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HCCS Board of Directors Meeting October 23, 2024

5:30 p.m., Hanover Board Room, 45 S Park St., Hanover, NH

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AGENDA

HCCS Board of Directors Meeting

October 23, 2024

5:30 p.m.

Hanover Board Room (45 S Park St, Hanover, NH)

| Time | Agenda Topic | Page | Board Action |
|------|---|------|---|
| 5:30 | Settle and check-In... | | Listen |
| | Community Standards and Consent Agenda August 28, 2024 Meeting Minutes | 3 | Reflect & Decide |
| 5:40 | Member Input | | Listen |
| 5:50 | Board Budget (Board Treasurer) Strategic Planning: Next Steps | | Discuss Decide |
| 6:10 | Scheduled Monitoring | | |
| | EL 1 – Financial Stability | 6 | Decide |
| | Policy Consideration: EL 1.2.1 | 14 | Discuss/Decide |
| 6:30 | Hanover Store Tour (Tom Ripley, Store Manager) | | Learn |
| 7:00 | GM Update | | Listen |
| | EL 3.3 (from August) | 15 | Decide |
| 7:10 | Policy Considerations | | |
| | General new language, B-GM 3.4.1 & GP 11.2 (from Governance Committee) | 18 | Discuss/Decide |
| | GP 7.4 (from President/Treasurer) | | Discuss/Decide |
| 7:30 | Board Monitoring | | |
| | GP 3, 4 & 11 (Team B) | 19 | Discussion referred to Governance Committee |
| | GP 5, 6, 7 & 8 (Team A) | 25 | |
| 7:35 | Final Thoughts & Adjournment | | |

DRAFT MEETING MINUTES

August 28, 2024

6:00 p.m. Co-op Resource Center

Present: Nick Clark, Eric DeLuca, Mike Eigenbrode, Rosemary Fifield, Jessica Giordani (remote), Conicia (CJ) Jackson (remote), Alice Kennedy, Peggy O'Neil (remote), Eileen O'Toole, Infiniti Sanderfer (remote), Cate Tierney

Absent: Lynn Ellen Schimoler

Employees: Amanda Charland (General Manager), April Harkness (ESG Program Manager), Rebecca White (Associate, Public & Governmental Affairs)

Board President Nick Clark called the meeting to order at 6:00 p.m.

Consent Agenda: July 24, 2024 Meeting Minutes with the addition of authorizing board signatures on legal documents as an outcome of recent Bylaw Amendments.

MOTION: Eric DeLuca moved to accept the Consent Agenda. Eileen O'Toole seconded the motion.

VOTED: 11 in favor. 0 opposed. The motion passed.

Member Input

Board member conveyed a comment on the schedule for self-checkout registers.

Discussion of Linkage Events

Eileen O'Toole, Chair of Owner Linkage Committee, asked the board for input on member survey question and engagement on the values.

Values Review

Work on updating the Values and incorporating ongoing member input was deferred to Owner Linkage Committee. The plan is to have any recommendations by the end of the board year along with a new process for updating the Values in a governing policy.

Strategic Planning & Scheduling

The Board discussed a work session to be held in September. Amanda, Rebecca, Peggy and any other board members are welcome to help plan the strategic planning session.

Policy Review

MOTION: Nick Clark moved to accept the policy revisions for *Officers* with the amendment to put the revisions into present tense (Appendix A). Eileen O'Toole seconded the motion.

VOTED: 11 in favor. 0 opposed. The motion passed.

MOTION: Nick Clark moved to accept the policy revisions for *Board Compensation* and resolve outstanding issues in the future (Appendix A). Eileen O'Toole seconded the motion.

VOTED: 8 in favor. 0 opposed. 3 abstained. The motion passed.

Proposal for Financial Audit Services

MOTION: Eric DeLuca moved to approve the recommendation to accept the proposal for audit services. Peggy O'Neil seconded the motion.

VOTED: 11 in favor. 0 opposed. The motion passed.

Scheduled Monitoring

EL 2 Asset Protection & EL 3 Operational Capacity

Comment from Board that EL 2.4 could still reflect share redemptions totals for the last 12 months.

EL 3 is missing annual comprehensive disclosure. Amanda will send as follow up. EL 3.3 doesn't match what the policy says. The bullet point data is related to accessibility of handbook but the Board would like to know about accessibility as an overarching social value for employees. EL 3.3.2 question came up regarding the policy for employees to file grievances with the Board.

Peggy O'Neil left the meeting at 7:46 p.m.

MOTION: Eileen O'Toole moved to find the General Manage provided a reasonable interpretation and sufficient evidence of compliance in EL 2 and EL 3 except to confirm flood coverage, provide an annual disclosure to the Board, and to address the individual items in EL 3.3 by the next regular board meeting. Cate Tierney seconded the motion.

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

The meeting adjourned at 7:56 p.m.

Respectfully submitted,

April Harkness

ESG Program Manager

Eileen O'Toole

Board Secretary

Appendix A

Policy Revisions

Officers

GP 5.2: The President chairs the Executive Committee and proposes the agenda and chairs the board meetings, excising all the powers and responsibilities of the position as described in the Bylaws and Roberts' Rules of Order.

GP 7.1: The Treasurer presides over financial monitoring of the Co-op as described in these policies, including, but not limited to, the annual audit of the organization, board member compensation, and compensation of the General Manager.

GP 7.2: The Treasurer presides over the board's annual budgeting process.

GP 8.3: The Secretary will preside over the annual evaluation of the General Manager with support from the Treasurer.

Board Compensation

GP 4.2.1: Board members are expected to attend board-sanctioned events Annual Meeting and all regular board meetings, and participate on at least one board committee and attend its regular meetings. Board members will receive 75% of their allocation when their rate of attendance is between 51-75%, 50% for attendance between 26-50%, 25% for attendance between 1-25%, and zero allocation for zero attendance.

Monitoring

FY2024 HCCS Board of Directors Budget

| | <u>2024 Approved</u> <u>Budget</u> | <u>September 2024 YTD</u> <u>Actual</u> | <u>Board Approved</u> <u>Adjustments</u> | <u>Proposed</u> <u>Adjustments</u> | <u>Encumbered</u> | <u>Remaining</u> |
|---|---------------------------------------|--|---|---------------------------------------|-------------------|------------------|
| Professional Fees | | | | | | |
| Technical Assistance/Consultants/Legal | \$ 5,000 | \$ - | \$ - | \$ - | \$ - | \$ 5,000 |
| Legal | | | | | | |
| Legal Fees - Bylaws Changes | 5,000 | 8,223 | 4,500 | - | - | 1,277 |
| Audit | 61,285 | 42,012 | - | - | 11,988 | 7,285 |
| SubTotal | \$ 71,285 | \$ 50,235 | \$ 4,500 | \$ - | \$ 11,988 | \$ 13,562 |
| Insurance | | | | | | |
| Directors & Officers Insurance | \$ 11,500 | \$ 8,444 | \$ - | \$ - | \$ 3,056 | \$ - |
| SubTotal | \$ 11,500 | \$ 8,444 | \$ - | \$ - | \$ 3,056 | \$ - |
| Board Development | | | | | | |
| Conference Registration | \$ 3,200 | \$ 4,365 | \$ 1,165 | \$ - | \$ - | \$ - |
| Training; Retreat | 2,000 | 200 | - | - | - | 1,800 |
| Books, Supplies, Misc. | 500 | - | - | - | - | 500 |
| Board Training | 10,000 | - | (1,165) | - | - | 8,835 |
| SubTotal | \$ 15,700 | \$ 4,565 | \$ - | \$ - | \$ - | \$ 11,135 |
| Member Linkage | | | | | | |
| Member Meetings/Annual Meeting | \$ 2,500 | \$ 1,209 | \$ - | \$ - | \$ - | \$ 1,291 |
| Printing | 6,000 | 10,051 | - | 4,051 | - | - |
| Member Linkage Committee | 2,500 | - | - | - | - | 2,500 |
| SubTotal | \$ 11,000 | \$ 11,260 | \$ - | \$ 4,051 | \$ - | \$ 3,791 |
| Contributions: Cooperative and Community Support | | | | | | |
| King Award | \$ 500 | \$ 500 | \$ - | \$ - | \$ - | \$ - |
| SubTotal | \$ 500 | \$ 500 | \$ - | \$ - | \$ - | \$ - |
| Equipment | | | | | | |
| <i>Zoom** Not a line item in the original budget</i> | \$ - | \$ 1,799 | \$ - | \$ 1,799 | \$ - | \$ - |
| Equipment - Survey & Ballot System | 8,200 | 2,829 | - | (5,190) | - | 180 |
| SubTotal | \$ 8,200 | \$ 4,629 | \$ - | \$ (3,391) | \$ - | \$ 180 |
| Travel & Entertainment | | | | | | |
| Monthly Board Meeting Food | \$ 900 | \$ 888 | \$ - | \$ - | \$ - | \$ 12 |
| Travel, Meals & Entertainment | 5,000 | 5,169 | 169 | - | - | 0 |
| SubTotal | \$ 5,900 | \$ 6,057 | \$ 169 | \$ - | \$ - | \$ 12 |
| Board Discount | | | | | | |
| Discount to Board Expenses | \$ 19,200 | \$ 11,818 | \$ - | \$ - | \$ 4,896 | \$ 2,486 |
| SubTotal | \$ 19,200 | \$ 11,818 | \$ - | \$ - | \$ 4,896 | \$ 2,486 |
| General Contingencies | | | | | | |
| Contingencies | \$ 4,924 | \$ 700 | \$ (169) | \$ - | \$ 700 | \$ 3,355 |
| SubTotal | \$ 4,924 | \$ 700 | \$ (169) | \$ - | \$ 700 | \$ 3,355 |
| Total Board Expenses | \$ 148,209 | \$ 98,207 | \$ 4,500 | \$ 660 | \$ 20,640 | \$ 34,521 |

**This report was also provided in excel format with comments included on certain lines.

MONITORING REPORT EL 1 – Financial Condition and Performance

Submitted by Amanda Charland as an accurate representation of Financial Condition, Nine Months Ended September 28, 2024.

EL 1 – Finances

The GM shall not cause or allow the long-term financial health of the organization to be jeopardized. Further, without limiting the scope of the foregoing by this enumeration, the GM shall not allow:

EL 1.1: Indebtedness or illiquidity that jeopardizes the ability of the organization to repay its current and long-term debts and meet its financial obligations to lenders, vendors, employees and tax authorities in a timely and efficient manner.

Operational Definition / Interpretation:

Management may not incur indebtedness such that the Co-op is unable to repay, either in terms of the current portion or of long-term debt. Management will also ensure the Co-op has sufficient Liquidity to service debt and meet cash needs on time.

Measures that will determine compliance will be the Co-op's Debt-to Equity ratio, Loan Covenant, Current Ratio, Quick Ratio, and Days of Cash on Hand.

Debt Ratios

Compliance will be demonstrated when the Co-op's Debt to Equity ratio is within the 25th and 75th percentile of the multi-store Co-ops as reported by NCG Co-op Metrics.

Data:

Using data drawn from our financial records as of September 28, 2024, but excluding the impact of the adoption of ASC 842 (lease accounting standard), our debt-to-equity ratio was 0.99x.

The Debt-to-Equity Ratio of National – all multi store co-ops, with 38 entities reporting, was 1.9x for the bottom quartile (25%) and 0.6x for the top quartile (75%) using Q2 2024 data from Co-op Metrics website.

Compliance determination: **In Compliance**

Loan Covenant

Compliance will be demonstrated when the Co-op's Debt Service Coverage Ratio is greater than 1.20:1. This is reasonable because this is the minimum level required in our loan covenant with TD Bank.

Data:

Using data drawn from our financial records for the trailing twelve-month period ended September 28, 2024, our Debt Service Coverage Ratio was 2.11:1.

Compliance determination: **In Compliance**

Current Ratio:

Compliance will be demonstrated when the Co-op's Current Ratio is within the 25th and 75th percentile of the multi-store Co-ops as reported by NCG Co-op Metrics.

Data:

Using data drawn from our financial records as of September 28, 2024, but excluding the impact of the adoption of ASC 842, our Current Ratio was 2.26x.

The Current Ratio of National – all multi store co-ops, with 38 entities reporting, was 1.2x for the bottom quartile (25%) and 2.7x for the top quartile (75%) using Q2 2024 data from Co-op Metrics website.

Compliance determination: **In Compliance.**

Quick Ratio:

Compliance will be demonstrated when the Co-op's Quick Ratio is within the 25th and 75th percentile of the multi-store Co-ops as reported by NCG Co-op Metrics.

Data:

Using data drawn from our financial records as of September 28, 2024, excluding the impact of the adoption of ASC 842 and including all treasury bonds regardless of maturity date, our Quick Ratio was 1.57x.

The Quick Ratio of National – all multi store co-ops, with 38 entities reporting, was 0.8x for the bottom quartile (25%) and 2.2x for the top quartile (75%) using Q2 2024 data from Co-op Metrics website.

Compliance determination: **In Compliance**

Days of Cash on Hand:

Compliance will be demonstrated when the Co-op's Days of Cash on Hand is within the 25th and 75th percentile of the multi-store Co-ops as reported by NCG Co-op Metrics.

Data:

Using data drawn from our financial records as of September 28, 2024, including our investments in treasury bonds within the cash balance due to their high liquidity, our Days of Cash on Hand as of September 28, 2024 was 17 days.

The Days of Cash on Hand of National – all multi store co-ops, with 38 entities reporting, was 23 days for the bottom quartile (25%) and 45 days for the top quartile (75%) using Q2 2024 data from Co-op Metrics website.

Compliance determination: **Out of Compliance**

Corrective Action Plan: While our days of cash on hand are higher than they've been in the last decade (with the exception of when we had the PPP funds on the balance sheet during the pandemic), we will be working through the annual business planning process to achieve compliance with this in the future. It may take several years to build our days of cash on hand to a minimum of 30 days.

Management notes that we had an improvement of 1 day of cash on hand from Q2 to Q3 and hope to continue the upward progress.

EL 1.2: Operations that generate inadequate net annual income.*Operational Definition / Interpretation:*

1. That actual and forecasted net income before taxes will not negatively affect the Co-op's ability to execute its annual plan, including planned capital expenditures and compensation adjustments.
2. That actual and forecasted net income will not result in the Co-op defaulting on any bank covenants in place to support borrowings.

Note: I am reporting on net income before taxes and patronage because this is the way we report to members through the Annual Report. This is also the way the Co-op's Director of Finance reports earnings to the Board.

Compliance will be demonstrated when the Co-op's actual Net Savings before taxes and patronage (SBT) exceeds the budgeted Net Savings before taxes and patronage as reported in our financial statements provided to the Board.

Data:

Per the data presented in the unaudited financial statements for the Nine Months ended September 28, 2024, net income before taxes and patronage (SBT) totaled \$90,727. The budgeted SBT for the period was (\$91,483). Accordingly, the organization is ahead of budgeted SBT by \$182,210.

Compliance Determination: **In compliance**

EL 1.3: Financial recordkeeping systems that are inadequate or out of conformity with GAAP.*Operational Definition / Interpretation:*

I interpret this to mean that the co-op will maintain processes and invest in systems that ensure the business is able to be in GAAP compliance and adhere to globally recognized industry best practices. Compliance will be demonstrated when we receive an "unmodified" audit opinion verifying conformity with GAAP.

Data:

The Co-op maintains ERP software and other systems utilized in the financial reporting process are reputable and subjected to annual audits. Additionally, proper internal controls over financial reporting are maintained at the entity level and activity level.

An outside Audit performed by Baker, Newman & Noyes LLC, for the year ended 12/30/2023, expressed an "unmodified" audit opinion. Stating, in their opinion, the financial statements for the Hanover Consumer Cooperative Society, Inc. are presented fairly, in all material respects, the financial position of the Cooperative.

Compliance Determination: **In compliance**

EL 1.4: Inadequate or irregular financial reporting to the Board that excludes an accurate balance sheet, statement of cash flows, net income statement, or such additional indices and reports as deemed useful in the discharge of Board's fiduciary responsibilities.

Operational Definition:

The Board will receive financial statements following the end of each fiscal quarter. These statements will include a balance sheet, statement of cash flow, and a net income statement, as well as commentary and additional data as necessary to present an accurate picture of the Co-op's financial condition.

Data:

Financial Reports

I assert that the current Board packet contains a balance sheet, statement of cash flows, and net income statements as of and for the Nine Months ended September 28, 2024. Physical inventories of the perishable departments were completed at the end of July, August, and September. A physical inventory count of non-perishable departments was completed at the end of August and will be completed again at the end of the year.

Compliance Determination: **In compliance.**

Respectfully submitted,

Amanda Charland
General Manager

Jamie Shechtman
Director of Finance

FINANCE UPDATE

Jamie Shechtman
Director of Finance

Note: In the explanations below, under budget means we earned/incurred less than expected. This is negative when discussing sales or other earnings metrics, but positive when discussing expenses.

Net Sales on a year-to-date basis are ~\$1.3 million under budget with the respective cost of goods sold under budget by ~\$1 million. This results in the gross margin being under budget by ~\$300k or 1.2%. This variance in sales is largely attributable to aggressive budgeting at the food stores (specifically Lebanon and WRJ) in 2024. Despite sales being down to budget, they are up YoY 2.4% across the four food stores. A smaller portion of the variance is attributable to gas sales at Park Street being under budget for the year.

Consolidated store wages and benefits are ~\$86k, (0.8%) under budget on a year-to-date basis. This is largely due to labor review measures that were put into place after Q1 due to the overages in wage costs at the stores, as well as low staffing levels at CCM and the Lebanon store.

Overhead expenses are ~\$32k (0.55%) under budget year-to-date. This variance mainly relates to selling costs within the stores (paper & packaging, supplies, etc.) and credit card expenses coming in under budget.

General and Administrative expenses are ~\$302k (5.5%) under budget year-to-date. This variance relates to careful spending and also timing of administrative expenses.

Operating income / (loss) is ~\$29k year-to-date versus budget of ~(\$125k).

Income / (loss) before Tax (SBT) is ~\$8.5k year-to-date versus budget of ~(\$121k).

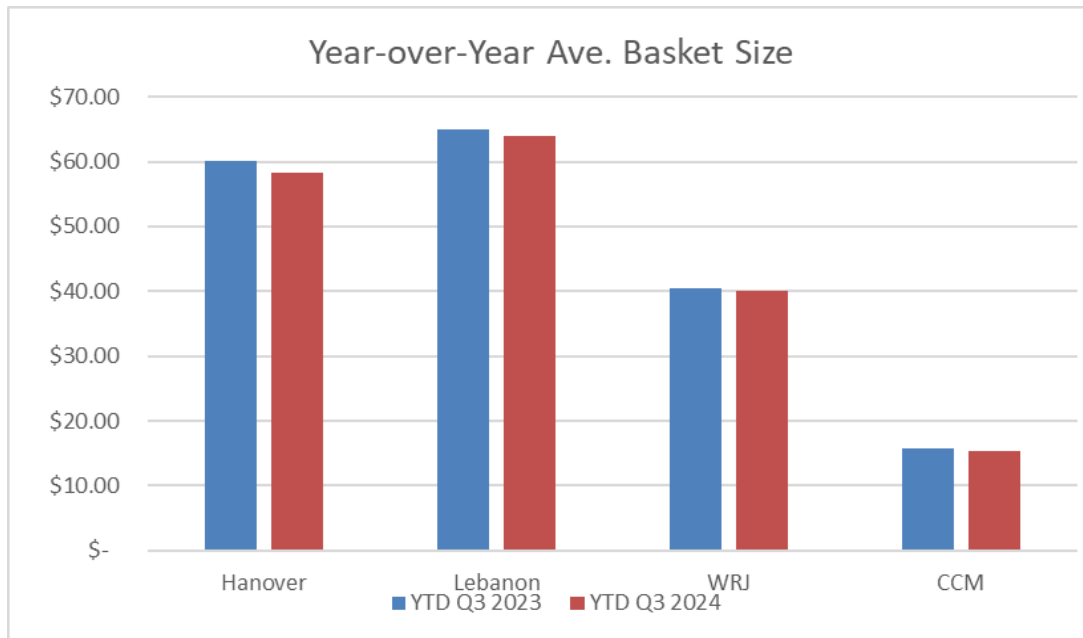
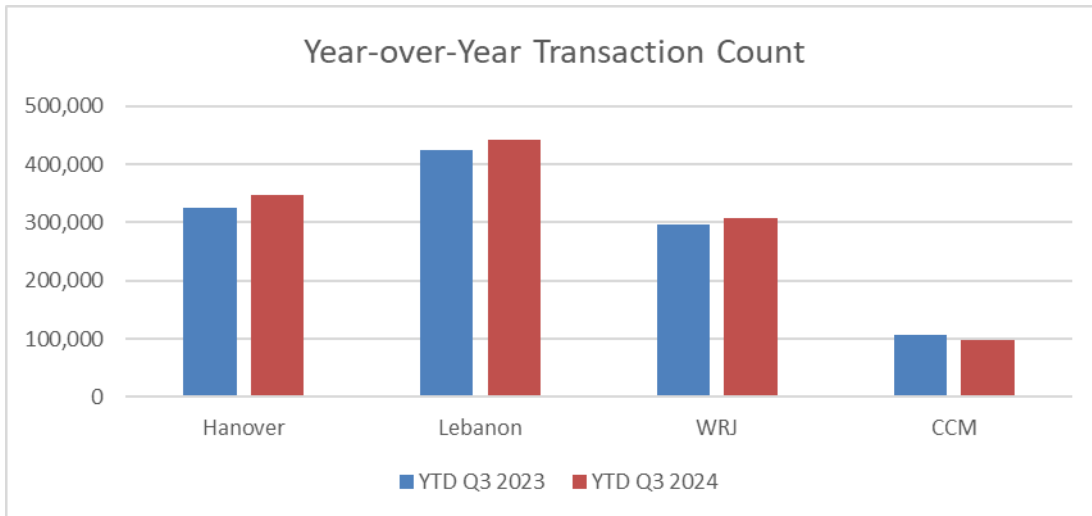
EBITDA is \$770,697 (versus budget of \$600,296, which consists of net savings before taxes of \$90,727, and then adding back depreciation expense of \$562,735, amortization expense of \$6,592 and interest expense of \$110,643).

KEY FINANCIAL DATA

Note on variances: Within the below tables, negative (red) variances are showing the variances that are detrimental to our bottom line. For example, a negative variance for sales shows we are under our sales budget, while a negative variance for expenses shows we are over our expense budget.

| | YTD 2024 | YTD 2024 | <u>Variance</u> | |
|------------------------------------|-------------|-------------|-----------------|----------------|
| | Actual | Budget | Over/(Under) | % Over/(Under) |
| UNAUDITED | | | | |
| Net Sales | 66,140,126 | 67,435,475 | (1,295,348) | (1.92%) |
| Total Cost of Sales | 44,885,911 | 45,915,216 | 1,029,305 | 2.24% |
| Gross Margin | 21,254,215 | 21,520,259 | (266,042) | (1.24%) |
| Store Wages & Benefits | 10,208,278 | 10,293,911 | 85,633 | 0.83% |
| Total Overhead | 5,797,912 | 5,829,728 | 31,816 | 0.55% |
| Total G&A Expense | 5,219,438 | 5,521,604 | 302,164 | 5.47% |
| Earnings From Operations | 28,587 | (124,984) | 153,570 | (122.87%) |
| Other (Income) and Expenses | | | | |
| Interest Income | (55,001) | (30,000) | 25,001 | (83.34%) |
| Miscellaneous Income | (128,457) | (116,000) | 12,457 | (10.74%) |
| Miscellaneous Expense | 4,083 | | (4,083) | 0.00% |
| Interest Expense | 110,643 | 112,500 | 1,857 | 1.65% |
| Amortization Expense | 6,592 | | (6,592) | 0.00% |
| Total Other (Income/Expense) | (62,140) | (33,500) | (28,640) | 85.49% |
| Savings Before Taxes | 90,727 | (91,484) | 182,210 | (199.17%) |
| Total Income Tax Exp | 82,275 | 29,537 | 52,738 | 178.55% |
| Net Savings | 8,452 | (121,021) | 129,473 | (106.98%) |

| Q3 2024 Gross Margin Dollars | | | | |
|-------------------------------------|---------------|---------------|----------------------|---------------------|
| | Actual | Budget | \$ Over / (Under) | % Over / (Under) |
| Hanover | \$ 6,326,509 | \$ 6,151,201 | \$ 175,308 | 2.85% |
| Lebanon | 9,196,122 | 9,274,188 | (78,066) | -0.84% |
| WRJ | 3,944,235 | 3,989,328 | (45,093) | -1.13% |
| CCM | 550,053 | 634,922 | (84,869) | -13.37% |
| CLC | 6,062 | 28,350 | (22,288) | -78.62% |
| Kitchen | (105,777) | 38,675 | (144,452) | -373.50% |
| Park St Service Center | 609,739 | 616,571 | (6,832) | -1.11% |
| Norwich Service Center | 729,219 | 787,024 | (57,805) | -7.34% |
| Consolidated Items | (1,947) | 0 | (1,947) | 0.00% |
| | \$ 21,254,215 | \$ 21,520,259 | \$ (266,044) | -1.24% |



Policy Considerations

Proposed new policy:

EL 1.2.1

"...GM shall not allow... annual contributions to capital reserves or investments to be less than 5% of net savings, except in those years where the sum of cash used in investing activities and cash used in financing activities exceed cash produced by operations, as a result of:

- a) significant capital investments in alignment with the Co-op's strategic plan; or
- b) budgeted losses resulting from new initiatives or business units in alignment with the Co-op's strategic plan; or
- c) significant principal payments on existing debt; or
- d) significant redemptions of member shares due to unforeseen membership cancellations.

Monitoring (from August)

EL 3.3: Employee policies that are:

- A. inadequate,
- B. inequitable,
- C. inconsistent, or
- D. inaccessible.

Interpretation: I interpret this to mean that our co-op procedures and policies, which are the ways in which the co-op outlines its expectations and commitments to employees, are:

Adequate: meaning that policies abide by industry standards and include up-to-date industry information and best practices.

Equitable: meaning policies are fair and applied fairly to all employees.

Consistent: meaning policies don't contradict one another and seem to be in alignment in moving the organization toward similar end outcomes.

Accessible: meaning that policies are available to employees in ways that employees can engage with and understand.

Examples of the policies in which this applies are things such as:

- HCCS Employee Handbook
- Job Descriptions
- Evaluation Forms
- Standard Operating Procedures

Data: Compliance will be demonstrated when the co-op exhibits efforts to ensure that policies are adequate, equitable, consistent, and accessible.

Adequate: Policies and procedures at the Co-op comply with all state and federal requirements issued by the DOL, IRS, DHHS, EEOC, and OSHA

1.

- The following policies are contained in the employee handbook:
 - Equal Employment Opportunity
 - Compliance with Immigration Law
 - Employee Classification
 - Employment of Minors
 - Lunch and Rest periods
 - HIPAA/Confidentiality
 - Antitrust Policy and Guidelines
 - Whistleblowers' Protection Act
 - Payment of Wages
 - Recording time
 - Overtime

- Pay Rate Schedule
- Fair Labor Standards Act (FLSA) Classification
- FMLA
- Health Insurance
- Parental and Family Leave
- Breastfeeding Mothers
- Americans with Disabilities Act
- Disaster and Emergency Services Leave
- Witness Leave
- Victims of Crime Leave
- USERRA and Military Leave
- Accidents or Injuries
- Workers' Compensation
- Joint Loss Management/Safety Committee
- Anti-Harassment Notice
- Sexual Harassment
- In addition, the Co-op has several policies surrounding equitable pay structure, benefits administration, additional leave policies, safety, and learning and development
 - The following added policies are contained in the employee handbook:
 - Drug and Alcohol Rehabilitation
 - Non-disclosure/Confidentiality
 - Telecommuting
 - Environmental Stewardship
 - Performance Reviews
 - Personal Appearance
 - Problem Resolution
 - Vacation Benefits
 - Sick/Personal Leave Benefits
 - Emergency Reserve Bank
 - Holidays
 - Community Service
 - Employee Savings Program
 - EAP
 - Education Assistance
 - Bereavement Leave
 - Jury Duty
 - Voting
 - Workplace Violence
 - Employee Learning and Development
 - Rehire
 - Employee Discount
- As laws and regulations are added or changed, an analysis is completed on all personnel policies to determine compliance. Policies are revised as needed.
- In addition, there is an annual review of the Employee Handbook and policies to determine areas where there may be the need for change – such change has occurred to become more favorable to the employee in the following policies:
 - Background checks
 - Dress Code
 - Bereavement
 - Emergency Reserve Bank
 - Community Service
 - Performance Reviews

- Feedback regarding policy language and/or reasoning behind a policy not required by state or federal regulation is sought and regarded. If employees provide suggestions or ideas on policy improvement, they are explored and often adopted. When there is a question on applicability or risk surrounding the way a policy is written, engagement with a network of other HR professionals is utilized.

Equitable: There is an annual review of the Employee Handbook and policies to determine areas where there may be the need for change – such change has occurred to become more favorable to the employee in the following policies:

- Background checks
 - Dress Code
 - Bereavement
 - Emergency Reserve Bank
 - Community Service
 - Performance Reviews
- All gendered language has been removed from the Employee Handbook and is in the process of being removed from policies and procedures.
 - When needed, legal and/or other consultation is engaged to ensure policies and procedures are equitable and comply with all state and federal regulations. Several members of the People & Culture Team attend a monthly meeting that focuses on DEI initiatives. Initiatives and ideas from this meeting are incorporated in the Co-op through culture work as often as possible, and the content of the meetings is used as a litmus to determine equity and accessibility of policy.

Consistent:

- Policies are uniformly applied to employees at the co-op
- All policies and procedures are evaluated to determine the ability to clearly and consistently understand and apply the policy. If it is determined that interpretation can or has varied, the policy is re-written and education is provided across the Co-op. Staff are made aware and have opportunities to ask questions for clarification and receive support and assistance when needing to implement or apply a policy.
- Policies and procedures cover all aspects of the employee life cycle to the best of the co-op team's knowledge. When a topic arises that has not been covered under current policies, the co-op teams work to create an SOP or policy that covers that topic to ensure consistent practices across locations.

Accessible:

- Policies and procedures are written in concise manner with clear language to allow for equitable understanding across all locations.
- Any time there is an update to the Employee Handbook or a policy or procedure, the update is communicated via email, discussed at Town Halls, through location managers, employee meetings, the People & Culture newsletter and printed and placed in the employee breakroom to allow for all employees to have access to the information and update.
- When new full versions of the Employee Handbook are completed (generally annually), employees are given a copy. Each handbook receives a sticker that indicates employee name, department, and location to ensure that all employees receive a new copy.
- There is language included in the opening welcome letter of the Employee Handbook that encourages all employees to ask questions or for assistance with any policy or procedure.
- Staff have the opportunity to provide suggestions and feedback through Employee Thought Boxes at each location. The Thought Boxes are checked monthly and any submissions are reviewed by members of the People & Culture team.

Compliance Determination: I report in compliance.

Policy Considerations

General New Language - Proposed Replacement:

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

With: "Also, without limiting the meaning of the previous statement, the General Manager must not allow:"

Proposed Policy Revisions:

B-GM 3.4.1: After monitoring a policy, the board will seek to answer the following questions:

- Can the policy language be reasonably interpreted?
- Does the policy conflict with the organization's Vision, Values, and other policies?
- Are there any recommendations for changes to the policy?

GP 11.2: Monitoring teams will present their findings in written reports included in board meeting packets. The findings should address the following questions:

- Can the policy language be reasonably interpreted?
- Have the policy requirements been met, and what evidence supports this?
- Does the policy conflict with the organization's Vision, Values, and other policies?
- Are there any recommendations for changes to the policy?

GP 7.4

GP 7.4: The Treasurer has no authority to modify an approved budget or authorize expenditures unless explicitly authorized by the board. Therefore, the Treasurer does not have the authority to supervise the General Manager, the Director of Finance, or any other Co-op employee. **The Treasurer may authorize travel-related reimbursements in alignment with the Co-op's relevant policies and practices.**

Board Monitoring

GP Monitoring Triad B: Alice & Eric-Aug-Oct 2024 (Carryover from July)

Policies Monitored: GP 3, 4, and 11

GP 3

- Can the policy language be reasonably interpreted?
 - GP 3 Global: Maybe/Yes. Potentially ask in a Board Meeting: Does everyone understand the word “prudent”? What are Board members’ definition of it? Do Board members feel comfortable using that word to govern their conduct?
 - GP 3.1: Yes
 - GP 3.2: Yes
 - GP 3.3: Yes
 - GP 3.4: Yes
 - GP 3.5: Yes. However, the reviewing Triad (B) recommends the Board Development Team include in future trainings: Conflict of Interest definitions, disclosure protocols, and examples.
 - Reference material can be found in <CBL-Reader-2023.pdf>
 - pp. 28-31: Board Roles & Responsibilities, and Precautions & Protections: Summarizing Legal Responsibilities of Cooperative Boards.
 - GP 3.6: Yes
- Have the policy requirements been met, and what evidence supports this?
 - GP 3 Global: Maybe. Is everyone on the same page about what ethical conduct is? It would be helpful during Board Meeting agenda items focused on GP monitoring to both encourage Board members to review and reflect on the monitoring reports, in addition to the work the Governance Committee will do in addressing any policy-revision recommendations.
 - GP 3.1: See the GP 2 Monitoring Report in the July 2024 Board Packet.
 - GP 3.2:
 - Board Meetings
 - Preparation: The Board has no way of knowing whether members are prepared. One approach could be to ask: “Did individual directors receive and read the written report in advance of the meeting and come to the meeting prepared to act?” As suggested in the <[Decision Tree for Acting on Internal Monitoring Reports from the General Manager](#)>.

- *Attendance*: The Board Compensation Policy (GP 4) has been re-written to directly address the issue of attendance. This seems to indicate it's been an issue in the recent past.
 - *Active Participation*: Facilitation, e.g. that invites direct response from each individual Board member, can help with participation. Steps have been taken in this direction and more could be done. Multiple recent Board Meeting agenda items have elicited voluntary remarks from a range of Board members.
 - *Attend*
 - *Board retreats*: 8 Board members attended the August 2014 Board Retreat and 4 did not attend.
 - *Trainings*: The Board Development Team is currently reinforcing start times for Trainings and calibrating scheduling to accommodate Board-member needs.
 - *Participate in linkage events*: Board-member attendance at the recent CCM owner-linkage event and last year's wine and cheese event was fairly robust.
 - *Follow through on action items*: There's room for improvement via email responsiveness. Officers and Committee Chairs have been generally robust in their follow-up.
 - *GP 3.3*: It could be in the Board's interest to look together at assumptions about professionalism, potentially with facilitative support to reinforce Psychological Safety and advocate for social equity.
 - *GP 3.4*: The reviewing Triad is not aware of any material confidentiality breaches during the period since the last monitoring report on this policy.
 - *GP 3.5*: The Board would benefit from encouraging all members to disclose perceived, potential, or actual conflicts. And to support being curious as a group about questions that may arise from time to time.
 - *GP 3.6*: The monitoring Triad members present are not aware of instances in which this policy had been invoked.
- *Is the policy consistent with the organization's Vision, Values, and other policies?*
- *GP 3 Global*: Maybe not. The word "ethical" seems to most directly address the Vision and Values. It might be stronger and clearer to directly cite the Vision and Values in the GP 3 Global language.
 - *GP 3.1*: Yes
 - *GP 3.2*: The policy does not directly address key themes in the Vision and Values, but it supports a collaborative work environment in which the Vision and Values can be pursued.

- GP 3.3: Yes
- GP 3.4: Yes
- GP 3.5: Yes
- GP 3.6: The policy is not directly inconsistent with the organization's Vision, Values, and other policies.
- *Are there any recommendations for changes to the policy?*
 - *GP 3 Global: Expand on the word prudent to address the Co-op's Values (people and planet) as well financial considerations.*
 - GP 3.1: No
 - GP 3.2: To support preparation before decision-making, the Board could consider beginning Decision-focused agenda items by asking, "Did individual directors receive and read the written material in advance of the meeting and come to the meeting prepared to act?" Reference: <[Decision Tree for Acting on Internal Monitoring Reports from the General Manager](#)>
 - GP 3.3: No
 - GP 3.4: No
 - GP 3.5.2: The Board may want to consider adding "perceived conflicts of interest" to the policy, alongside potential and actual conflicts of interest.
 - An explainer on perceived conflicts of interest: <https://compliancebridge.com/perceived-conflict-of-interest/>
 - GP 3.6
 - Since the progressive process is sequential, it may be easier to number the potential steps (not as sub-policies). So it could read:
 - "GP 3.6: Address violations of this policy in a way that aligns with the Co-op's employee policies and best practices, and proceeds through a progressive process in the following sequence:
 1. Initiates by raising concerns to the attention of the Secretary..."
 - There are perceivable risks in centering authority in the Executive Committee during initial steps, in contrast with the Board as a whole.

GP 4

- *Can the policy language be reasonably interpreted?*
 - GP 4 Global: Yes
 - GP 4.1: Yes
 - GP 4.1.1: Yes
 - GP 4.2: Yes
 - GP 4.3: Yes

- GP 4.4: It's not necessarily clear whether "ensure accurate accounting" refers to operational accounting practices, the Board's proration, reduction, or elimination rubric (per GP 4.2), or both.
- *Have the policy requirements been met, and what evidence supports this?*
 - GP 4 Global: There are risks in the design of this policy that reasonably call into question its fairness. Multiple Board members have expressed concern, since the implementation of this policy, regarding its fairness.
 - GP 4.1: Yes
 - GP 4.1.1: Yes
 - GP 4.2: Yes
 - GP 4.3: Yes
 - GP 4.4: Yes. Board members were compensated in January 2024 with the remainder of earned Rewards for the 2023-4 Board cycle. Disbursement of rewards was scheduled for September 10, 2024 as a first installment during the 2024-5 Board cycle. (The Co-op's fiscal year ends December 31.)
- *Is the policy consistent with the organization's Vision, Values, and other policies?*
 - GP 4.1: Yes
 - GP 4.1.1: Yes
 - GP 4.2:
 - The policy can be seen as having an implicit message to Board members that says: "You are not to be trusted."
 - This policy can be reasonably seen as not in alignment with the The Statement on the Cooperative Identity—the Values and Principles of the Cooperative Movement, particularly the Cooperative 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."
 - Source: <https://ica.coop/en/cooperatives/cooperative-identity>
 - GP 4.3: Yes
 - GP 4.4: Yes
- *Are there any recommendations for changes to the policy?*
 - GP 4.1: No
 - GP 4.1.1: No
 - GP 4.2. It seems appropriate to assert that withholding groceries from colleagues is not the optimal way to incentivize and acknowledge engagement.
 - The "Field Guide: Board Compensation" by Michael Healy and Marilyn Scholl offers two considerations that could inform development of a more equitable and inclusive policy:

- **“Tips:**
 - Don’t tie compensation to meeting attendance—compensation is for taking on leadership, not just for showing up. (Deal with attendance or performance problems by other means.)
- **Questions to Think About:**
 - Do you have some system for accountability, some method for assessing whether the board and individual directors are living up to the expectations of the job?”
- Source: <https://columinate.coop/board-compensation/>
- GP 4.3: No
- GP 4.4: No, assuming the focus of the policy is supporting operational accounting in compliance with the fiscal year structure.

GP 11

- *Can the policy language be reasonably interpreted?*
 - GP 11 Global: Yes
 - GP 11.1: Yes
 - GP 11.2: Yes
 - GP 11.3: Yes
 - GP 11.4: Yes
- *Have the policy requirements been met, and what evidence supports this?*
 - GP 11 Global:
 - Based on the work of Triad D in the May 2024 Board Meeting Packet and the work of Triad B that includes this monitoring report, the Triads are helping ensure effective governance. The Governance Committee diligently assesses input from such monitoring reports, as relates to potential policy revisions.
 - See GP 3.2 monitoring response to *<Have the policy requirements been met, and what evidence supports this?>* for concerns re how the Board currently ensures Board members have reviewed monitoring reports and come prepared to act.
 - GP 11.1: Yes (See *Triad composition...*)
 - GP 11.2: Yes, based on the work of Triad D in the May 2024 Board Meeting Packet and the work of Triad B that includes this monitoring report.
 - GP 11.3: Partially. Triad B did not identify recent examples of policy revisions presented to the Board for consideration that included an original recommendation, e.g. from a monitoring report, in the board meeting packet. The Governance Committee did refer a recommendation from a monitoring report to the Bylaws Committee for review, based on assessment that the topic

was most appropriately addressed within the context of the Bylaws. See [Bylaws Committee Meeting Notes 8/13/24](#).

- GP 11.4: Yes, See Appendix 1 in the [HCCS Policy Book v.8.30.24](#)
- *Is the policy consistent with the organization's Vision, Values, and other policies?*
 - GP 11 Global: Yes
 - GP 11.1: Yes
 - GP 11.2: Yes
 - GP 11.3: Yes
 - GP 11.4: Yes
- *Are there any recommendations for changes to the policy?*
 - GP 11 Global: No
 - GP 11.1: Consider replacing the word “diversity” with “mentoring and learning opportunities”.
 - GP 11.2: No
 - GP 11.3: No
 - GP 11.4: No. However, across the last several board meeting packets, an opportunity has been missed to include the established monitoring schedule within the annual Board Meeting Calendar generally included on the last page of the packet. `

Policies Monitored: GP 5, 6, 7, 8

Team A

- Can the policy language be reasonably interpreted?
- Have the policy requirements been met, and what evidence supports this?
- Is the policy consistent with the organization's Vision, Values, and other policies?
- Are there any recommendations for changes to the policy?

GP 5 - President's Role

1. Yes
2. Yes, as far as we know. There are no known complaints (Nick abstains).
3. Yes
4. It should be clearer in meetings that discussion is referred to Governance Committee as well.

GP 5.2.1: The President ensures that board deliberations are fair, open, and thorough, while also maintaining timeliness, orderliness, and adherence to topics within the board's jurisdiction. The President ~~manages~~ **limits** the time spent on ~~self-monitoring~~ reports by ~~limiting~~ **discouraging** discussion unless a report indicates an ~~issue~~ **policy violation**.

GP 6 - Vice President's Role

5. Yes
6. Yes, as far as we know. There are no known complaints.
7. Yes
8. No

GP 7 - Treasurer's Role

9. Yes
10. Yes, as far as we know. There are no known complaints.
11. Yes
12. No

GP 8 - Secretary's Role

13. Yes
14. Yes, as far as we know. There are no known complaints.
15. Yes
16. No

Board Meeting & Monitoring Schedule

1. **May 22 5:30 PM**

- a. Board: Vision, Values
- b. Board: Review of 3-year Ownership Linkage Plan

2. **June - No Regular Meeting**

3. **July 24 5:30 PM**

- a. Board: Monitoring Team B - GP Global, 1, 2, 3, 4, 11
- b. Board: Budget Review
- c. GM: EL Global
- d. GM: EL 1 - Q2 Finances

4. **August 28 5:30 PM**

- a. GM: EL 2 - Asset Protection
- b. GM: EL 3 - Operational Capacity

5. **September - No Regular Meeting**

6. **October 23 5:30 PM**

- a. Board: Monitoring Team A - GP 5, 6, 7, 8 (Officers)
- b. Board: Budget Review
- c. GM: EL 1 - Q3 Finances

7. **November 20 5:30 PM**

- a. Board: Monitoring Team C - GP 9, 10 (Owner Linkage, Committees)
- b. Board: Approval of next year's Board Budget
- c. GM: EL 4 - Employee Well-Being

8. **December - No Regular Meeting**

9. **January 22 5:30 PM**

- a. GM: EL 5 - Community Engagement
- b. GM: EL 6 - Environmental Impact

10. **February 26 5:30 PM**

- a. Board: Budget Review
- b. GM: Ends
- c. GM: EL 1 - Year-end Finances (fluctuates with audit)

11. **March - No Regular Meeting**

12. **April 23 5:30 PM**

- a. Board: Monitoring Team D: B-GM Global, 1, 2, 3
- b. Board: GM Performance Review
- c. Board: Budget Review
- d. GM: EL 1 - Q1 Finances

Commonly Used Co-op Acronyms

- AG Associated Grocers Inc.; a cooperative wholesaler of which the Co-op is a member. AG is the Hanover Co-op's largest supplier of grocers. www.agne.com
- B-GMs Board-General Manager policies; In Policy Governance B-GMs describe the relationship between the Board and the General Manager and acknowledges the board's sole official connection to the operational organization, it's achievements and conduct is through the General Manager.
- CCMA Consumer Cooperative Management Association; the national annual conference for food cooperative directors, management, staff, and sector allies. The conference is held in early June and is organized by the University of Wisconsin Center for Cooperatives. www.ccma.coop
- CDF Cooperative Development Foundation; foundation located in Washington DC that supports cooperative development. Funds managed include the Howard Bowers Fund. Also sponsor of the Cooperative Hall of Fame. <https://www.cdf.coop/>
- CDI Cooperative Development Institute; a regional nonprofit supporting cooperative development in the Northeast. <https://cdi.coop/>
- CFNE Cooperative Fund of the Northeast; advancing community-based, cooperative, and democratically owned and managed enterprises through ethical borrowing. <https://cooperativefund.org/>
- EL Executive Limitations; In Policy Governance Executive Limitations policies establish the boundaries of accountability and ethics within which the GM can make decisions and how things are done. The Board establishes these limitations in writing to define their expectations about operational means.
- FCI Food Co-op Initiative; provides guidance and resources on how to start a strong and sustainable cooperative, facilitating opportunities, co-creating strategies, serving as an advocate, and promoting the food co-op model. <https://fci.coop/>
- FSC Federation of Southern Cooperatives; 57-year old regional cooperative and rural economic development organization that provides cooperative economic development, land retention, and advocacy to Black farmers, landowners, cooperatives, and other low-income rural people in the South. <https://www.federation.coop/>
- GP Governance Policies; In Policy Governance, governance policies describe the board's philosophy, work and structure.
- HCCF Hanover Cooperative Community Fund; Fund created by the HCCS Board of Directors in 2000 to support cooperatives from many sectors across the country by raising money and contributing to the Twin Pines Cooperative Foundation (see TPCF). The interest on our contribution to the TPCF is returned annually and distributed locally as HCCF grants and scholarships.

- HCCS Hanover Consumer Cooperative Society, Inc. The incorporated name of the Co-op Food Stores and Service Centers entities established by 17 charter members in 1936 as a small buying club. Now has over 27,000 members, employs over 300 people, and generates close to \$90 million in annual sales.
- ICA International Cooperative Alliance; an independent association created in 1895 that unites, represents and serves cooperatives worldwide. It is the apex body representing cooperatives across the world providing a global voice and forum for knowledge, expertise and coordinated action for and about cooperatives. ICA is the guardian of the Statement on the Cooperative Identity which includes a definition, 10 values and 7 operational principles. <https://ica.coop/en>
- NCB National Cooperative Bank; A cooperative bank serving businesses that seek to make a positive social impact focused on those most in need, supporting low-income communities and the expansion of sustainable communities. <https://www.ncb.coop/>
- NCBA-CLUSA – National Cooperative Business Association CLUSA International; The primary voice in the U.S. for people who use cooperatives to build a better future; developing, advancing, and protecting the cooperative enterprise through leveraging shared resources, engaging, partnering and empowering people and advocacy, public awareness and thought leadership. <https://ncbaclusa.coop/>
- NCG National Co-op Grocers; A business services cooperative for retail food co-ops located throughout the U.S. representing 164 food co-ops operating over 230 stores in 39 states with combined annual sales over \$2.6 billion and serving over 1.3 million consumer owners. NCG provides capacity of the a chain while maintaining autonomy of individual co-ops to optimize operational and marketing resources, strengthening purchasing power, and offering more value. <https://www.ncg.coop/>. Hanover Co-op is a member of this Co-op.
- NFCA The Neighboring Food Co-op Association; A federation of food co-ops across New England and New York State working toward a shared vision of a thriving cooperative economy, working to support shared success of food co-ops through peer collaboration and innovation, education and advocacy, food system development, and partnership with likeminded organizations. <https://nfca.coop/>. Hanover Co-op has historically been a member of this Co-op.
- NRECA National Rural Electric Cooperative Association; Represents over 900 consumer-owned, not for profit electric cooperatives, public power districts, and public utility districts in the U.S. <https://www.electric.coop/>
- OBM Open Book Management; A business practice of creating transparency by sharing financial information with employees helping them do their jobs more effectively and understanding how they contribute to the success of the business. OBM is sometimes used by cooperatives as a highly interactive way to educate and engage employees on financial and non-financial metrics.
- P6 Principle Six; Cooperative Principle 6 - *Cooperation among Cooperatives* seeks to strengthen the cooperative movement by working together through local, national, regional and international structures. NCBA CLUSA created a P6 Initiative to identify and scale opportunities

for cooperative to work together across sectors to elevate the cooperative identity and demonstrate its value to members and communities. <https://ncbaclusa.coop/p6/>

TPCF Twin Pines Cooperative Foundation; A foundation established in 1964 to provide education and funding to cooperatives across all sectors in the U.S. Many food co-ops across the U.S. contribute to the TPCF endowment through fundraising and educational activities by creating their own Cooperative Community Fund. Hanover Co-op began contributing in 2000 and continues to do so today. Funds are raised through product sales, donations, and events. <https://www.community.coop/>

UNFI United Natural Foods Inc.; The largest publicly traded wholesale and retail distribution company for natural, organic and specialty food in the U.S. and Canada. Hanover Co-op does a considerable amount of business with this company. <https://www.unfi.com/>

USFWC US Federation of Worker Cooperatives; A national grassroots membership organization for worker cooperatives and democratic workplaces with a mission to build thriving ecosystems for worker-owned and controlled businesses and cooperative leaders. The federation has over 400 business and organizational members representing approximately 1,000 worker co-ops and 10,000 workers across the country. <https://www.usworker.coop/en/>