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HCCS Board of Directors Meeting
January 26, 2022
5:15 p.m., Virtual Meeting via ZOOM

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AGENDA

HCCS Board of Directors Meeting
January 26, 2022
5:15 p.m., Virtual Meeting on ZOOM

Time	Agenda Topic	Page	Board Action
5:15	Call to order and Welcome		
	Consent Agenda		Approve
	December 15, 2021 Meeting Minutes	3	
	January 12, 2022 Off-Cycle Meeting Minutes	6	
	Monthly Share Redemptions	8	
5:20	The Carlisle Group		Introductions
5:40	Board Planning		
	Annual Meeting Planning (assign lead)		Decision
	VEIC Next Steps		Discussion
6:00	Member Linkage		
	Member input		Listen/Acknowledge
6:10	Monitoring		
	EL 5 – Integrity	10	Decision
	GP 2 – Board Deliverables	15	
	GP 3 – Governance Development (Dec Report)	23	
	GP 10 – Board Committees	28	
	GP 11 – Board Committee Structure	29	
6:40	Information		
	General Manager Report (App A)	37	Information
6:50	Committee Update		
	Election Committee		Information
	Ends Committee		Information
	GM Search Committee		Information
7:20	Adjournment		

DRAFT MEETING MINUTES, December 15, 2021
Virtual Meeting via ZOOM

Present: Emmanuel Ajavon, Kevin Birdsey, Marta Ceroni, Nick Clark, Rosemary Fifield, Jessica Giordani, Conicia Jackson, Manish Kumar, Peggy O'Neil, Orin Pacht

Employees: Amanda Charland (Director of Cooperative Engagement), Chris Cobb (Facilities Manager), Paul Guidone (General Manager), April Harkness (Governance & Community Engagement), Lori Hildbrand (Director of Administrative Operations), Mark Langlois (Director of Finance), Allan Reetz (Director of Public & Governmental Affairs)

Guests: Nicole Duquette, Kalee Whitehouse (Vermont Energy Investment Corp.)

Members: Elizabeth Barry, Harrison Drinkwater

President Nick Clark called the meeting to order at 5:16 p.m.

Consent Agenda: November 17, 2021 Meeting Minutes, November 2021 Share Redemption Requests

MOTION: Peggy O'Neil moved to accept the Consent Agenda. Jessica Giordani seconded the motion.

VOTED: 9 in favor. 0 opposed. The motion passed.

(Orin Pacht arrived at 5:20 p.m.)

Presentation

Consultants from Vermont Energy Investment Corp. (VEIC) Nicole Duquette and Kalee Whitehouse presented the Co-op Food Stores Climate Action Plan. The plan provided background on the project including objectives and scope of work, current emissions and energy usage, business as usual projections and key takeaways. The Action Plan includes proposed strategies, economic analysis, and high level results. VEIC presented recommended actions to get to net positive zero by 2030, proposed next steps, and answered questions from the board.

Board Planning

Board Budget

Peggy O'Neil presented the 2022 Board Budget for vote.

MOTION: Nick Clark moved to approve the 2022 Board Budget moving the $5,000 GM Search line item to the Contingency line item. Orin Pacht seconded the motion.

VOTED: 10 in favor. 0 opposed. The motion passed.

Board Monitoring Calendar

The following board members signed up for monitoring:

February

B-GM 2 – Accountability of the GM	_____Orin Pacht_____
B-GM 3 – Delegation to the GM	_____Orin Pacht_____

March

B-GM Global	_____Peggy O'Neil_____
B-GM 1 – Unity of Control	_____Peggy O'Neil_____
B-GM 4 – Monitoring GM Performance	_____Kevin Birdsey_____

Member Input

None

Monitoring

EL 4 – Relationship to the Board of Directors

MOTION: Kevin Birdsey moved that the EL 4 - Relationship to the Board of Directors monitoring report provided a reasonable interpretation of the policy and sufficient evidence of compliance. Marta Ceroni seconded the motion.

VOTE: 10 in favor. 0 opposed. The motion passed.

General Manager Report

The General Manager submitted the abbreviated report as written and reminded the board of the off-cycle meeting to discuss the FY 2021 Business Plan in detail. The meeting is planned for early January.

Committee Updates

Election Committee

Election Committee Chair Conicia Jackson updated the board on activities around candidate recruitment including another candidate information session scheduled for January 22nd at 11 a.m. on Zoom.

Ends Committee

Ends Committee Chair Marta Ceroni updated the board on the draft member survey scheduled to be sent to members in February. The Committee plans to submit draft ends language to the board in March.

Member Linkage Committee

Member Linkage Committee Chair Jessica Giordani reminded the board to comment on the draft Member Linkage Plan. It was suggested the plan be shared with Richard Stringham at Governance Coach.

GM Search Committee

MOTION: Nick Clark moved to add Lizann Peyton and Belinda Peavey to the GM Search Committee and to include Lori Hildbrand as a full member of the Committee. Orin Pacht seconded the motion.

VOTED: 10 in favor. 0 opposed. The motion passed.

(Marta Ceroni left the meeting at 7:00 p.m.)

Executive Session

MOTION: Nick Clark moved to enter into Executive Session at 7:06 p.m. to discuss the GM Search budget and to include Paul Guidone and Lori Hildbrand and to exclude Kevin Birdsey. Orin Pacht seconded the motion.

VOTED: 8 in favor. 0 opposed. 1 abstained (Kevin Birdsey). The motion passed.

(Paul Guidone left the meeting at 7:22 p.m.)

The board came out of Executive Session at 7:51 p.m.

(Conicia Jackson left the meeting)

MOTION: Peggy O'Neil moved to amend the recently approved Board Budget to remove the Contingency line item of $14,470 for a total approved budget of $158,280. Manish Kumar seconded the motion.

VOTED: 7 in favor. 0 opposed. The motion passed.

Adjournment

The meeting adjourned at 7:53 p.m.

Respectfully submitted,

April Harkness — Governance & Community Engagement

Rosemary Fifield — Board Secretary

DRAFT SPECIAL MEETING MINUTES, January 12, 2022
Virtual Meeting via ZOOM

Present: Kevin Birdsey, Marta Ceroni, Nick Clark, Rosemary Fifield, Jessica Giordani, Conicia Jackson, Manish Kumar, Orin Pacht

Absent: Emmanuel Ajavon, Peggy O'Neil

Employees: Amanda Charland (Director of Cooperative Engagement), Bruce Follett (Director of Business Unit Operations), Paul Guidone (General Manager), April Harkness (Governance & Community Engagement), Lori Hildbrand (Director of Administrative Operations), Mark Langlois (Director of Finance), Allan Reetz (Director of Public & Governmental Affairs)

2022 Board Candidate: Barry Fudim

President Nick Clark called the meeting to order at 5:04 p.m.

FY 2022 HCCS Organizational Business Plan & 2022 HCCS Operating Budget

Members of the Co-op's Leadership Team spoke about their areas of expertise.

Bruce Follett provided an overview of future strategies for the organization including the additions of self-checkout capabilities, improved options for Groceries to Go, advancement in perpetual inventory, and changes to the business models of the Co-op Community Market and the Co-op Kitchen.

Lori Hildbrand provided an overview of the Lebanon Store upgrades, improved Hanover basement space and parking lot project, as well as replacement of the server firewall, new HR management software, and a compensation overhaul.

Amanda Charland provided an overview of the status of Salesforce customer management software buildout and connecting to other systems as part of the larger engagement strategy, work on board linkage, focus on in-store messaging, Co-op Service Center strategy, promotions team alignment, discount strategy, and food safety.

Allan Reetz provided an overview of his focus areas including affordable workforce housing, small scale agriculture, food security, transportation, New Hampshire Business for Social Responsibility, and Cooperative Communicators.

Mark Langlois provided an overview of finance, including the new Planning Maestro computer program which assists in forecasting by department, location, and time period, providing more efficient reporting. He then walked through the 3 scenarios presented in the business plan.

Paul Guidone thanked the team for their hard work and answered a few questions from the board.

GM Search Committee

The board discussed options for outside assistance with the search for the new General Manager including two companies that were in recent communication with the Committee Chair.

MOTION: Rosemary Fifield moved to contract with The Carlisle Group to assist with the GM search.

VOTED: 8 in favor. 0 opposed. The motion passed.

Adjournment

The meeting adjourned at 6:57 p.m.

Respectfully submitted,

April Harkness
Governance & Community Engagement

Rosemary Fifield
Board Secretary

SHARE REDEMPTION REQUESTS

January, 2022

For the period ending January 18th, 2022, 26 members have requested redemption of shares. This includes 857 A shares and 69 B shares held directly by the members, and $46.67 in A share and $35.87 in B share extra held by the Co-op on account. The total cost of redemption is $4,712.54. The reasons for member redemptions are reflected on the attached list. The Co-op policy is when a member terminates his/her membership by redeeming his/her A shares any B shares and B share extra will be redeemed at the same time.

For the period ending January 18th, 2022, 35 members have requested share transfers. This includes 1,166 A shares held directly by the member and $74.59 in A share extra held by the Co-op on account. The reasons for member transfers are reflected on the attached list.

For the period ending January 18th, 2022, 1,032 members have asked to exchange his/her old B share class for the new B share class. This includes 5,895 B shares held directly by the members and $2,529.31 in B share extra held by the Co-op on account.

To date ending January 18th, 2022, 4,261 members have asked to exchange his/her old B share class for the new B share class. This includes 32,740 B shares held directly by the members and $10,049.47. in B share extra held by the Co-op on account. This represents approximately 47.5% of originally issued B Shares.

To date ending January 18th, 2022, 34,655 B shares held directly by the members and $10,879.81 in B share extra held by the Co-op on account have either been redeemed or converted to new B Share class. This represents approximately 50.3% of originally issued B Shares.

Redemption of these shares ($4,712.54 in total) will not adversely affect the cash position or cash flow of the Co-op at this time.

Respectfully,

Mark S Langlois, CPA, CGMA
Director of Finance
Hanover Consumer Cooperative Society, Inc.

Monthly Co-op Share Redemption Request
26-Jan-22

Vendor ID	Date	Town	State	Zip Code	Joined	A Shares Tendered	B Shares Tendered	A Share Amount	B Share Amount	A Share Extra	B Share Extra	Check Total	Full /Partial	Reason Why
1	12/4/2021	West Brookfield	VT	05060	2014	10	1	$ 50.00	$ 5.00	$ -	$ 0.28	$ 55.28	F	MOVING
2	12/5/2021				1991	10	11	$ 50.00	$ 55.00	$ -	$ 3.07	$ 108.07	d	DECEASED
3	12/6/2021	Williston	VT	05495	2004	54	1	$ 270.00	$ 5.00	$ 0.79	$ 3.42	$ 279.21	F	MOVING
4	12/8/2021	St. Simons Island	GA	31522	1979	100	7	$ 500.00	$ 35.00	$ 0.51	$ 3.64	$ 539.15	F	MOVING
5	12/9/2021	Estero	FL	34135	1998	50	4	$ 250.00	$ 20.00	$ 3.87	$ 0.33	$ 274.20	F	MOVING
6	12/7/2021	Claremont	NH	03743	2005	11	4	$ 55.00	$ 20.00	$ 4.73	$ 3.24	$ 82.97	F	doesn't shop here
7	12/4/2021	Pocatello	ID	83201	2014	10	0	$ 50.00	$ -	$ -	$ -	$ 50.00	F	MOVING
8	12/15/2021	Ithaca	NY	14850	2016	10	0	$ 50.00	$ -	$ -	$ -	$ 50.00	F	MOVING
9	12/15/2021	Lyme	NH	03768	1995	100	0	$ 500.00	$ -	$ 2.61	$ -	$ 502.61	P	
10	12/13/2021	Ludlow	MA	01056	2013	9	0	$ 45.00	$ -	$ 3.42	$ -	$ 48.42	F	MOVING
11	12/21/2021	Thetford	VT	05074	1970	104	0	$ 520.00	$ -	$ 4.37	$ -	$ 524.37	P	selling down to 10
12	12/15/2021	Winchester	MA	01890	2009	18	8	$ 90.00	$ 40.00	$ 2.24	$ 2.09	$ 134.33	F	MOVING
13	12/20/2021	Bristol	NH	03222	1999	32	7	$ 160.00	$ 35.00	$ 2.62	$ 0.95	$ 198.57	F	DECEASED
14	12/11/2021	Monroeton	PA	18832	2009	15	4	$ 75.00	$ 20.00	$ 2.72	$ 2.82	$ 100.54	F	MOVING
15	12/23/2021	Audubon	PA	19403	1991	38	1	$ 190.00	$ 5.00	$ 3.98	$ 0.11	$ 199.09	F	MOVING
16	12/27/2021	Hanover	NH	03755	2003	80	0	$ 400.00	$ -	$ 4.69	$ -	$ 404.69	P	selling down to 10
17	12/29/2022	Mashpee	MA	02649	2006	52	11	$ 260.00	$ 55.00	$ 4.70	$ 1.46	$ 321.16	F	MOVING
18	1/3/2022	Randolph	VT	05060	2010	10	0	$ 50.00	$ -	$ -	$ -	$ 50.00	F	DECEASED
19	12/31/2022	Longwood	FL	32745	1961	7	0	$ 35.00	$ -	$ 3.43	$ -	$ 38.43	F	MOVING
20	1/6/2022	Lebanon	NH	03766	2014	10	2	$ 50.00	$ 10.00	$ -	$ 1.12	$ 61.12	F	MOVING
21	1/7/2022	Bethesda	MD	20816	2021	10	0	$ 50.00	$ -	$ -	$ -	$ 50.00	F	MOVING
22	1/7/2022	Harpswell	ME	04079	2008	6	0	$ 30.00	$ -	$ -	$ -	$ 30.00	F	MOVING
23	1/5/2022	Round Pond	ME	04564	1996	15	1	$ 75.00	$ 5.00	$ 0.73	$ 3.89	$ 84.62	F	MOVING
24	1/3/2022	Pittsfield	VT	05762	1966	21	2	$ 105.00	$ 10.00	$ 0.08	$ 4.81	$ 119.89	F	MOVING
25	1/10/2022	Seattle	WA	98103	2016	10	0	$ 50.00	$ -	$ -	$ -	$ 50.00	F	MOVING
26	1/10/2022	Hanover	NH	03755	1989	65	5	$ 325.00	$ 25.00	$ 1.18	$ 4.64	$ 355.82	F	DECEASED
	TOTALS					**857**	**69**	**$ 4,285.00**	**$ 345.00**	**$ 46.67**	**$ 35.87**	**$4,712.54**		

Reasons for redemption

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	%
Moving	18												**18**	**69%**
Moved-Clean Up													**0**	**0%**
Deceased- Clean Up	4												**4**	**15%**
Tired Of Coop B/S													**0**	**0%**
Clean-Up													**0**	**0%**
None provided	1												**1**	**4%**
Wants Cash													**0**	**0%**
Had two accounts													**0**	**0%**
Don't use account	1												**1**	**4%**
Account Cleanup - 2014													**0**	**0%**
Selling down to 10 shares	2												**2**	**8%**
Total	**26**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**26**	**100%**

A Share Transfer	Carryover	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD	%
Re-issuing in different name														**0**	**0%**
Transferring to new account														**0**	**0%**
Transfer to different account		2												**2**	**6%**
Name change		32												**32**	**91%**
Change Spelling of name		1												**1**	**3%**
Total		**35**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**35**	**100%**
Exchange B shares	**3,229**	**1,032**												**4,261**	

Monitoring

EL 5 – Integrity
The GM shall not cause or allow the long-term integrity of the organization to be undermined. Further, without limiting the scope of the foregoing by this enumeration, the GM shall not allow:

EL 5.1: Conflicts of interest.

Operational Definition / Interpretation:

Co-op assets are protected from conflicts of interest across various activities. These controls are used for all aspects of purchasing and employee behaviors including:

1. products for sale,
2. third-party services we contract for,
3. supplies,
4. capital items, and
5. employee activities

Co-op policies prohibit improper conduct. These policies provide measures to protect against fraud and ensure compliance.

Data:

A review of our internal files on January 5, 2022, shows no breeches in our purchasing controls, products for sale, contracted services, supplies management, capital item expenditures, conflicts of interest or vendor fraud policies. These policies are reviewed at least monthly by our internal (finance department) auditors and no breeches have been reported.

A routine audit conducted by our Finance department during the reporting period for this EL, revealed that several employees were misusing their employee discount accounts in such a way that constituted a conflict of interest. The misuse resulted in the employees having an increased sales account balance potentially resulting in a higher patronage distribution to those employees should a distribution be made. Each employee was notified about the proper use of their employee discount account according to our policy. In each case, the employee understood the policy and the behavior has stopped.

Compliance determination: **In Compliance**

EL 5.2: Damage to the organization's good will, public image, or credibility.

Operational Definition / Interpretation:

We operate in a transparent manner by keeping members and the community-at-large informed as to the state of the Co-op and create programs that have genuine and lasting impact.

Data:

The Co-op believes that frequent communication with the Board and the community-at-large and the ability to convert shoppers to members and then retain those members are two of the most significant means to maintain goodwill, maintain a positive public image and credibility.

A review of the Co-op's website on January 5, 2022, shows the reports made to the Board, throughout the reporting period, detailing the then current state of the Co-op. The same review of the Co-op's website shows the GMs weekly message to all members regarding the latest developments at the Co-op.

A review of our member services files on January 5, 2022, shows that we have more new members in 2021 than 2020 (1230 versus 980) and have had fewer cancellations in 2021 than 2020 (152 versus 214), resulting in a higher net change in membership in 2021 than 2020 (1079 versus 766).

The Ends Committee Survey Report, June 2021, shows that through a survey of vendors, non-profit organizational partners and other cooperatives, the goodwill, public image and credibility of the organization is positive, reciprocal, and future thinking.

Compliance determination: **In Compliance**

EL 5.2.1: Inadequate cooperation with other cooperatives.

Operational Definition / Interpretation:

I interpret this to mean that we reach out to and partner with other cooperatives or similar institutions, such as B-Corps and non-profits with common goals that are aligned with the cooperative principles and values.

Data:

The Ends Committee Surveys Report, June 2021, indicates that through their survey of a sample of other cooperatives that work with the Co-op most believe we support and grow cooperative organizations and promote cooperation among cooperatives. The survey received responses from seven different cooperative sectors including a cooperative food producer, a cooperative food store, a national cooperative food distributor, a cooperative credit union, a resident-owned community cooperatives supporting organization, a regional food store cooperative association, and a national food cooperative association.

I believe this to be an indicator of compliance as the survey of a sample of other cooperatives were broadly positive in their responses related to our cooperative support and the respondents constitute a wide variety of cooperatives locally and nationally.

A review of NCG's national risk management committee records, on their website, will show that the GM, as a member of the committee, meets monthly and reviews the financial health of over 140 Co-ops throughout the country and provides guidance and sets appropriate contribution levels for member Co-ops to the Joint Liability Fund (JLF).

A review of our operations files on January 5, 2022, for the reporting period covered by this report, shows members from our Operations, Merchandising, and Retail IT teams participated in multiple discussions to support other Cooperatives. One of the most significant efforts was with Associated Grocers of New England,

Pembroke, NH. In collaboration with ECRS, we were able to begin the development of an EDI connection which allows AG to accept Purchase Orders through Catapult. This work will continue into the coming year. Other notable collaborations are listed below.

- Brattleboro Food Co-op, Brattleboro VT – Assisted with ECRS receiving/inventory management processes and procedures
- Monadnock Food Co-op, Keene, NH – ECRS Web Cart assistance
- Neighboring Food Co-op Association, Online Peer Staff Department Calls for Bulk, Prepared Foods, and Deli.
- NCG Eastern Corridor Quarterly Calls for Produce

A review of our member services and marketing department's files on January 5, 2022, shows we shared marketing materials with our co-op network and hosted a tour and education session for NFCA and other cooperatives looking to establish a double up bucks program. April Harkness is still in the master's program and collaborates with the cohort of co-ops representing in this program as well.

Compliance determination: **In Compliance**

EL 5.3: Products that are unreasonably dangerous to human health, including tobacco products, and the use of said products on property owned or leased by the organization except in designated areas where appropriate.

Operational Definition / Interpretation:

I interpret this to mean that our Co-op has safeguards in place to ensure a reasonable level of safety for our products. These safeguards include a responsive recall system and extensive food-safety measures.

There are many classes of products that may pose a risk to human health, but that are still allowed for sale by regulatory agencies, such as preservatives and trans fats. Some products can be shown to be dangerous to human health when heavily consumed.

Data:

A review of our files on January 5, 2022, shows that from January 2021 to December 2021, we facilitated 15 recalls with 8 requiring member and customer notification**.** The Co-op maintains a system to monitor products recalled by manufactures or governmental agencies. Such a risk could be presented by bacterial or viral contamination, physical or chemical contaminants, or the presence of unlabeled allergens. We call members, use online channels, and in-store signage to alert shoppers when a recall occurs. Protocols are in place and actively used to handle and dispose of recalled products.

A review of our files on January 5, 2022, shows from January 2021 to December 2021, 26 Food Borne Illness/Foreign Object instances were reported to the Co-op. All instances were single occurrences and were followed up and documented according to our policy. Reports and SOP are stored on the BUOPS shared drive. Co-op Food Safety SOPs and core functions of the Food Safety Advisory Team are outlined in the Food Safety

SOP manual on the BUOPS share drive. The team includes representatives from all food store locations and the Resource Center.

A review of our sales ledgers on January 5, 2022, shows, consistent with a mandate from the Board, we do not sell tobacco products of any kind, including vape products.

Compliance determination: **In Compliance**

EL 5.4: Inadequate consideration for the diverse communities the organization serves.

Operational Definition / Interpretation:

I interpret this to mean the Co-op recognizes it serves a variety of diverse groups and will not operate in a way that knowingly ignores, disregards, or discriminates against any group served by the Co-op.

Data:

A review of our member services and operations files on January 5, 2022, shows that due to concerns of cultural appropriation, the co-op made the decision to suspend the sales of several white sage products and products associated with the act of smudging in October of 2021. This marked a beginning of a shift in the Co-op's product policies and initiated a process to develop a framework for product treatment in the future. From this event, a cross-functional cooperative team was established to begin developing a comprehensive process, guidelines and policies that will make our product selection more robust. This process will equip us with tools to react to customer concerns more effectively, as well as establish systems to proactively identify products and filter them through a set of criteria that ensures our product mix better reflects the values of our cooperative. This extensive and complex work will involve many stakeholders and is expected to extend into 2022 and continuously evolve into the future.

Compliance determination: **In Compliance**

EL 5.5: Long-term environmental damage directly resulting from operations.

Operational Definition / Interpretation:

I interpret this to mean that the Co-op will endeavor to ensure its operating facilities, practices and future upgrades and renovations will consider their impact on the environment and use the most cost-effective, energy efficient methods and equipment available, and is further interpreted in EL5.5.1 and 5.5.2 below.

EL 5.5.1: Infrastructure and equipment investments that fail to minimize or eliminate greenhouse gas emissions and long-term environmental damage when economically and technologically reasonable.

Operational Definition / Interpretation:

I interpret this to mean that the Co-op will endeavor to ensure its operating facilities, practices and future upgrades and renovations will consider their impact on the environment and use the most cost-effective, energy efficient methods and equipment available

Data:

A comprehensive review in December 2021 of the files pertaining to the Lebanon project, and confirmed by the results from VEIC's analyses of our facilities, shows a 68% reduction in GHG emissions due to change in refrigerated cases and an upgrade to a more environmentally-friendly refrigerant.

Compliance determination: **In Compliance**

EL 5.5.2: Net positive greenhouse gas emissions beyond 2030.

Operational Definition / Interpretation:

I interpret this to mean that the Co-op's operating facilities, practices and future upgrades will use the most cost-effective, energy efficient methods and equipment available to attain the Board's net zero GHG emissions by 2030.

Data:

A review of the minutes of the December 2021 Board meeting shows VEIC presented a detailed plan and actions necessary to attain net-zero emissions by 2030. More discussion to be had at an off-cycle Board Meeting scheduled for January 12, 2022

Compliance determination: **In Compliance**

GP 2 - Board Deliverables monitoring report for Jan '21 - Jan '22

Report by Kevin Birdsey, board member

This report will show evidence of our board adhering to the GP 2 policy. The evidence provided is from readily available documents, mainly our own policy handbook and minutes from meetings during the reporting period. Five board members returned monitoring worksheets to confirm findings and provide further evidence. One way to look at this policy is as a "how-to" on Policy Governance. That is to say, the policy, like several other policies, guides our Board in adhering to our chosen system of governance.

GP 2 opening statement
As an informed agent of the member-ownership, the Board's specific job products are those that ensure appropriate organizational performance.

One director indicated that we do need to be better informed agents of our member-owners. This is echoed by others when responding to the first sub-policy.

By contrast, a review of our minutes shows that many Board decisions do occur after information is received. Reports from our GM, committees, officers, other individual directors, our auditors, etc. often precede our decisions. Our responsibility, perhaps a key challenge, is to pair our member-owners' values/needs with the information we have when the membership at large does not have that same information.

Evidence for the ensuing sub-policies will show how, or to what extent, our products ensure appropriate organizational performance.

GP 2.1
[Accordingly, the Board has direct responsibility to produce:] Board decisions that reflect member-owners' values and needs.

Director feedback leans towards a need for improvement here. One response pointed to continuous input from the membership, while two others mention that we make best guesses and assumptions based on the limited input we have received over time.

That said, we recognize strides including the work of our Member Linkage committee. That committee presented a draft of a linkage plan last month, with more revision to come. Presumably, board adoption of a finished plan will be soon.

Another director cited considerable work to produce Ends that reflect the values and needs of our member-owners. Needless to say, the work of the Ends committee should be leading us in this direction.

GP 2.2
[Accordingly, the Board has direct responsibility to produce:] Written governing policies that, at the broadest levels, address each category of organizational decision:

Ends: Organizational products, effects, benefits, outcomes, for intended 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: Specifications 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.

One need not look further than our policy handbook to know that we do indeed have these policies. And we actively revise them too. A major overhaul of the ELs occurred in April, while April and May saw lesser revisions to B-GM policies, and multiple GP policies were revised in July.

One director pointed to the Governance committee's work as crucial to maintaining compliance here. Nearly all of the aforementioned revisions came via that committee.

Also, once again, the work of the Ends committee was cited to show work on that policy set.

GP 2.3
[Accordingly, the Board has direct responsibility to produce:] Assurance of organizational performance on Ends and Executive Limitations.

Monitoring of these two policy sets occurs according to a calendar that is in our policy handbook. Our board receives reports from the GM, and we vote that the reports show compliance with little to no deviation.

In response to this line of policy, two directors indicated needs for improvement. One indicated that Policy Governance leads to a lack of directors' understanding of our organization. Another described the contrast between what is described here as organizational performance on Ends and our written Ends describing goals that are of a regional level. In both cases, these two comments, like all the director input received for this report, are worth reading in full and included below.

GP 2.3.1
[Accordingly, the Board has direct responsibility to produce:] Continuity of the GM function.

With the impending retirement of our current GM, a search process is underway. This indicates that continuity is at the forefront of our board's work at the moment. Director feedback agrees with this point.

GP 2.3.2
[Accordingly, the Board has direct responsibility to produce:] Structured monitoring of the GM as outlined in the Board-Management Delegation policies.

Director feedback received for this report all agrees that we are in compliance here. We do monitor the B-GM policies individually, so there is little need to go into detail on how closely we follow that outline in this report.

GP 5.4
[Accordingly, the Board has direct responsibility to produce:] Operational decisions that the Board has prohibited the GM from making by its Executive Limitations policies.

Monthly share redemptions, our board budget, selection of auditors, accepting the reports and expenses related to the audit, and legal expenses are all decisions that our Board retains and have

done so throughout the reporting period. Most of the feedback from the directors for this report indicated that this is true.

To summarize, there are two items identified as in need of improvement. The first is to continue pursuing member-owner linkage to improve our confidence in writing policy that reflects the membership. The second is to refine our board's connection to organizational performance via our Ends and Executive Limitation.

It is worth noting that for this report, only five directors gave input (with a sixth being the author). Discussion at our next board meeting to get a sense of the full board and to put the identified needs for improvement into greater context will be useful.

Policy Number and Title: GP 2 – Board Deliverables Time Period monitored: Jan. '21 – Jan. '22

Report Author: Kevin Birdsey

Please circle your responses to the following questions and provide examples.

Item Number	Have we acted consistently with this item of the policy? (numbers indicate director responses)	Give specific representative examples to support your response. (letters indicate how each of five directors responded to each policy line - A is all from one person, B all from a second person, etc.)
Opening statement: "As an informed agent of the member-ownership, the Board's specific job products are those that ensure appropriate organizational performance."	Yes (4) Needs Improvement (1)	D. The area that needs improvement is the concept of being an informed agent of the member-ownership.
"[Accordingly, the Board has direct responsibility to produce:] GP 2.1: Board decisions that reflect member-owners' values and needs."	Yes (2) Needs Improvement (3)	A. There has been considerable effort in the past year to produce Ends that are reflective of member-owner's values and needs B. And this is ongoing and informed by continuous input from member owners C. I feel we are working on mechanisms to ensure alignment with members' values and needs, especially with the Member Linkages committee. D. Our decisions are our best guess at what our member-owners actually value or need. E. I think that's our intent, but we need better data to check our assumptions against. I realize Member Linkage has been working on this.

"[Accordingly, the Board has direct responsibility to produce:] GP 2.2: Written governing policies that, at the broadest levels, address each category of organizational decision: Ends: Organizational products, effects, benefits, outcomes, for intended 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."	Yes (5) Needs Improvement	A. Significant deliberation and revisions have been incorporated in the past year to continually refine the Ends, Executive Limitations, Governance Processes and Board-GM Linkage B. This is a big area—overall Yes and continuous board development and training on policy governance and our specific policies so we are writing, reviewing and revising policies in the best interest of the Cooperative C. Ends committee is working on eliciting input on Ends from the members for the first time – we are almost there. There's been a lot of good work on the ELs, e.g. new and updated DEI subpolicies within ELS E. Yes, via the Governance Committee

"[Accordingly, the Board has direct responsibility to produce:] "GP 2.3: Assurance of organizational performance on Ends and Executive Limitations."	Yes (3) Needs Improvement (2)	C. We have the mechanisms in place for monitoring the GM's performance on Ends but there is a conundrum. The board is asked to draft ends that go beyond the store level (regional) and yet they need to be achievable: if we aim regional, the GM/coop needs to be part of regional goal setting and highlight the Co-op's contributions to those goals. In addition the GM should be supported by an evaluation team to support her/him in cafting the most reasonable interpretation in accordance. The Ends report last year felt inadequate, and it feels inefficient to wait another year to get to a reasonable interpretation on goals that are very important. D. We receive regularly scheduled monitoring reports regarding organizational performance and take responsibility for assessing whether they indicate achievement of the Ends and are within the bounds of executive limitations put on the GM. E. I think Policy Governance has divorced the Directors (who are not employees) from a deeper understanding of the organization, which makes it harder to understand the context of what is or is not happening in this regard. With that said, I think we are generally on track as an organization, whether or not the Board s fully cognizant of it.

"[Accordingly, the Board has direct responsibility to produce:] GP 2.3.1 Continuity of the GM function."	Yes (5) Needs Improvement	A. This is especially crucial when the current GM is retiring in a few months and the board as a whole with the GM search committee is dedicated to ensure continuity in not leaving the position vacant and appropriate knowledge transfer. B. An example is Board GM Search Committee to address GM vacancy with retirement of current GM C. Continued communication with GM and the search committee are examples D. We are in the process of ensuring that continuity through a search process necessitated by the retirement of our GM. We also have an understanding of the roles of the members of the leadership team and how we might use their expertise and knowledge, should it become necessary in the absence of the GM E. being carried out actively through the Search Committee.
"[Accordingly, the Board has direct responsibility to produce:] GP 2.3.2 Structured monitoring of the GM as outlined in Board-Management Delegation policies."	Yes (5) Needs Improvement	E. We do perform this role, but again with limited organizational awareness.
"[Accordingly, the Board has direct responsibility to produce:] GP 2.4: Operational decisions that the Board has prohibited the GM from"	Yes (4) Needs Improvement	B. Unsure about this? D. While the board has not prohibited the GM from making operational decisions, it acknowledges its responsibility for those decisions, should it become necessary.

What specific actions could we take to improve our application of this policy continually?

D. I think we are taking those actions, although slowly, through our establishment of the Member Linkage Committee and its charge to create a member linkage plan that will give the board the needed understanding of member-owner wants, expectations, and needs.

Policy Number and Title: GP 3 – Governance Development Time Period being monitored: January 2021 – December 2021

Report Author: Marta Ceroni - Please circle or mark your responses to the following questions and provide examples.

Item Number	Subsections	Have we acted consistently with this item of the policy?	Please give specific representative examples to support your response.
Opening statement	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,	Yes: 5 Needs Improvement: 2	Basically "yes" with the few improvements needed as noted below. There is a lot we do to meet this policy, but there are points in the sub-policies that are unfulfilled. I think we've identified the need to improve board skills and have some things planned to that end…but it needs to be stated that those still need improvement. We are investing in our governance capacity and building our collective skills is developmental and unique to each board member. With a 25% or more change in board members, we may need to identify new and different ways to onboard new members and provide continuous development for existing members. Online trainings, while helpful for some, are not universally effective nor the only or best way to build skills.
3.1	All directors will show a willingness to learn and work within the Policy Governance model.	Yes: 4	• Many of us participated in the Governance Coach training in May. • All directors have volunteered to write GP or B-GM monitoring reports throughout the year. • Yes, I believe all current board members are open and willing to learn abou and work within the policy governance model • Yes, in my experience everyone shows a willingness to learn and work within policy governance. It takes time to learn policy governance and to effectively and confidently participate in its process.

		Needs Improvement: 3	• • There is indeed willingness and resources. The online course on policy governance didn't have 100% participation (and I am one of the people who couldn't complete all modules) • Our training with Governance Coach was attended primarily by seasoned board members who already understand Policy Governance, but was not completed by those who needed it as an introduction to the basics. • The limited participation in the Policy Governance training is evidence of a lack of willingness to learn. Working within doesn't appear to be an issue.
3.2	New and veteran board members will be provided with the skills and knowledge necessary to discharge their responsibilities most effectively.	Yes: 4 Needs Improvement: 3	There have been consistent efforts to support the board's capacity on financial aspects and policy governance. Coaching and reports from R Stringham are another example. Skill building has been offered. We also get monthly input from our Governance Coach consultant, Richard Stringham. However, I have no way of knowing who actually reads what he provides. However, the opportunity is provided for in our budget and by board decision. As we discussed when monitoring GP 5 last month, training and onboarding needs more work and consistency. While we have access to information, the board would benefit from a clear and updated orientation to prepare new board members for service as well as refresh the knowledge base for veteran board members
3.2.1	The board will invest in outside consultation to provide governance skills.	Yes: 7 Needs Improvement	Our arrangement with Governance Coach is a standing resource for the board

3.2.2	Board members will participate in CCMA, attend NFCA events and cooperative development training sessions, visit other co-ops, and attend the board meetings of other co-ops.	Yes Needs Improvement: 7	• I have heard about board members attending other co-ops meetings only annectodally, this practice seems to be lost • Very little to NO participation in anything in the cooperative sector, even when it is possible to do so. • I am not sure any of these examples have been exhibited in the past 12 months. • Opportunities to engage in these ways have been greately hindered by Covid 19 over the last 20+ months • This has not been done as much due to Covid but can be improved and perhaps we can look for online opportunities to do so. • I'm not aware of any action here, other than visiting other co-ops. Perhaps this could be part of the structural identification of expectations with incoming board members as well as part of the three year member linkage plan?
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.	Yes : 7 Needs Improvement	R Stringham Currently limited to fiscal audit. Yes, but the auditors are the only example of our doing this.
3.3.1	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.	Yes: 7 Needs Improvement	
3.4	Outreach mechanisms will be used as needed to ensure the Board's ability to listen to member viewpoints and values.	Yes: 5	We are working on this through the ML committee and the work of the Ends Committee (member survey) We are limited by the pandemic, but we offer accessibility to our monthly meetings, post our committee meetings online, and are in the process of reaching out to members for the purposes of the Ends Committee and through Member Linkage Committee.

		Needs Improvement: 2	We are starting to make steps here: recruitment efforts, plans for outreach in GM search are examples. We currently do this throught passive action (receiving unsolicited input from members, acknowledging time for members input during cycle meetings), but will have many opportunities to engage member viewpoints and values through member linkages efforts But we are actively working on it.
3.5	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.	Yes: 7 Needs Improvement	Looks like we will be under budget for 2021; 2022 budget does not exceed this limit.
3.5.1	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.	Yes: 7 Needs Improvement	Both 2021 and 2022 budgets have these line items.

3.5.2	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 one month before the start of the budget year.	Yes: 6 Needs Improvement: 1	Board Treasurer Peggy O'Neil has a done a great job of keeping us on track. This is all proceeding as planned! Happening mid-month, so not technically within the parameters, although I believe the spirit of the policy is being adhered to.
3.5.3	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.	Yes: 7 Needs Improvement	Our quarterly financial reports from operations include a YTD board budget report. This comes each quarter with the EL 1 report.
3.5.4	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 Board members to have the opportunity to review and vote on proposed changes.	Yes: 7 Needs Improvement	Looking back to the previous board year, we did address any changes in the board budget as needed. Nothing similar has been necessary this year. I assume so?
3.5.4.1	After approval of the final budget, and during the budgetary year, the Board needs to approve any increases to budget allocations.	Yes: 7 Needs Improvement	I believe this has been done, but not thinking of any examples at this time

What specific actions could we take to continually improve our application of this policy?

- Our training and orientation should be more consistent. We should avail ourselves of outside learning opportunities (ie. becoming more involved with CCMA, NFCA, and other co-ops).
- I think our ability to ensure board member participation in Policy Governance trainings is going to be limited until the board can meet in person and benefit from the opportunity to learn together in an atmosphere that encourages participation. Meaningful retreats will help, and as I understand it, the use of a retreat to orient new board members is planned for.
- Develop/deepen relations with other Co-ops at the board level; crate opportunities for attending other Co-ops meetings

GP 10 – Board Committees

The Board will assign committees, when appropriate, to reinforce the wholeness of the board's job, and never to interfere with delegation from board to GM.

GP 10.1: Board committees are to help the board do its job, never to help, advise, or exercise authority over management. Committees ordinarily shall assist the board by preparing alternatives and implications for board deliberation or by performing direct inspections or overseeing monitoring functions as specified by the board.

GP 10.2: Board committees may not speak or act for the Board except when the Board formally gives such authority for specific and/or time-limited purposes.

In this particular instance, the Board has provided the GM search committee with limited authority to speak or act for the Board. The Board gathers to discuss and vote on issues of high-importance during special or executive meetings.

GP 10.3: The board will carefully state expectations and authority in order not to conflict with authority delegated to the GM.

10.3.1 : The GM is not required to obtain approval of a Board committee before an executive action. The GM works for the full board.

10.3.2 : Board committees cannot exercise authority over employees.

GP 10.4: The Board will use committees sparingly.

GP 10.5: Any group formed by board action, whether called a committee or not, and whether it includes directors or not, is subject to this policy. It does not apply to committees formed under the authority of the GM.

GP 10.6: All committee members shall abide by the same Code of Conduct as governs the board.

GP 10.7: Except as defined in written Committee Charter, no committee has authority to commit the funds or resources of the organization.

GP 10.8: The time and location of all board committee meetings shall be made public at least 48 hours in advance of the meeting.

GP 11 – Board Committee Structure

A committee is a board committee only if its existence and charge come from the board, regardless of whether board members sit on the committee. The only board committees are those that are set forth in lower-level sections of this policy or in the Co-op's bylaws. The need for activation of each committee will be reviewed at the beginning of each board year.

GP 11.1 Bylaws Committee

The Bylaws Committee assists the board in maintaining bylaws that meet the Co-op's organizational needs while remaining consistent with relevant legislation.

Committee Products:

11 The committee reviews current bylaws for relevance, clarity, completeness, and consistency with current legislation and the Co-op's Certificate of Organization.

12 As needed, the committee proposes revisions to current bylaws for the board's consideration.

12.3 The committee ensures that proposed revisions are consistent with current legislation and the Co-op's Certificate of Organization before presenting them to the board via work with legal counsel, as required.

12.4 The committee provides written rationale for each proposed revision.

Over the past two years, the Bylaws Committee has met intermittently to review current bylaws and to propose revisions for the board's consideration. Proposed revisions to the bylaws were reviewed several times by Attorney Jeff Zellers, with modifications made by the committee accordingly. When the proposed revisions were presented to the board at multiple meetings, a written rationale for each proposed revision was provided and the proposed revisions were discussed during

13 The committee ensures sufficient communication with the Co-op's member-owners to enable informed voting on proposed bylaws revisions endorsed by the board.

13.3 The committee follows a timeline designed to provide adequate time for education of member-owners on the proposed revisions prior to voting.

13.4 The committee provides written rationale for each proposed revision.

13.5 The committee participates in events intended to inform member-owners about the proposed changes.

Because of concerns about the timeline after last-minute communication from Attorney Zellers in December 2020, the committee abandoned plans to bring the proposed revisions to the membership in April 2021. With an eye on the deadline for an April 2022 vote, the committee provided updated information to the 2021/2022 board, and the proposed revisions were accepted. Committee Chair Rosemary Fifield has provided a written rationale for each proposed revision to Member Services for communication to the member-owners and awaits further plans from Member Services for ways in which the committee can participate in any anticipated information sessions.

Committee Authority

14 The committee's authority enables it to assist the board in its work, while not interfering with board holism.

14.3 The committee has no authority to change board policies.

14.4 The committee chair has the authority to reasonably interpret this charter.

14.5 The committee has the authority to engage legal counsel as necessary.

14.6 The committee has authority to request staff resource time normal for administrative support, including communication with member-owners and member-owner voting on proposed revisions.

Committee Composition and Tenure

15 The committee's composition shall enable it to function effectively and efficiently.

15.3 The board shall elect one of the current directors to chair the committee for one year.

15.4 The chair will select the remaining members subject to the approval of the Board of Directors.

5.3 The committee shall disband upon completion of its assigned tasks.

All of the above under Committee Authority and Composition and Tenure have been met.

GP 11.2 Diversity, Equity, and Inclusion Committee

The Diversity, Equity, and Inclusion Committee (DEI) assists the board in accordance with the board's responsibility for member-owner linkage with a changing and growing membership.

Committee Products:

1. The committee produces information, options, and observations for the board's consideration.

Our board spent much of last year planning linkage more than making linkage. As such, the committee did not assess board engagement as described below.

The committee proposed a solidarity resolution for Migrant Justice's Milk with Dignity campaign that our board approved in February. The committee also suggested directors attend a Juneteenth celebration in the town of Hartford. The latter did not require a formal decision by our board, but, in fact, several directors did attend.

1.1 The committee assesses the current level of board engagement with racially and socially diverse populations in the community.

1.2 The committee provides information that enables the board to understand why some segments in the community do not engage with the board's ownership linkage activities, and it provides options regarding strategies to enhance diverse ownership engagement.

1.3 The committee assesses the effectiveness of the board's linkage with the community's diverse populations.

Committee Authority:

2. The committee's authority enables it to assist the board in its work, while not interfering with board holism.

2.1 The committee has no authority to change board policies.

The committee did not change any policies nor bring any policy suggestions to the board during the reporting period. A proposal from the prior period informed a larger set of changes that our board made.

2.2 The committee chair has the authority to reasonably interpret this committee charter.

The chair did not have any unreasonable interpretations brought to his attention.

2.3 The committee has no authority to spend funds without Board approval.

The committee has not spent any funds.

2.4. The committee has authority to request employee resource time normal for administrative support.

The committee has made no requests of employee time besides meeting attendance and preparation.

Committee Composition and Tenure:

3. The committee's composition shall enable it to function effectively and efficiently.

3.1 The board shall elect one of the current directors to chair the committee.

Our board re-appointed director Kevin Birdsey as chair in June, as shown in the minutes from that month.

3.2 The committee shall have a minimum of five members, including two board members in addition to the chair and at least two employees with interest in and/or job duties related to the committee's subject matter or governance in general. Preferably, one of the two employees will also have knowledge of current human resources practices.

Currently there are eight members of this committee. Four are directors. While two are employees, only one fits the description in the above policy.

3.3 The chair will strive to achieve a committee composition that reflects the diversity of our community.

Neither our board nor the committee has denied any person who has expressed interest in the committee, but, regrettably, there is no objective data showing how the composition of the committee reflects our diverse community.

3.4 The chair will select the members subject to the approval of the Board of Directors.

Our board approved almost the entire committee in June. The minutes of that meeting show this. Approval of the latest committee member occurred in December

GP 11.3 Ends Committee

The Ends Committee assists the board in ensuring the Ends reflect the will of the member-owners.

Committee Products:

1. The committee brings to the board, from the member-owners, suggested revisions to the Ends approved by the board on June 26, 2019.

1.1. The member-owners have the opportunity to provide significant input in the development of any revisions to the Ends approved by the board on June 26, 2019.

The Ends Committee has collected input on a number of stakeholders and is now about to release a member survey to gain input

Committee Authority:

2. The committee's authority enables it to assist the board in its work, while not interfering with board holism.

2.1 The committee has no authority to change board policies.

2.2 The committee chair has the authority to reasonably interpret this committee charter.

2.3 The committee has no authority to spend funds without prior Board approval.

2.4. The committee has authority to request administrative support, especially to reach out to the membership.

I feel the Ends Committee is in compliance e.g. we have worked with the Treasurer to allocate funding that became part of the Board's approved budget. We have also been blessed with support from employees in finalizing the member survey.

Committee Composition and Tenure:

3. The committee shall include board members, member-owners, and employees.

3.1. The board shall appoint one of the current directors as chair.

3.2. The committee shall include, at a minimum, three directors in addition to the chair, two member-owners, and two employees.

We started with 12 members of the committee with ample representation of all groups, due to Covid, life changes etc. we are down to a smaller group that includes 3 board members, 3 member-owners, and 1 employee

3.3. The chair will select the committee members, subject to the approval of the Board of Directors.

3.4 The committee shall disband upon delivering any proposed revisions to the Ends approved by the board on June 26, 2019. We plan to do so this Spring 2022

GP 11.4 Governance Committee

The Governance Committee assists the board in improving its processes and its use of Policy Governance.

Committee Products:

1. The committee supports the board's efforts to achieve continuous improvement.

1.1. The committee provides suggestions to improve board workflow and to improve its strategic governance and monitoring practices.

1.2. The committee provides a draft of a new policy or policy revisions upon request of the full board or when an individual director seeks assistance.

1.3. The committee suggests ways to address noncompliance with GP and B-GM policies.

14. The committee updates the policy manual and Board Handbook to reflect current board practices and policies.

1.5. The committee presents to the board options for action items derived from reports from the board's governance consultant.

The committee has primarily provided drafts of policy revisions upon request of the full board. These resulted from discussion of monitoring reports that included suggestions for needed improvement. The committee also provided a draft of new policies, specifically a completely revised set of Executive Limitations, which were approved by the full board to replace the previous Executive Limitations. In addition, the Committee Chair regularly updated the policy manual to include new and revised policies as they were approved by the full board.

The committee receives reports from the board's governance consultant and keeps them in mind when revising policies or considering new policies. To date, the board has not experienced noncompliance with GP and B-GM policies, and no suggestions have been provided regarding improvement of governance practices.

Committee Authority:

2. The committee's authority enables it to assist the board in its work, while not interfering with board holism.

2.1 The committee has no authority to change or contravene board policies, despite its charge to bring suggested revisions to the board.

2.2. The committee may engage legal counsel for opinions regarding board governance matters.

2.3. The committee has authority to request a normal amount of employee resource time for administrative support from an employee familiar with the board's operations.

2.3.1. The committee will exclude such an employee from its work when confidentiality dictates, at the discretion of the committee members.

2.4. The committee will liaise with the Board's governance consultant, but it may not enter into or change the consulting contract.

2.5. The committee chair has the authority to reasonably interpret this committee charter.

The committee liaised with the governance consultant for the purpose of considering a policy on violation of board policy. Legal counsel was not engaged for governance matters. Administrative support to the committee was confined to making arrangements for meetings.

Committee Composition and terms:

3. The committee's composition shall enable it to function effectively and efficiently.

3.1. The board will appoint the chair of the committee.

3.2. The chair will seek volunteers from the remaining members of the board so that there are at least four directors on the committee.

3.3. The composition of the committee shall be approved by the board.

The committee consists of board members Kevin Birdsey, Nick Clark, Rosemary Fifield Conicia Jackson, and Peggy O'Neil, as well as employee April Harkness. Composition of the committee was approved by the board.

GP 11.5 Member Linkage Committee

The Member Linkage Committee assists the board in fulfilling its responsibility for linkage with owners, including identification of potential candidates for Board of Directors. The board as a whole remains accountable for member linkage.

Committee Products:

1. The committee develops and encourages member-owner engagement with the Co-op.

1.1 Member-owners are given the opportunity to understand and achieve varying levels of engagement, including service on the Board of Directors.

1.2 Member-owners are encouraged to run for Board of Directors.

2. The committee develops a rolling three-year ownership linkage plan, to be approved by the full board, to ensure intentional and constructive board dialogue with the owners.

2.1 The plan includes data collection that respects the diversity of the ownership.

2.2 The committee considers its ownership linkage successful if, to a continually increasing degree:

2.2.1 when developing or revising Ends, the board has access to diverse viewpoints that are representative of the ownership regarding what benefits this organization should provide, for whom, and the relative priority of those benefits;

2.2.2 the owners are aware that the board is interested in their perspective;

2.2.3 if asked, the owners would say that they have had opportunity to let the board know their views; and

2.2.4 the owners are aware of how the board has used the information they provided.

2.3 Information obtained is used to inform the board's policy decisions.

Committee Authority:

3. The committee's authority enables it to assist the board in its work, while not interfering with board holism.

3.1. The committee has no authority to change board policies.

3.2. The committee chair has the authority to reasonably interpret this committee charter and the board's GP 12–Board Linkage with Ownership policies.

3.3. The committee has authority to spend funds set out in the board-approved governance budget.

3.4. The committee has authority to request employee resource time for administrative support of the three-year ownership linkage plan.

Committee Composition and Tenure:

4. The committee's composition shall enable it to function effectively and efficiently.

4.1. The board shall elect one of the current directors to chair the committee.

4.2 The committee will have a minimum of five additional members.

4.3 The chair will select the remaining members subject to the approval of the Board of Directors.

GP 11.6 General Manager Search Committee

The Search Committee assists the board with hiring a new General Manager by organizing and overseeing a process for soliciting applications for the position, providing a preliminary review of applications, and arranging for interviews with qualified candidates.

The Board of Directors voted to hire The Carlisle Group to help us administer our search for the Co-op's next General Manager. We'll be working with Brett Myers, Managing Director. Here's a little background information:

The Carlisle Group is an executive search and recruiting firm that has been in business for 25 years, and has placed over 4,000 executives to date. Brett Myers, Managing Director, has been a part of The Carlisle Group's grocery recruiting team for 20 years. Brett's team has worked with grocery organizations of all shapes and sizes, from large corporations to small single-unit independent grocers. TCG has filled positions from CEO to management in stores and everything in-between, providing an in-depth understanding of the entire grocery industry. Brett started working with grocery cooperatives 6 years ago, and estimates this will be the 25th co-op General Manager search he's conducted.

Next steps: Brett will be learning more about our Co-op as he gets set up. In the meantime, the Search Committee will continue working with employees and members on gathering crucial feedback that will inform the qualities we'll be looking for in our next General Manager.

Committee Products:

1. The committee produces an orderly and efficient search process for a new General Manager.

1.1 The committee produces a list of competencies and expertise for the General Manager.

1.1.1 The committee provides opportunities for public/employee/member engagement to provide input into the attributes desired of the General Manager.

1.2 The committee ensures a process which produces qualified candidates for the board to consider.

1.3 The committee provides opportunities for board discussion regarding the hiring of the General Manager.

1.4 The committee provides monthly reports for the board on its activities and the status of the search for a new General Manager. These reports are delivered in writing to the board one week before each board meeting.

Committee Authority:

2. The committee's authority enables it to assist the board in its work, while not interfering with board holism.

2.1 The committee is authorized to solicit proposals from executive search firms and to negotiate the terms of the contracts with those search firms. Final contracts are subject to board approval.

2.2 The committee has the authority to seek consultation from key professionals across the industry.

2.3 The committee has authority to request a normal amount of employee resource time for administrative support.

2.4 The committee chair has the authority to interpret this committee charter reasonably.

Composition and terms:

3. The committee's composition shall enable it to function effectively and efficiently.

3.1 The board will elect one of its current members to chair the committee.

3.2 The committee will have a minimum of five members and shall include board members, member-owners, and an employee director, should one be elected.

3.3 The chair will select the remaining members subject to the approval of the Board of Directors.

3.4 The committee shall disband upon completion of its assigned tasks.

APPENDIX A

GM Monthly Update: Communication and Counsel to the Board
Submitted by: Paul Guidone, CFA, January 19, 2021
Co-op Board Meeting: January 26, 2021
Reporting Period: YTD 2021

No action is required in this report.

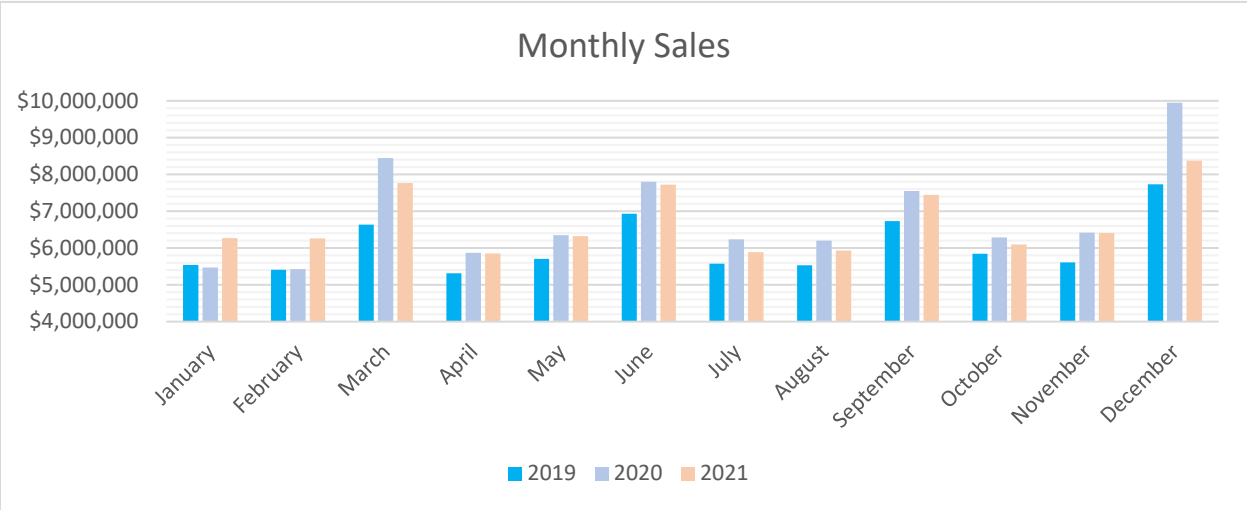
EXECUTIVE SUMMARY

This report provides a brief analysis and evaluation of the Co-op's operations for the month ending December 2021. This December had 5 weeks compared to December 2020, which had 6 weeks. To adjust for the extra week, the comparisons will focus on average weekly data.

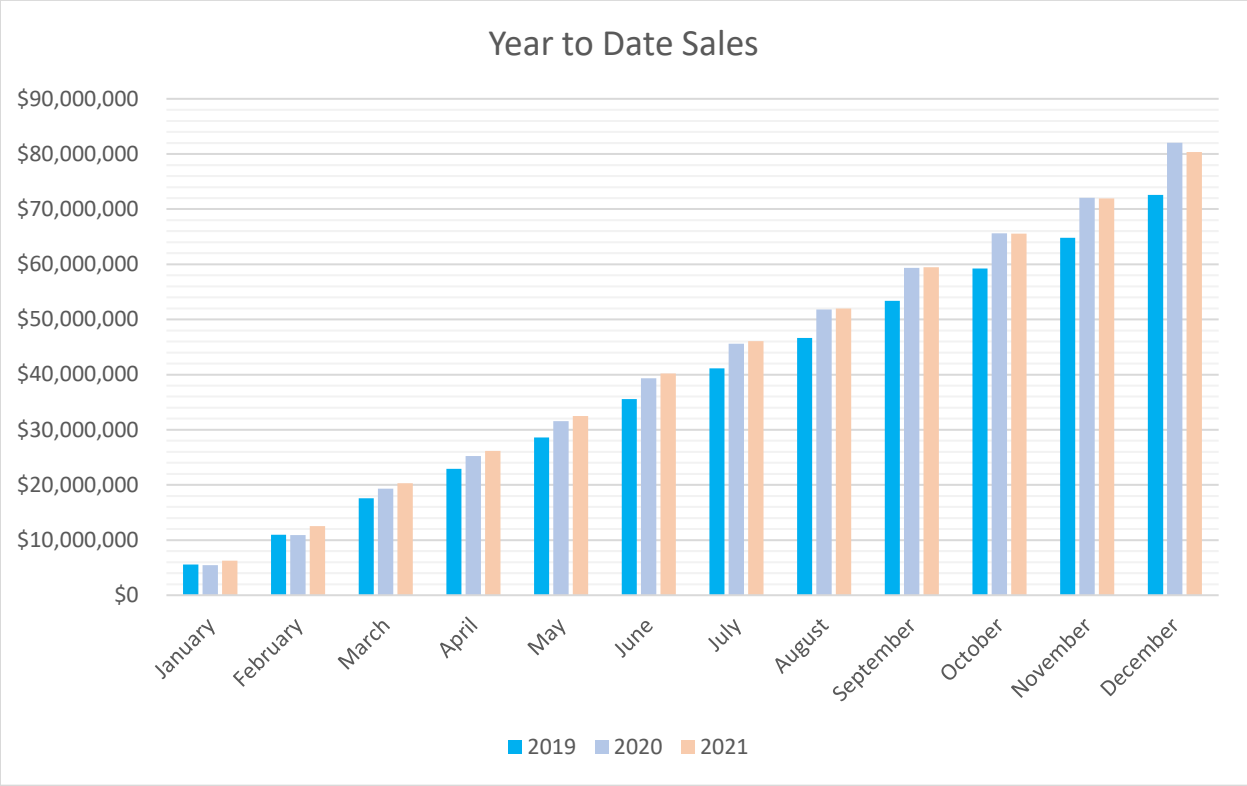
Activity in our stores accelerated during the last two weeks of the year. Our teams rose to the increased demand and foot traffic with grace and professionalism, despite contending with certain well-documented out-of-stock conditions for select products.

The graphs below reflect data for sales, customer count, basket size, average price for gas and gallons pumped for the years 2019 through December 2021.

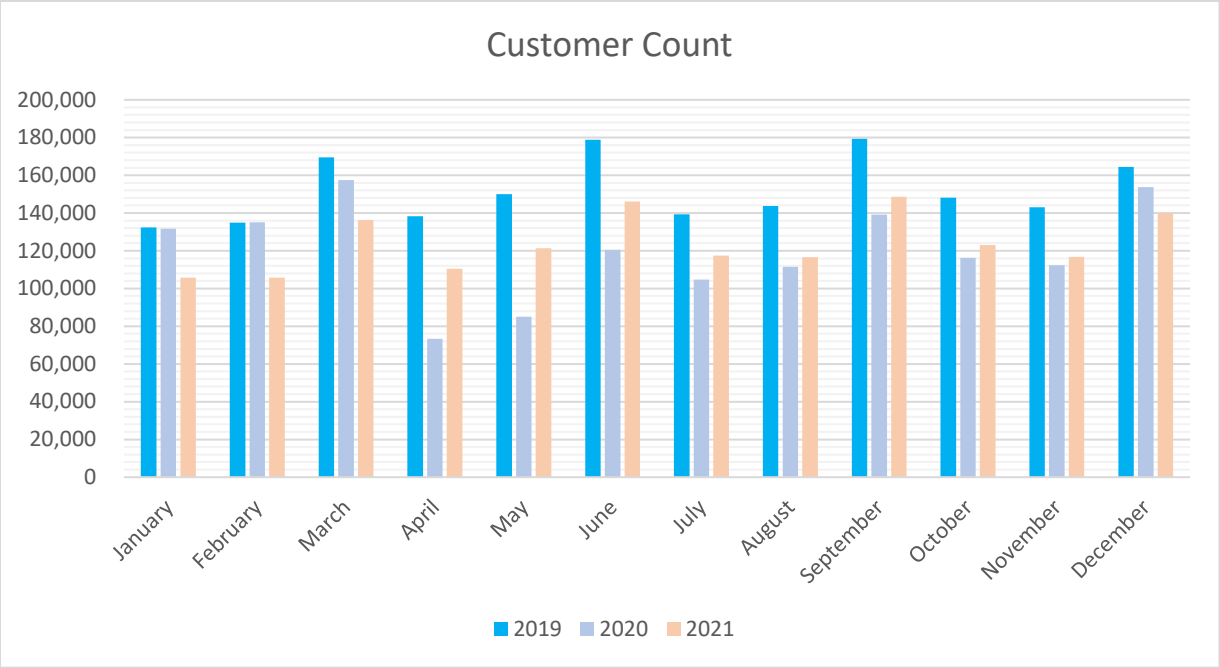
Sales. Consolidated food store sales[1] were approximately $8.4 million for the month (5 weeks) versus $9.9 million in December 2020 (6 weeks). However, average weekly sales for December 2021 were $1.68 million versus $1.66 million in 2020. Sales for the 12 months ending December were lower than the same period last year ($80.33 million versus $82.01 million). Despite the extra week in 2020, average weekly sales for 2021 were in line with 2020 ($1.54 million versus $1.55 million). On a year-to-date basis sales continue to exceed budget.

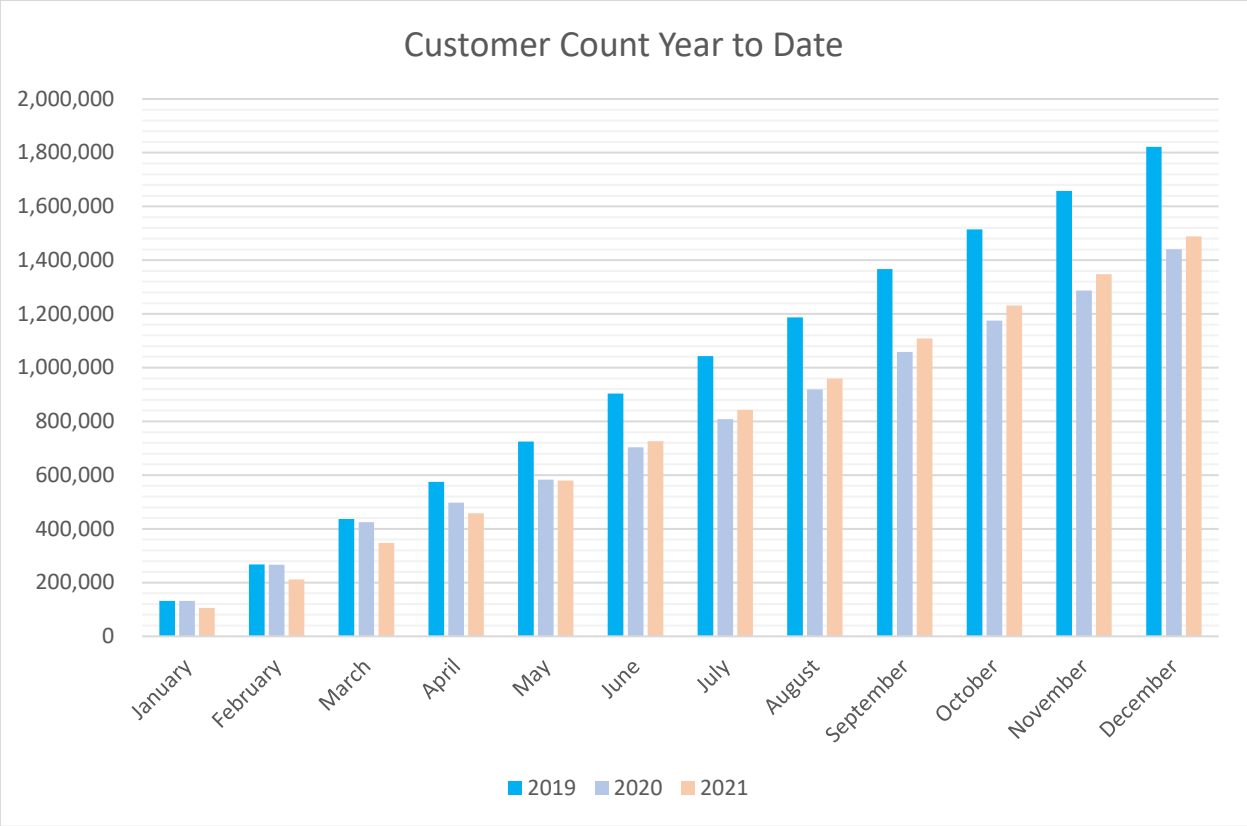


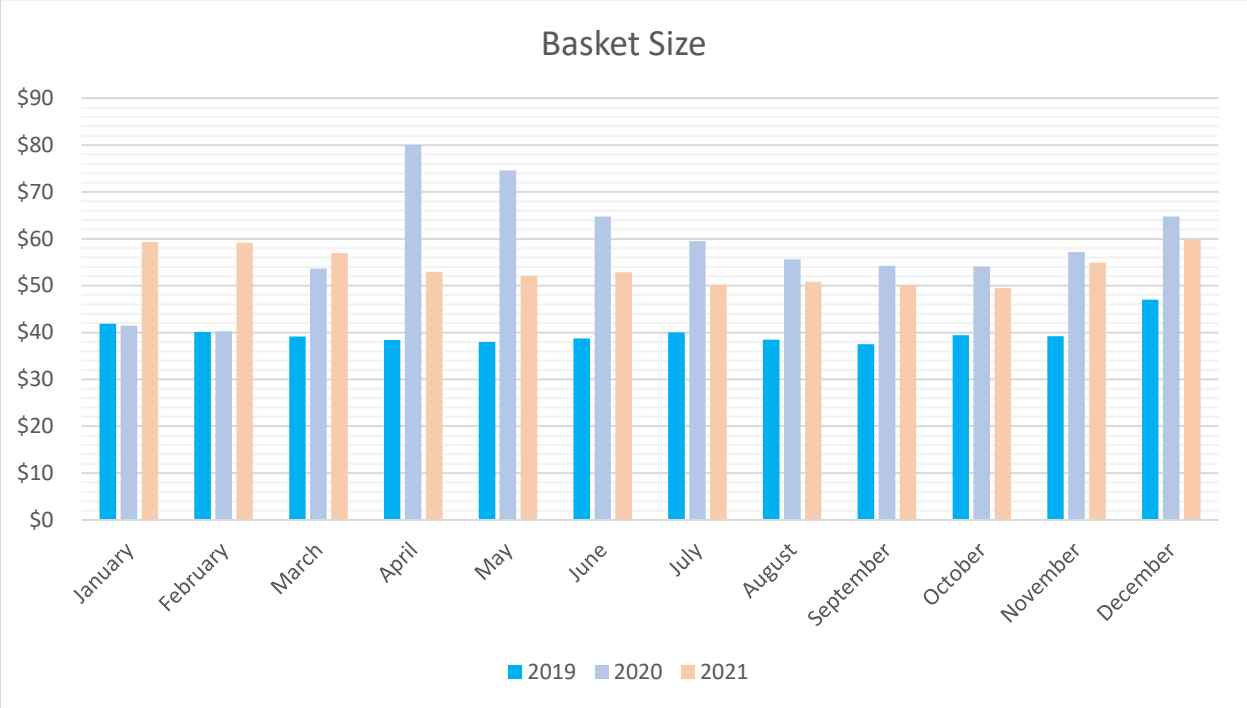
[1] Growth led by Grocery, Meat, Produce, Dairy, and Frozen Foods. PFD is underperforming, an impact of the outbreak of COVID-19. See Business Unit Operations report.



Financials. Customer visits for December 2021 averaged 28,005 per week versus 25,619 for 2020. For the full year, average weekly visits were 28,620 compared to 27,185 for 2020 (1.49 million full year 2021 versus 1.44 million in 2020). Average basket size is approximately $59.81 down from $64.75 last December.

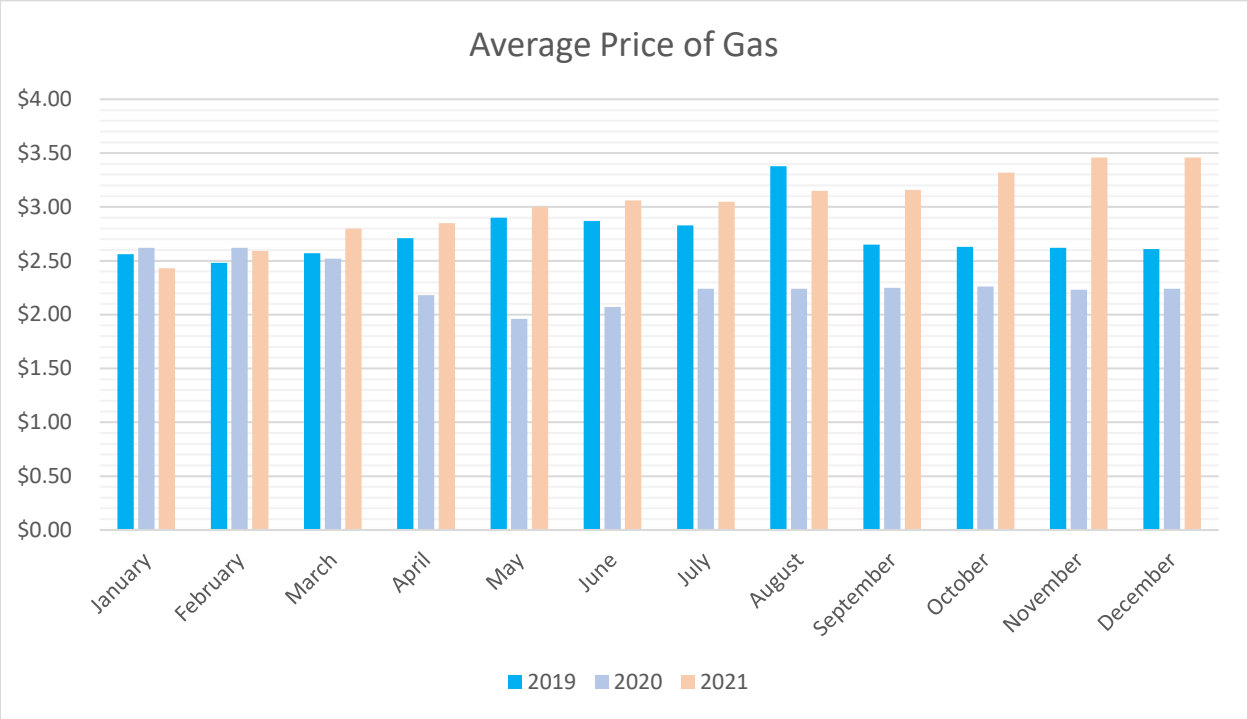


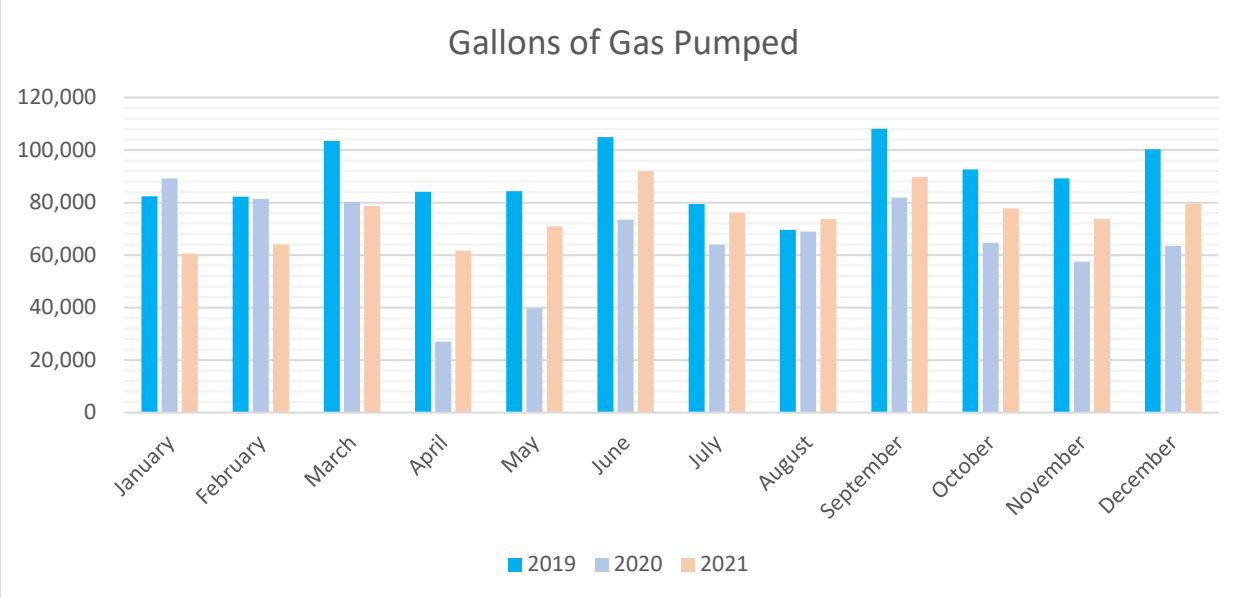


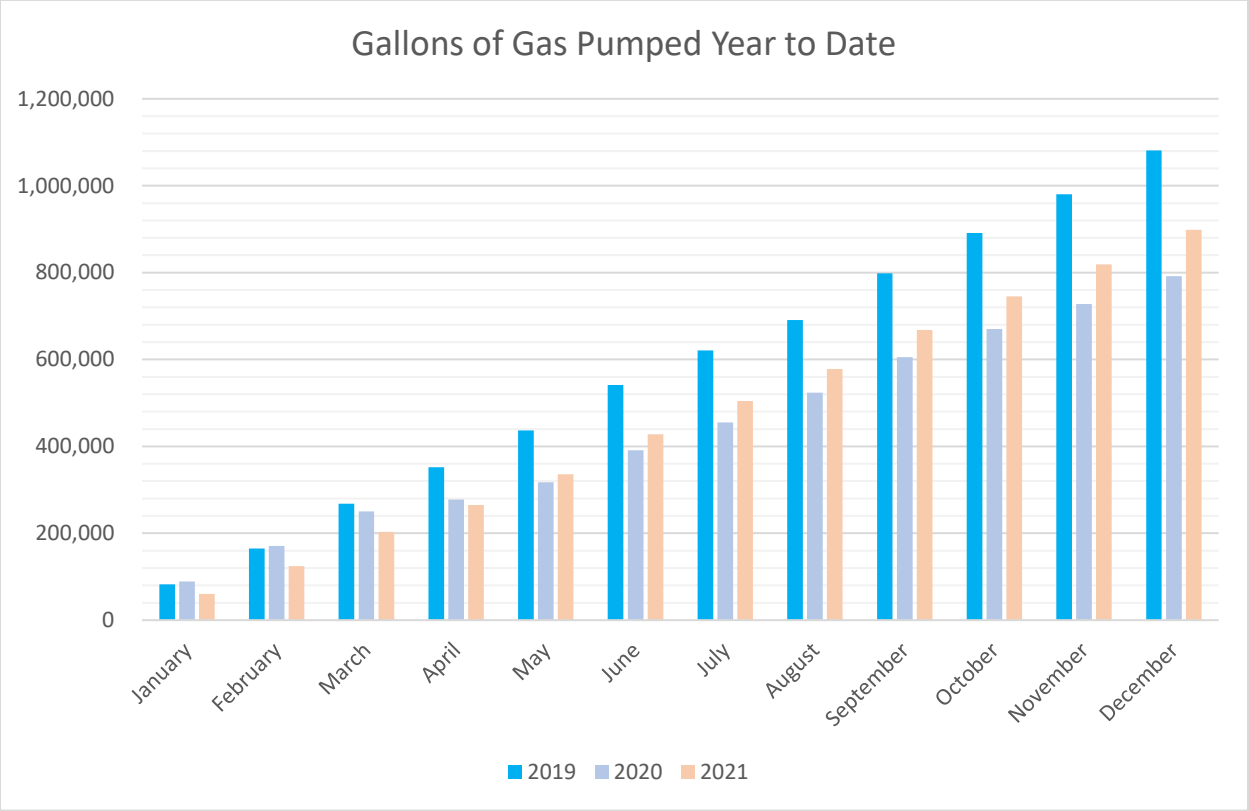


Gasoline. Gas prices began the year at approximately $2.24 per gallon. At the end of December, the average price was approximately $3.46 or $1.12 more per gallon. For the month, we pumped an average of 15,913 gallons per week compared to 10,574 in 2020. For full year 2021, we pumped over

107,000 more than in 2020 (17,282 weekly average versus 14,932 in 2020). Sales of our non-gas business was ahead of budget for the month and year to date.







Wrap Up

Additional information about our business units can be found in the functional reporting below. As always, I welcome your comments and questions. Please reach out to me anytime.

My thanks to the members of my team and to our location managers for contributing to the following reports and updates.

Respectfully submitted,

Paul Guidone, CFA
General Manager

FINANCE UPDATE—unaudited

Mark Langlois
Director of Finance

Net Sales on a year-to-date basis are approximately $1,848,223 ahead of budget with the respective cost of goods sold over budget by $1,145,821. This results in the gross margin being over budget by $702,402 or 2.59%.

Consolidated wages and benefits are approximately $1,610, (0.12%) under budget for the month and $177,297, (1.30%) under budget on a year-to-date basis.

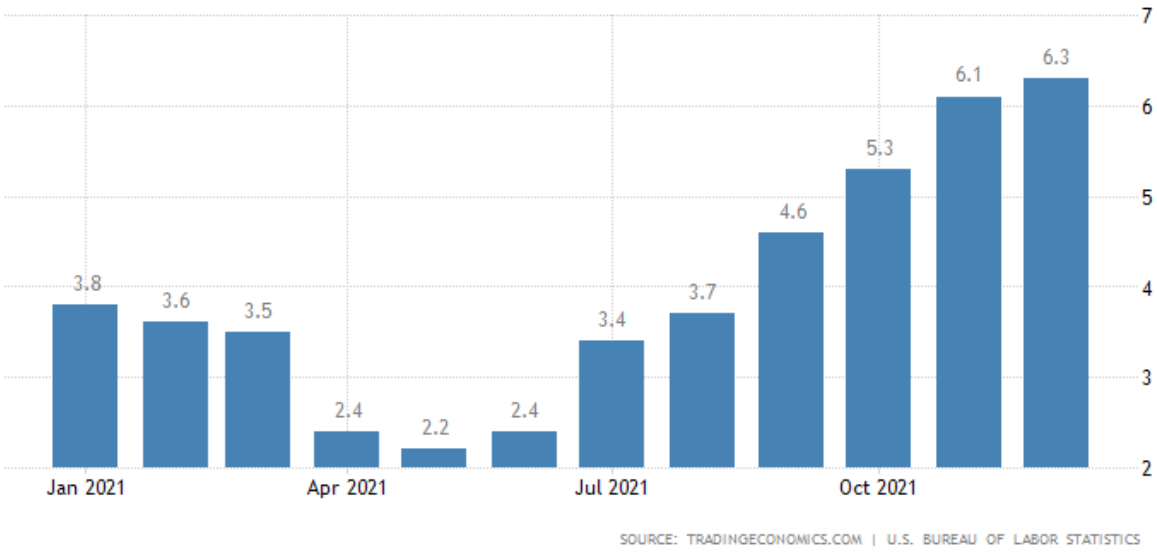
Contribution margin (gross margin less store wages) is approximately $290,492, (20.82%) over budget for the month and $879,699 (6.51%) over budget year- to- date, respectively.

Overhead expenses are approximately $101,673 over budget and $23,383 under budget for the month and year to date, respectively.

Operating Earnings are approximately $584,972 year to date versus a budgeted loss of $602,958.

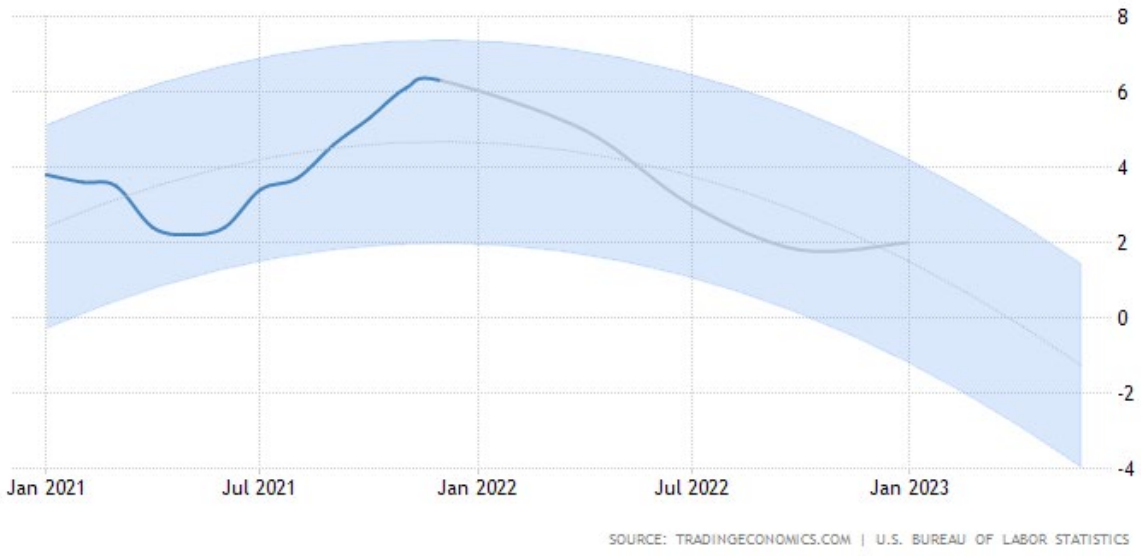
Savings before Tax (SBT) is approximately $393,464 year to date versus a budgeted loss of $882,857.

U.S. FOOD INFLATION



Cost of food in the United States increased 6.30 percent in December of 2021 over the same month in the previous year. It is the highest rate since October of 2008. Source: U.S. Bureau of Labor Statistics.

Forecast



Food Inflation in the United States is expected to be 5.00 percent by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. In the long-term, the United States Food Inflation is projected to trend around 2.00 percent in 2023 and 2.10 percent in 2024, according to our econometric models. Source: U.S. Bureau of Labor Statistics.

KEY FINANCIAL DATA (Continuing Operations)
Unaudited – (subject to audit adjustments)

Financials Combined HCCS	Month Actual	Month Budget	Month Variance	Month % Variance	YTD Actual	YTD Budget	YTD Variance	YTD % Variance
Sales	8,853,044	8,353,110	499,934	5.99%	84,937,106	83,088,883	1,848,223	2.22%
Cogs	5,852,183	5,641,132	(211,051)	-3.74%	57,065,989	55,920,168	(1,145,821)	-2.05%
Gross Margin	3,000,861	2,711,978	288,883	10.65%	27,871,117	27,168,715	702,402	2.59%
Store Wages	1,315,433	1,317,043	1,610	0.12%	13,483,629	13,660,926	177,297	1.30%
Contribution	1,685,428	1,394,935	290,492	20.82%	14,387,488	13,507,789	879,699	6.51%
Overhead	782,836	681,164	(101,673)	-14.93%	7,200,990	7,224,373	23,383	0.32%
G&A	637,070	645,624	8,553	1.32%	6,601,526	6,886,374	284,848	4.14%
Operating Earnings	265,522	68,147	197,373	289.62%	584,972	(602,958)	1,187,930	-197.02%
SBT	249,085	45,816	203,267	443.64%	393,464	(882,857)	1,276,320	-144.57%

Business Unit - YTD	Lebanon	CLC	Hanover	WRJ	CCM	Service Centers
Sales	35,238,236	13,856	28,086,366	14,858,419	2,077,575	4,659,471
Budget	35,694,189	17,560	28,389,265	13,028,169	2,050,967	3,908,735
Variance	(455,953)	(3,704)	(302,899)	1,830,250	26,608	750,736
% Variance	-1.28%	-21.09%	-1.07%	14.05%	1.30%	19.21%

YTD Percent Variance Actual Sales/Budget Sales					
Store Level	**Lebanon**	**Hanover**	**WRJ**	**CCM**	**Combined**
Grocery	-6.14%	-5.02%	14.31%	3.71%	-1.93%
Produce	-2.66%	1.10%	15.03%	2.24%	1.16%
Dairy	-5.35%	-10.86%	4.79%	1.46%	-5.43%
Meat	7.33%	-9.34%	11.67%	-7.29%	1.72%
PFD	-24.85%	9.89%	7.56%	-9.55%	-10.22%
Bin Bulk	-11.34%	-5.21%	3.08%	74.12%	-7.13%
Bakery	2.15%	-5.61%	14.18%	-8.51%	1.42%
Frozen	-1.24%	-16.17%	6.69%	-3.62%	-5.31%
HABA	-8.87%	-5.68%	7.72%	-5.15%	-6.24%
Beer	1.94%	4.97%	4.93%	10.98%	4.28%
Wine	-3.22%	-3.99%	6.89%	7.23%	-1.09%
Beverage	-7.35%	5.01%	19.99%	14.29%	3.49%
Seafood	14.89%	5.34%	25.76%	-6.64%	12.25%
Cheese	6.95%	6.69%	37.37%	3.62%	9.86%
Deli	0.84%	-5.65%	8.13%	0.25%	0.00%
Floral	2.63%	25.88%	25.18%	26.20%	13.23%
Sushi	9.94%	39.13%	13.43%	-5.60%	16.07%
Kitchenware	-33.42%	48.48%	-23.83%	-1.70%	-2.08%

YTD Percent Variance Actual Sales/Budget Sales			
Service Center	**Hanover**	**Norwich**	**Combined**
Gas	21.87%	0.00%	21.87%
Parts	46.02%	-6.11%	9.65%
Labor	53.35%	-12.36%	8.02%
Tires	226.78%	63.55%	110.98%

Note on percent variance: For example, above, Lebanon Grocery variance at -6.14% means actual sales were 6.14% less than budget sales.

BUSINESS UNIT OPERATIONS

Bruce Follett
Director of Business Unit Operations

Food Stores

As the supply chain continues to be in flux, we are remaining attentive to the cost of our products and adjusting our retail and promotional pricing as needed. We have needed to balance profitability with pricing competitively, meaning we are not necessarily achieving the margins we want to in order to offer as fair a retail price as possible. The cost of shipping, packaging, and raw materials all have an

impact on the cost we pay for our products. Inflation is also a major factor for cost increases as reported by the majority of brands we are hearing from.

We have scheduled price reviews for each month of the year in 2022, having just gone through our first reviews for January. We have integrated our price reviews into our category review calendar based on sales volume, trends, and seasonality.

Our core set and category review calendar has been set for 2022. We began our first category reviews in December of 2021, when NCG posted information for category reviews that will be finalized in March of 2022. The March categories have been reviewed as scheduled, with the focus this month on adding new items for March and also reviewing categories for April.
We are currently offering more than 50 items from 13 local Produce and Floral growers, including spring bulbs from Talking Well Farm and a large variety of apples from Champlain Orchard.

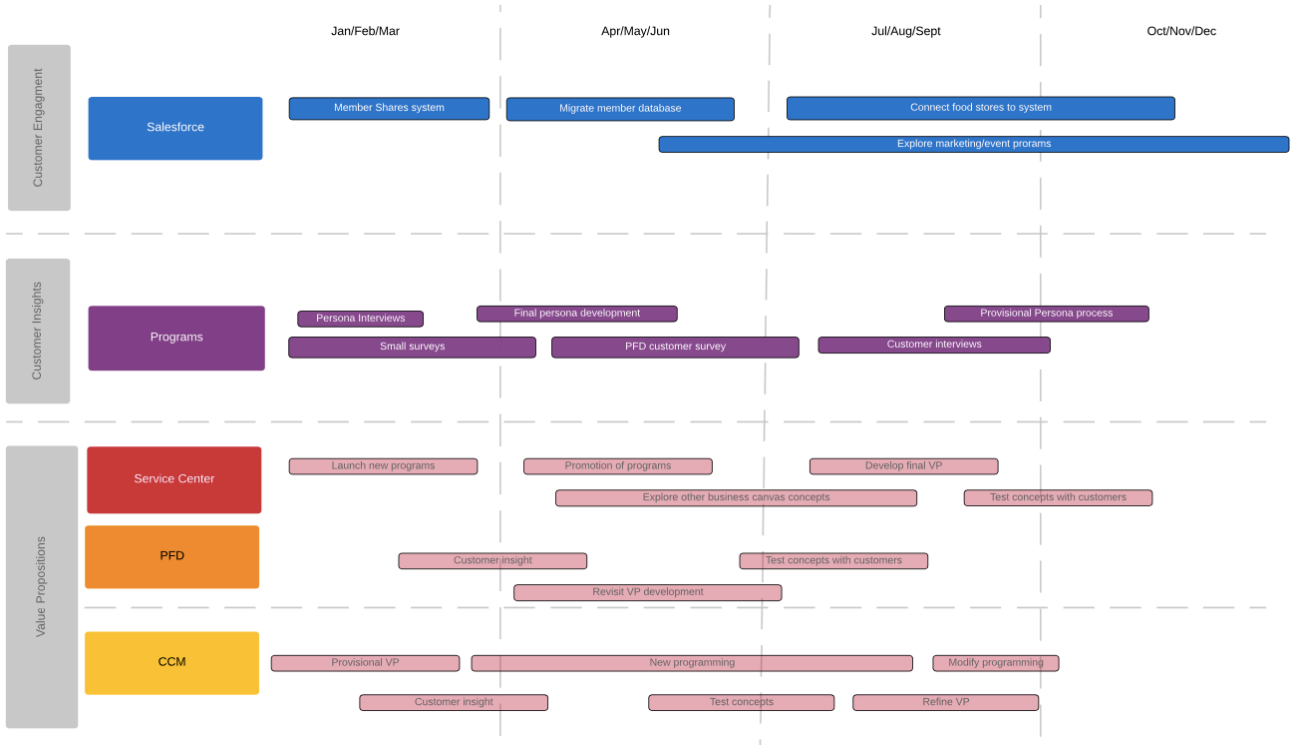
Self-Checkout hardware setup has been completed and we are now ready to begin our testing process at the Resource Center. We have pulled together a group of stakeholder teams including Front End, Marketing and Member Engagement, IT, Facilities, and Inventory Control that are meeting this month. We will identify the specific aspects of this project to be addressed by each team and work on a plan to move forward.

Service Centers
The average price of fuel was $1.22 per gallon higher than the same period last year. Volume increased more than 16,000 gallons pumped in the month of December compared to the same period a year ago. Fuel transportation has been steady without interruption.

The Service Center teams are working through supply chain issues to get parts and products in a timely and cost-effective manner. Right now, we are seeing some very common items very difficult to find such as oils and brakes. We are also preparing to sign up for ASE trainings in both of our locations. This testing takes place in Concord NH. Our planning efforts continue to expand our waiting area in Norwich.

COOPERATIVE ENGAGEMENT

Amanda Charland
Director of Cooperative Engagement



Building Loyalty

We are now three months into our usage of the Salesforce platform. The team that launched has temporarily split into several smaller project teams working on various aspects of the platform. The membership and shares team is meeting regularly to review the member services functions of the system, optimize our new process flow and continue adding membership enhancements. A larger Salesforce strategy team will meet early in 2022 to prioritize our organizational goals for the system and map out the timeline for the next big project push. A business process team was formed to assess the way data is collected in all current systems and create consistency in data collection so all of our systems can begin communicating seamlessly. Finally, the engagement strategy team will be focused on building engagement metrics within Salesforce.

Engagement

During the holidays, our Co-op ran a donation event for the Listen Holiday Basket program. It turned out to be one of our most successful, single-event fundraising programs. Thanks to the fantastic work of our Front-End employees and the generosity of our customers, we raised $20,010 for the program, resulting in more than 400 grocery gift cards going out to recipients.

In December, the engagement team begins to turn their focus to planning for the first-quarter membership events. This year, in addition to elections, there will also be a bylaws vote and a final push for b-share exchanges that will all fall into the first quarter. A team has been established to meet weekly for planning on these events.

Business Canvases

Each of the Co-op's business canvas teams has begun to evolve for 2022.

The Service Center team will be focused on several key areas for 2022. The group's primary focus will continue to be on customer experience, both improving the physical and digital experiences for customers. In 2022 the team will also be looking to expand the community connection of the service centers. Lastly, the team will develop the business strategy for the next customer segment identified.

The Community Market team is focusing on building more comprehensive models for the new business concept, including rough timelines, costs, and workforce needs. Next the team plans to get market data to help inform

The Co-op Kitchen team paused during the holidays but will resume in early 2022. The group will finalize the first concept for the value proposition of the kitchen and shift to data collection and testing.

Promotions

The primary focus for marketing during the last quarter has been on building a cross-functional promotions team for 2022 to create alignment in our food store promotion strategies. The team held its first planning session in December and began to map out promotions for 2022.
Marketing, in collaboration with the engagement team, has also been focused on building a new social media plan to launch in 2022. The team has created new SOPs, set new metrics and goals, and is mapping out the first quarter content for 2022.

In addition to the holiday promotions that occurred in December, the marketing team continues to focus on employment marketing and has been running advertisements with an emphasis on prepared foods jobs.

Pennies for Change

Total Member Donations since June 2016: $1,139,500.54
Total Collected December 2021: $13,056.74
Total Collected in 2021: $153,323.17

December Food Access Recipients

Listen: $2,611.35
Haven: $2,611.35
Willing Hands: $2,611.35

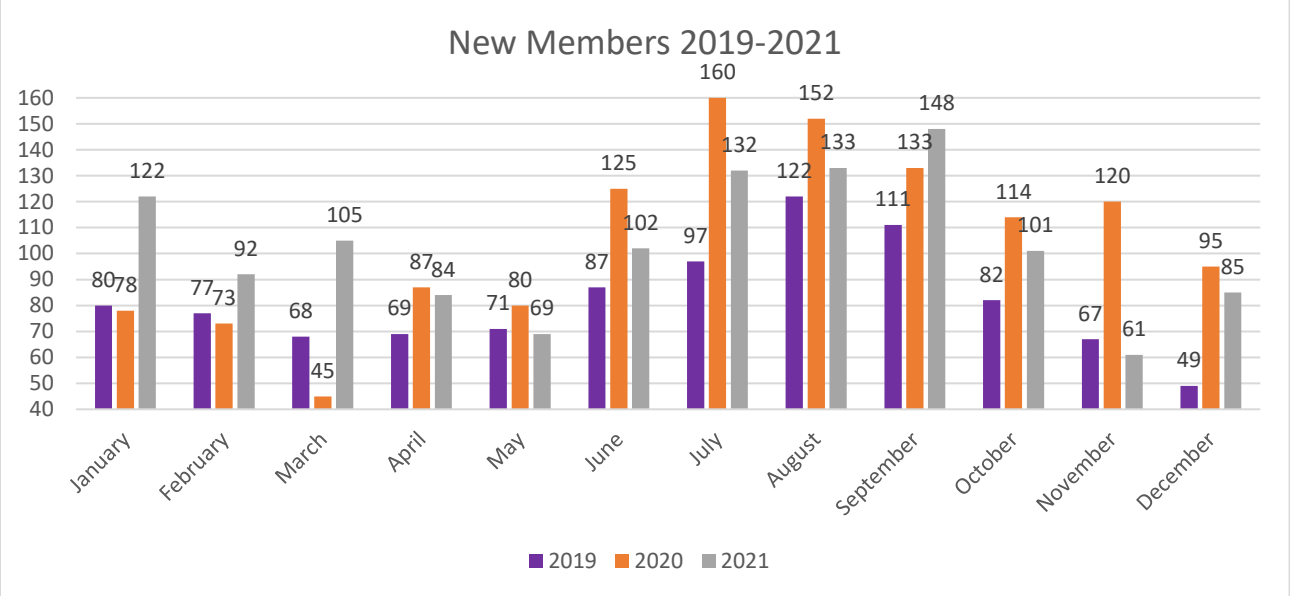
December Community Partners

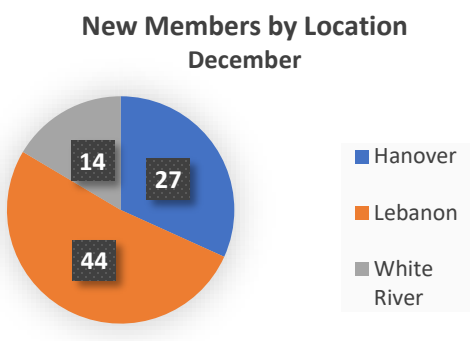
The Mentoring Project of the Upper Valley $2,611.34
Friends of Mascoma Foundation $2,611.34

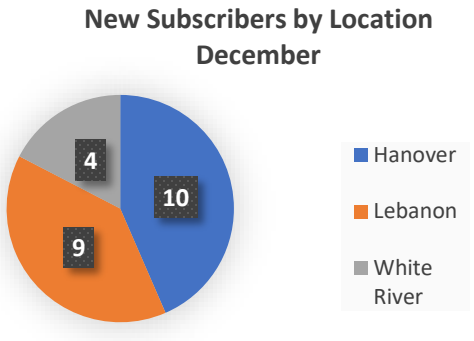
Membership

2021 January-December

	New Members	Cancellations	Net Change in Memberships	Subscribers
January	122	25	97	18
February	92	12	80	9
March	105	11	94	9
April	80	10	70	7
May	69	11	59	2
June	102	13	89	9
July	132	23	109	14
August	133	10	123	14
September	148	13	135	15
October	101	5	96	10
November	61	7	54	17
December	85	12	73	23
YTD	**1230**	**152**	**1079**	**147**
2020 YTD	**980**	**214**	**766**	137







PUBLIC AND GOVERNMENT AFFAIRS

Allan Reetz
Director of Public and Government Affairs

The work of public and government affairs seeks to leverage the strength of our business to benefit our cooperative, communities, and vendors.

Recent work and upcoming projects include:

Affordable Workforce Housing

- Submitted testimony to the NH House Judiciary Committee expressing opposition to HBs 1216 and 1254. These ACTS aim to repeal RSA 679, which established a three-member appeals board that aims to provide timely review of disputed housing and development decisions. HB 1216 seeks a complete repeal of RSA 679. HB 1254 dramatically reduces the scope of the board's mission to land use matters only.
- Opposition to those pieces of legislation may require further testimony later this month.

Media Communications

- Worked with The Cornucopia Institute to highlight our support for dairy producers. The coverage appeared as an interview in that organization's winter newsletter.
- Acquisition of photos of our Norwich Service Center team. Professional photographer Tristan Spinski captured images of our Service Center technicians. His images evoke the words of Studs Terkel's seminal *Working.* Select shots were exhibited in *The 2021 Photoville Festival*, in New York City.

Board Work and Collaborative Conversations

- New Hampshire Food Alliance: Advisory team planning for NHFA's upcoming Annual Statewide Gathering, and work with NH Ag Commissioner Shawn Jasper on using federal relief funds to support local farms and food producers.

- Vermont's Main Street Alliance: Team discussion of small businesses challenges during the resurgence of COVID, and how shortened quarantine periods affect workers and workplaces. Solo meeting with MSA's ED set for later this month.
- Vermont Sustainable Jobs Fund's *Food Security working group*. Planning underway for my two-year commitment as an advisory team member

Cooperative Collaborations

- Making network connections on behalf of local grain farmers as they explore forming a producer cooperative.
- Setting up phone meeting with group exploring idea of a consumer's cooperative. April Harkness will be on that call
- Meeting coming up with Jen Risley of Monadnock Food Co-op as she seeks information how the role of public and government affairs works at our cooperative.

ADMINISTRATION

Lori Hildbrand
Director of Administrative Operations
(Human Resources/Facilities/IT - Network and Systems)

Administration:

This is a wrap up of the remaining projects and activities from 2021.

Human Resources:

Thanks to Lisa Tucker, HR Manager, open enrollment went very well this year. Some of our employees chose to use our online benefits portal to make their selections. Lisa visited all locations to meet with our many employees who chose not to use the online portal, one-on-one, to ensure that they understand our two medical new plans and to assist them with their benefits selections for 2022.

We have begun the implementation process of our new enterprise level HR Management system. We anticipate this will be operational this summer.

Facilities:

Lebanon Upgrade:
We have just about completed our upgrade project. There are a few remaining items that are in the works or are waiting for parts to arrive. We are working with our construction contractor to move these projects to completion. If you haven't been in to see the Lebanon store lately, please stop in to see the results of the project.

IT – Network and Systems:

In December 2021, our IT team oversaw the installation of an upgraded video system in and around our Lebanon store. They also managed the installation/upgrade of external cameras at our two service centers last year. Camera systems were installed in White River Junction and Hanover in 2020. White River Junction's system was an upgrade of an aging existing system while Hanover's system was a new installation.

APPENDIX B

2022 Board Meeting Calendar

January 29	**Candidate Information Session 11:00 a.m.**
February 23	Board of Directors Meeting, 5:15 p.m.
March 23	Board of Directors Meeting, 5:15 p.m.
April 2	**HCCS Annual Meeting 10:00 a.m.**
April 27	Board of Directors Meeting, 5:15 p.m.
May 25	Board of Directors Meeting, 5:15 p.m.
June 22	Board of Directors Meeting, 5:15 p.m.
July 27	Board of Directors Meeting, 5:15 p.m.
August 24	Board of Directors Meeting, 5:15 p.m.
September 28	Board of Directors Meeting, 5:15 p.m.
October 26	Board of Directors Meeting, 5:15 p.m.
November 16	Board of Directors Meeting, 5:15 p.m.
December 21	Board of Directors Meeting, 5:15 p.m.