-kind),
- The distribution of the collected goods to their intended recipients,
- Publication of the names of the recipients (for organizations and individuals who receive \$500 or more).
- Annual reporting to the Board of Directors.

This policy will be monitored annually in May by direct report of the Pennies for Change Selection Committee and HCCF Advisory Committee.

GP 9 – Working with Neighboring Co-ops

The Board shall work with our neighboring co-ops to increase Board effectiveness and explore our shared Ends.

This policy will be monitored annually in October.

GP 10 – Board Committees

We will use Board committees to aid, not to replace, the work of the whole Board.

Accordingly,

- GP 10.1:** Committees will reinforce and support the wholeness of the Board. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
- GP 10.2:** Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.
- GP 10.3:** The Board will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the General Manager.

This policy will be monitored annually in January.

Appendix I – Monitoring Calendar

Policy Monitoring Schedule	Report Author
May	
EL 9 – Cooperative Giving Programs	General Manager
GP 8 – Cooperative Giving Programs	Board
June	
EL 4 – Member/Shopper Experience	General Manager
GP 6 – Board Process for Recruitment and Continuity	Board
July	
EL 2 – Financial Condition and Performance	General Manager
EL 5 - Employee Experience	General Manager
EL 6 – Compensation and Benefits	General Manager
August	
EL 3 – Asset Protection	General Manager
September	
EL 7 – Communication and Counsel to the Board	General Manager
October	
EL 2 – Financial Condition and Performance	General Manager
EL 14 – Cooperation Among Cooperatives	General Manager
GP 9 – Working with Neighboring Co-ops	Board
November	
EL 10 – Appropriate Architecture and Design	General Manager
GP 5 – President’s Role	Board
December	
EL 1 – Planning: proposed budget and business plan	General Manager
GP 3 – Governance Development	Board
January	
EL 12 – Board Logistical Support (2020)	General Manager
GP 2 – Board Deliverables	Board
GP 10 – Board Committees (2020)	Board
February	
EL 2 – Financial Condition and Performance	General Manager
GP 4 – Board Members’ Code of Conduct	Board
B-GM 2 – Accountability of the GM (2020)	Board
B-GM 3 – Delegation to the GM (2020)	Board
March	
Ends Global	General Manager
B-GM Global (2020)	Board
B-GM 1 – Unity of Control (2020)	Board
B-GM 4 – Monitoring GM Performance	Board
April	
EL 2 – Financial Condition and Performance	General Manager
GP Global (2020)	Board
GP 1 – Governing Style (2020)	Board
GP 7 – Monitoring Board Performance	Board

Note: Items marked “(2020) have been covered by report to the 2018/2019 Board under a previous calendar and do not require monitoring in 2019.

Appendix 2 – Monitoring Report Guidelines

The Board monitors compliance with its governance policies via written reports by the General Manager (GM) on individual Executive Limitations (ELs) and Ends Global, and by Board self-evaluation via survey on Governance Process (GP) and Board-GM Relations (B-GM). The Board maintains a Monitoring Calendar (see Appendix 1) to ensure consistent monitoring over the course of a Board year.

Links to the Board survey will be sent one month in advance of its calendar date to allow all Board members to respond to the survey questions in a timely fashion. A report generated by the survey provider will include an aggregate of Board member responses to each question and all clarifying comments.

1. **Distribution:** The appropriate monitoring reports for the month are included in the Board’s meeting packet. Packets are distributed to all Board members in advance of the meeting.
2. **Read:** Board members read the reports in advance of the monthly meeting to prepare for Board action. For ELs and the Ends Global report, Board members examine the report to determine if:
 - a. The GM’s interpretation of the policy is reasonable,
 - b. the data provided is adequate to support the report’s conclusion,
 - c. the report shows compliance with the Board’s policy. If not in compliance, Board members consider the severity, implications, and trends to prepare for discussion at the Board meeting.

For GP and B-GM survey reports, Board members examine the report to determine whether the Board is in compliance. If not in compliance, Board members consider the severity, implications, and trends to prepare for discussion at the Board meeting.

3. **Questions:** Directors are strongly encouraged to ask the General Manager questions about the GM reports before the meeting or during breaks to help optimize usage of the full board's time. Questions to help the Board understand the report and/or determine Board action are appropriate for the Board meeting.
4. **Board Action:** The Board President calls for a motion for Board action for each monitoring report and its conclusions. Sample motions for assessment of monitoring reports are:
 - a) That the Board has assessed the monitoring report for policy “X” and finds that it demonstrates compliance with a reasonable interpretation of the policy.
 - b) That the Board has assessed the monitoring report for policy “X” and finds that it demonstrates compliance with a reasonable interpretation of the policy except for items(s) “xx”, for which the Board expects a reasonable interpretation by (date).
 - c) That the Board has assessed the monitoring report for policy “X” and finds that it demonstrates compliance with a reasonable interpretation of the policy except for the stated non-compliance with item (s) “xx”, which the Board acknowledges and accepts the planned date for compliance.
 - d) That the Board has assessed the monitoring report for policy “X” and acknowledges the non-compliance and accepts the planned date for compliance.

- e) That the Board has assessed the monitoring report for policy “X” and finds it does not demonstrate compliance with a reasonable interpretation of the policy. The Board expects the report to be resubmitted by (date).
5. **Minutes:** The meeting minutes document the Board’s receipt of and action regarding monitoring reports. Minutes create a clear paper trail that demonstrates the Boards due diligence in monitoring organizational performance.

Appendix 3 – Statement of Cooperative Identity

The International Cooperative Alliance, established in 1895, is considered to be the final authority for defining cooperatives and the principles by which they operate. The organization has made three formal statements of cooperative principles over the past 100 years in an effort to keep them relevant to the contemporary world. At its 100th anniversary meeting in September, 1995 in Manchester, England, the Alliance adopted the following “Statement of Cooperative Identity.”

Definition

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

Values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles

The cooperative principles are guidelines by which cooperatives put their values into practice.

1. **Voluntary and Open Membership.** Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
2. **Democratic Member Control.** Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote), and cooperatives at other levels are also organized in a democratic manner.
3. **Member Economic Participation.** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
4. **Autonomy and Independence.** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
5. **Education, Training and Information.** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.
6. **Cooperation Among Cooperatives.** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.
7. **Concern for Community.** Cooperatives work for the sustainable development of their communities, through policies approved by their members.

Appendix 4 – Bylaws

(Official printed copy enclosed in this notebook).

Appendix 5 – Hanover Cooperative Community Fund Contract with Twin Pines Cooperative Foundation

[Insert here]