



**MNFC Board of Directors  
POLICY REGISTER**

Rev 07.19

## Ends

| Ends                           | A – Ends   |
|--------------------------------|--|
| Executive Limitations          | EL 0 – General Executive Constraint<br>EL 1 – Financial Condition and Activities<br>EL 2 – Planning and Financial Budgeting<br>EL 3 – Asset Protection<br>EL 4 – Membership Rights and Responsibilities<br>EL 5 – Treatment of Customers<br>EL 6 – Staff Treatment and Compensation<br>EL 7 – Communication to the Board<br>EL 8 – Board Logistical Support<br>EL 9 – Emergency GM Succession<br>EL 10 – Information Technology and Digital Communications |
| Board Process                  | BP 0 – Governance Commitment<br>BP 1 – Governing Style<br>BP 2 – The Board’s Job<br>BP 3 – Agenda Planning<br>BP 4 – Board Meetings and Attendance<br>BP 5 – Directors’ Code of Conduct<br>BP 6 – Officers’ Roles<br>BP 7 – Board Committee Principles<br>BP 8 – Governance Investment   |
| Board- Management Relationship | BMR 0 – Global Board-Management Relationship<br>BMR 1 - Role of the Board<br>BMR 2– Accountability of the GM<br>BMR 3 – Delegation to the GM<br>BMR 4 – Evaluating the GM  |
| Appendices                     | Policy Governance Quick Guide (source: CDS Consulting Co-op)<br>Bylaws<br>Statement on the Cooperative Identity<br>Board Budget 2018-19 Worksheet<br>Policy Revision Log   |

## **Ends**

|              |                    |
|--------------|--------------------|
| Policy Type  | <b>Ends</b>        |
| Policy Title | <b>Global Ends</b> |
| Revised      | <b>05.13</b>       |

MNFC member-owners, customers, and the community benefit from:

- Healthy foods
- A vibrant local economy
- Environmentally sustainable and energy-efficient practices
- Cooperative democratic ownership
- Learning about these values

*This policy will be monitored in Jun and Jul, in two parts*

## **EL**

Policy Type    **Executive Limitations**  
Policy Title    **EL 0 – General Executive Constraint**  
Revised        **01.18**

The General Manager has a fiduciary obligation to the vision, the values, the goals, and the preferences of the Board of Directors. S/he is the means by which the Board achieves its intents and purposes for the Cooperative. Between sessions of the Board, the General Manager is the de facto surrogate for the Board. This implies broad, but never independent, powers.

In exercising these powers, the General Manager may not cause or allow any practice, activity, decision, or organizational circumstance which is either imprudent, unlawful, or in violation of commonly accepted business and professional ethics.

*This policy will be monitored in Jan*

## EL

Policy Type    **Executive Limitations**  
Policy Title    **EL 1 – Financial Condition and Activities**  
Revised        **01.18**

With respect to the actual, ongoing financial conditions and activities, the General Manager may not cause or allow the Cooperative to be unprepared for future opportunities, the development of fiscal jeopardy, or key operational indicators to be below average for our industry.

The GM may not:

1. Allow sales growth to be inadequate.
2. Allow operations to generate an inadequate net income.
3. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.
4. Allow solvency (the relationship of debt to equity) to be insufficient.
5. Allow growth in ownership and owner paid-in equity to be insufficient.
6. Default on any terms that are part of the Cooperative's financial obligations.
7. Allow late payment of contracts, payroll, loans or other financial obligations.
8. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
9. Acquire, encumber or dispose of real estate or enter into long-term real estate leases.
10. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
11. Use restricted funds for any purpose other than that required by the restriction.
12. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).

*This policy will be monitored in Feb, May, Aug, and Nov*

## EL

Policy Type    **Executive Limitations**  
Policy Title    **EL 2 – Planning and Financial Budgeting**  
Revised        **01.18**

The General Manager may not operate without annual and multi-year budgets and plans that address intentional and improved Ends accomplishment along with avoidance of fiscal jeopardy.

The GM may not:

1. Create plans or budgets that
  - a. Risk incurring those situations or conditions described as unacceptable in the Board policy “Financial Condition and Activities.”
  - b. Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
  - c. Do not address excellence in business systems, communications, and operations.
  - d. Have not been tested for feasibility.
2. Provide less for Board prerogatives during the year than is set forth in the Board budget.

*This policy will be monitored in May*

## **EL**

Policy Type    **Executive Limitations**  
Policy Title    **EL 3 – Asset Protection**  
Revised        **01.18**

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

The GM may not:

1. Allow equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.
2. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
3. Allow deposits or investments to be unreasonably risked.
4. Allow inadequate security of premises and property.
5. Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.
  - a. Allow improper usage of member-owners' and customers' personal information.
6. Allow purchasing that is uncontrolled or subject to conflicts of interest.
7. Allow lack of due diligence in contracts.
8. Allow damage to the Cooperative's public image.

*This policy will be monitored in Sept*

## EL

Policy Type    **Executive Limitations**  
Policy Title    **EL 4 – Membership Rights and Responsibilities**  
Revised        **01.18**

The General Manager may not allow member-owners to be uninformed or misinformed of their rights and responsibilities.

The GM may not:

1. Allow any individual to become a member-owner unless that individual meets the eligibility requirements described in our Bylaws, and pays the required \$300 equity (or begins an equity payment plan).
2. Create or implement a member-owner equity system without the following qualities:
  - a. Member-owners are informed that equity investments are a) at risk, and b) generally refundable, though the Board retains the right to withhold refunds when necessary to protect the Cooperative’s financial viability.
  - b. Equity will not be refunded if such refunds would lead to a net decrease in total member-owner paid-in equity at the end of any reporting period, or would risk, cause or exacerbate non-compliance with any Financial Condition policy.
3. Implement a patronage dividend system that does not
  - a. Comply with IRS regulations.
  - b. Allow the Board to examine a range of options and implications, so the Board can make a timely determination each year concerning how much, if any, of the Cooperative’s net profit will be allocated and distributed to member-owners.

*This policy will be monitored in Mar*



## **EL**

Policy Type    **Executive Limitations**  
Policy Title   **EL 5 – Treatment of Customers**  
Revised        **01.18**

The General Manager may not be unresponsive to customer needs.

The GM may not:

1. Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints and suggestions.
2. Allow an unsafe shopping experience for our customers.
3. Fail to protect member-owners and customers from discrimination on any basis, or fail to safeguard their privacy.

*This policy will be monitored in Apr*

## EL

Policy Type    **Executive Limitations**  
Policy Title    **EL 6 – Staff Treatment and Compensation**  
Revised        **01.18**

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

The GM must not:

1. Operate without written personnel policies that:
  - a. Clarify rules for staff.
  - b. Provide for fair and thorough handling of workplace conflicts. The Board should not be included as a participant in the conflict resolution process.
  - c. Are accessible to all staff.
  - d. Inform staff that employment is neither permanent nor guaranteed.
  - e. Encourage employees to report unethical or illegal behavior.
2. Prevent any employee from reporting unethical or illegal activity to the Board, or discriminate or retaliate against any employee for reporting unethical or illegal behavior or activity.
3. Cause or allow personnel policies to be inconsistently applied.
4. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
5. Establish compensation and benefits that are internally or externally inequitable.
6. Change the GM's own compensation and benefits, except as those benefits are consistent with a package for all other employees.

*This policy will be monitored in Oct*

## EL

Policy Type    **Executive Limitations**  
Policy Title    **EL 7 – Communication to the Board**  
Revised        **01.18**

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

The GM must not

1. Submit monitoring reports that are untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy.
2. Report in an untimely manner any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance and a proposed schedule regarding follow-up reporting.
3. Allow the Board to be unaware of relevant legal actions, media coverage, trends, public events of the Cooperative, or internal and external changes.
4. Withhold from the Board relevant information from or about key partners including NCG, including (but not limited to): reports about industry trends, operational audits, risk assessment and joint liability, program participation, and member agreements.
5. Withhold an opinion if the GM believes the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the GM.
6. Deal with the Board in a way that favors or privileges certain Directors over others except when responding to officers or committees duly charged by the Board.

*This policy will be monitored in Dec*

## **EL**

Policy Type    **Executive Limitations**  
Policy Title   **EL 8 – Board Logistical Support**  
Revised       **01.18**

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

The GM may not:

1. Provide the Board with insufficient staff administration to support governance activities and Board communication.
2. Allow the Board to be without a workable mechanism for official Board, officer or committee communications.
3. Provide inadequate information and notice to member-owners concerning Board actions, meetings, activities and events.
4. Allow insufficient archiving of Board documents.

*This policy will be monitored in Dec*

## **EL**

Policy Type    **Executive Limitations**  
Policy Title    **EL 9 – Emergency GM Succession**  
Revised        **01.18**

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

*This policy will be monitored in Feb*

## **EL**

Policy Type    **EL 10**  
Policy Title    **Information Technology and Digital Communications**  
Revised        **05.15**

The GM must not fail to maintain a high quality IT network, and execute a digital communications strategy that meets the needs of MNFC's various constituencies and stakeholders, especially member-owners, and reflects the highest standards of customer care.

*The General Manager will report on this policy in Jan*

## **BP**

Policy Type    **Board Process**  
Policy Title    **BP0 – Governance Commitment**  
Revised        **01.18**

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

*This policy will be monitored in Jan*

## **BP**

Policy Type    **Board Process**  
Policy Title    **BP1 – Governing Style**  
Revised        **01.18**

We will govern in a manner consistent with our Governance Commitment.

To that end, we will:

1. Be a strategic leader by developing insight and foresight to set direction and facilitate movement in that direction.
2. Ensure effective systems of delegating authority to professional management, holding the use of that power accountable, and clearly distinguishing between Board and management responsibilities.
3. Maintain team discipline, authority and responsibility.
4. Practice the habits of a successful democracy.
5. Obey all relevant laws and bylaws.
6. Observe the 10 Policy Governance principles (as explained in the Policy Governance Quick Guide): Ownership, Position of Board, Board Holism, Board Means Policies, Clarity and Coherence of Delegation, Ends Policies, Executive Limitations Policies, Policy Sizes, Any Reasonable Interpretation, Monitoring.

*This policy will be monitored in Feb*



## **BP**

Policy Type    **Board Process**  
Policy Title   **BP2 – The Board’s Job**  
Revised       **01.18**

In order to govern successfully, we will:

1. Practice, protect, promote and perpetuate a healthy democracy for our Cooperative.
2. Hire, set compensation for, delegate responsibility to, and hold accountable a General Manager. Use a strategic process to establish the value of GM compensation, and complete this process in a timely manner. Assign responsibility in a way consistent with empowerment and clear distinction of roles. Rigorously monitor operational performance in the areas of Ends and Executive Limitations.
3. Regularly evaluate our own Board performance in the areas of Board Process and Board-Management Relationship.
4. Perpetuate the Board’s leadership capacity using ongoing education and training, a robust recruitment, qualification and nomination process and fair elections.
5. Perform other duties as required by the bylaws or because of limitations on GM authority.

*This policy will be monitored in Feb*

Policy Type **Board Process**  
Policy Title **BP3 – Agenda Planning**  
Revised **01.18**

1. We will follow a strategic multi-year workplan and annual agenda that focuses our attention upward and outward.
2. We will create, and modify as necessary, an annual calendar that includes tasks and events related to our multi-year workplan, membership meetings, Board training schedule, monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board-Management Relationship policies.
3. Board meeting agendas will be determined by the Board president, and may be modified at the meeting by a majority vote of the Board.

*This policy will be monitored in Apr*

Policy Type    **Board Process**  
Policy Title    **BP4 – Board Meetings and Attendance**  
Revised        **01.18**

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

1. We will use Board meeting time only for work that is the whole Board's responsibility. We will avoid committee issues, operational matters, personal concerns and other topics that are not the highest and best use of our time.
2. Meetings will be open to the membership except when executive session is officially called. We may occasionally use executive session to deal with confidential matters, as long as the purpose of the session is stated. When possible, announcement of the executive session should be on the published agenda.
3. We will seek consensus through discussion. We will then finalize and document decisions through the use of motions, seconds and majority vote.
4. If we must make a decision outside of a regular meeting, that decision must be unanimous and affirmed in writing by all Directors. We will include a record of that decision in the minutes of the next regular meeting.

**5. Attendance**

Attendance will be monitored at each meeting, and the results recorded on a chart by the Board Secretary.

If a Director knows he/she will be unable to attend a meeting or retreat, the President should be notified in advance.

If a Director misses two monthly Board meetings or a meeting and retreat in a row, the President and/or Board Development Committee (BDC) Chair will contact the Director to discuss this. Optionally, this may become an agenda item at a Board meeting to allow for inclusive group discussion and support.

If a Director misses four monthly Board meetings (including a retreat) within a 12 month period, this will become an agenda item for discussion by the full Board and compensation will be pro-rated accordingly for that 12 month period.

Remote or virtual attendance at Board meetings (e.g. by speakerphone or video) can be an option in certain circumstances, but is discouraged.

*This policy will be monitored in May*

Policy Type **Board Process**  
Policy Title **BP5 – Directors’ Code of Conduct**  
Revised **01.18**

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

1. Every Director is responsible at all times for acting in good faith, in a manner which they reasonably believe to be in the best interests of the Cooperative, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.
2. Directors must demonstrate unconflicted loyalty to the interests of the Cooperative’s owners. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other Boards or staffs, and the personal interest of any Director acting as an individual consumer or member-owner. Therefore:
  - a. There will be no self-dealing or any conduct of private business or personal services between any Director and the Cooperative except as procedurally controlled to assure openness, competitive opportunity and equal access to “inside” information.
  - b. Every year, every Director will complete the Code of Conduct Agreement form and will verbally report to the whole Board all actual and potential conflicts. Every Director will immediately report any subsequent actual or potential conflicts to the whole Board.
  - c. When the Board is to decide on an issue about which a Director has an unavoidable conflict of interest, that Director shall abstain from the conversation and the vote.
3. Directors may not attempt to exercise individual authority over the organization.
  - a. When interacting with the GM or employees, Directors must carefully and openly recognize their lack of authority.
  - b. When interacting with the public, the press, or other entities, Directors must recognize the same limitation and the inability of any Director to speak for the Board except to repeat explicitly stated Board decisions.
4. Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service.
5. Directors will prepare for, attend, and participate fully in all Board meetings and trainings.
6. Directors will support the legitimacy and authority of the Board’s decision on any matter, irrespective of the Director’s personal position on the issue.
7. Any Director who does not follow the code of conduct policy can be removed from the Board by a two-thirds majority vote of the remaining Board.

*This policy will be monitored in Jun*

**BP5: Appendix**

**Code of Conduct Agreement**

I agree to abide by Board Policy 5 (Code of Conduct) and any subsequent changes the board makes to that policy. I understand that if, in the opinion of 2/3 of co-op directors, I have violated the letter or spirit of the Code of Conduct, the board has the ability to vote to remove me from the board in accordance with BP5.

According to BP5 I have an affirmative duty to disclose my actual and potential conflicts of interests, including relationships (such as with associations, organizations of which our co-op is a member, co-op employees and vendors) which may pose a conflict of interest in whole or in part with respect to my service on the board. These are listed below. I understand that I have a duty to disclose any additional actual or potential conflicts that may arise and to abide by board policy regarding participation in matters under consideration by the board.

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Signature of Director/Candidate \_\_\_\_\_

Date \_\_\_\_\_

Note: This form is to be completed by all directors annually, within one month following board elections.

Policy Type **Board Process**  
Policy Title **BP6 – Officers’ Roles**  
Revised **01.18**

We will elect officers in order to help us accomplish our job.

1. No officer has any authority to supervise or direct the GM.
2. Officers may delegate their authority but remain accountable for its use.
3. The president ensures the Board functions well and in accord with our policy agreements.
  - a. The president is authorized to make decisions that are consistent with Board Process and Board-Management Relationship policies in order to facilitate the Board’s functioning.
  - b. The president will chair and set the agenda for Board meetings.
  - c. The president plans for leadership (officer) perpetuation.
  - d. The president may represent the Board to outside parties.
4. The vice-president will perform the duties of the president if the president is unable to do so, and actively support the President on an ongoing basis.
5. The treasurer is responsible for supporting the board in all finance-related board work.
  - a. The treasurer will lead the Board’s process for creating and monitoring the Board’s (not the Cooperative’s) budget.
  - b. The treasurer will facilitate the Board’s understanding of the financial condition of the Cooperative.
  - c. In addition, the treasurer will the Treasurer shall oversee financial records, reporting of financial information and filing of required reports and returns, and shall, as authorized by the Board, sign formal documents on behalf of MNFC.
6. The secretary will make sure the Board’s documents are accurate, up to date, and appropriately maintained.
  - a. The secretary will write the draft and final versions of any new policy or committee charter.
  - b. In addition, the secretary will the Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of member-owners, issuing notices required under these by-laws, authenticating records of MNFC, and shall, as authorized by the Board, sign or attest to formal documents on behalf of MNFC.

*This policy will be monitored in Jul*

Policy Type **Board Process**  
Policy Title **BP7 – Board Committee Principles**  
Revised **01.18**

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

1. Committees will reinforce and support Board holism. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
2. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.
3. The Board will establish, regularly review and control committee responsibilities in written committee charters. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.
4. The Board employs two types of committees: Ad Hoc, and Standing. Ad Hoc committees are formed as the need arises, and exist until the work is done. Standing committees are defined by Charters, and have ongoing responsibilities and work plans that extend throughout the year. Each is led by a Chairperson who is elected every year, follows the work plan, and requests collaboration and support from other Directors as needed.

At present, the MNFC Board has two Standing committees: the Board Development Committee (BDC); and the Communications Committee.

The BDC's charter is as follows:

The BDC exists to support the continuing improvement and perpetuation of the MNFC Board of Directors. The committee is responsible for recruiting and training new Board members; organizing and running the annual election; managing the ongoing Board self-assessment process; and planning for executive member succession. The BDC also develops and implements an annual plan for advancing the present Board's understanding of important issues.

The Communication Committee's charter is as follows:

The purpose of the Communications Committee is to facilitate communications between the Board and MNFC member-owners.

*This policy will be monitored in Aug*

Policy Type **Board Process**  
Policy Title **BP8 – Governance Investment**  
Revised **01.18**

We will invest in the Board’s governance capacity.

1. We will make sure that Board skills, methods and supports are sufficient to allow us to govern with excellence.
2. We will incur governance costs prudently, though not at the expense of endangering the development and maintenance of superior capability.
  - a. We will use training and retraining liberally to orient new directors and board candidates, as well as to maintain and increase existing directors’ skills and understanding.
  - b. We will arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance.
  - c. We will use outreach mechanisms as needed to ensure our ability to listen to owner viewpoints and values.
  - d. We will use professional and administrative support.
3. We will develop the Board’s annual budget in a timely way so as to not interfere with the development of the Cooperative’s annual budget. We will complete this work no later than March.

*This policy will be monitored in Mar*



## **BP 8: Appendix**

### **MNFC Board Budget History & Calculations**

**1) The following are the original, base Board Compensation rates.** They were the rates for year one and two: FY 2014-15 and FY 2015-16. (There was no increase for year two, FY 2015-16)

\$600 per year for regular Board members  
\$900 per year for committee Chairs  
\$1200 per year for Vice-president, Secretary, and Treasurer  
\$2100 per year for President

**2) The rates for FY 2016-17 were set in March 2016 as follows.** The base amounts were taken from GP5 as of Nov 2016, and were adjusted upwards to reflect 4% increase over the previous two years. (These were the amounts to be paid in June 2017.)

\$624 per year for regular Board members  
\$936 per year for committee Chairs  
\$1248 per year for Vice-president, Secretary, and Treasurer  
\$2184 per year for President

**3) The rates for FY 2017-18 were set in March 2017 as follows.** They reflect a 4% increase over FY 2016-17. (These were the amounts to be paid in June 2018.)

\$649 per year for Non-Officer Board members  
\$973 per year for Committee Chairs  
\$1298 per year for Vice-president, Secretary, and Treasurer  
\$2271 per year for President

**4) The rates for FY 2018-19 were set in March 2018 as follows.** They reflect a 3% increase over FY 2017-18. (These are the amounts to be paid in June 2019.)

\$668 per year for Non-Officer Board members (5)  
\$1002 per year for Committee Chairs (2)  
\$1337 per year for Vice-president, Secretary, and Treasurer (3)  
\$2339 per year for President (1)

**5) The rates for FY 2019-20 were set in March 2019 as follows.** They reflect a 3% increase over FY 2018-19. (These are the amounts to be paid in June 2020.)

\$688 per year for Non-Officer Board members (5)  
\$1032 per year for Committee Chairs (2)  
\$1377 per year for Vice-president, Secretary, and Treasurer (3)  
\$2409 per year for President (1)

6) **The rates for FY 2020-21 were set in March 2020 as follows.** They reflect a 3% increase over FY 2019-20. (These are the amounts to be paid in June 2021.)

\$709 per year for Non-Officer Board members (5)

\$1063 per year for Committee Chairs (2)

\$1418 per year for Vice-president, Secretary, and Treasurer (3)

\$2481 per year for President (1)

## **BMR**

Policy Type    **Board-Management Relationship**  
Policy Title    **BMR 0 – Global Board-Management Relationship**  
Revised        **01.18**

Under the principles of Policy Governance, the Board governs by means of general policies which they establish; managers implement the general policies of the Board. The functions of Boards and managers are complementary, and, each cannot function without the other

*This policy will be monitored in Oct*

## **BMR**

Policy Type    **Board-Management Relationship**  
Policy Title    **BMR 1 – Role of the Board**  
Revised        **01.18**

Only officially passed motions of the Board are binding on the GM.

- Decisions or instructions of individual directors, officers, or committees are not binding on the GM except in rare instances when the Board has specifically authorized this power.
- In the case of directors or committees requesting information or assistance without Board authorization, the GM can refuse any requests that, in the GM's opinion, may disrupt operations or that require too much staff time or resources.

*This policy will be monitored in Nov*

## **BMR**

Policy Type **Board-Management Relationship**  
Policy Title **BMR 2 – Accountability of the GM**  
Revised **01.18**

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

1. The Board will view GM performance as identical to organizational performance so that organizational accomplishment of Ends and organizational operation within Executive Limitations will be viewed as successful GM performance.
2. The Board will not instruct or evaluate any employee other than the GM.

*This policy will be monitored in Dec*

## **BMR**

Policy Type    **Board-Management Relationship**  
Policy Title    **BMR 3 – Delegation to the GM**  
Revised        **01.18**

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

1. As long as the GM uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the GM is authorized to establish all further policies, practices and plans for the cooperative.
2. The Board will respect and accept the GM's choices as long as those choices are based on reasonable interpretations of Board policies.
3. If the Board changes an Ends or Executive Limitations policy, the change only applies in the future.

*This policy will be monitored in Dec*

## **BMR**

Policy Type **Board-Management Relationship**  
Policy Title **BMR 4 – Evaluating the GM**  
Revised **01.18**

The Board will systematically and rigorously monitor and evaluate the GM’s job performance compared to expectations set forth in Board policies.

1. The Board’s policy monitoring process is the foundation of our annual evaluation of the GM.
  - a. In [June] of each year the Board will review a summary of the monitoring reports received during the previous 12 months. Based on that review, the Board will present an evaluation letter to the GM. That letter will constitute our full evaluation, and it will be delivered no later than [July 31].
2. The Board will acquire monitoring information by one or more of three methods: (a) by internal report, in which the GM discloses policy interpretations and compliance information to the Board; (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies; or (c) by direct Board inspection, in which a designated director or committee assesses compliance with the policy.
3. The Board’s standard for compliance will be any reasonable GM interpretation (as described by operational definitions and metrics) of the Board policy being monitored. The Board is the final arbiter of reasonableness but we will always judge with a “reasonable person” test rather than with interpretations favored by individual directors or by the Board as a whole.
4. The Board will accept that the GM is compliant with a policy if the monitoring report includes a reasonable interpretation and adequate data that demonstrate accomplishment of that interpretation.
5. The Board will monitor all policies that instruct the GM. The Board can monitor any policy at any time by any method listed above but will ordinarily follow the schedule outlined in the Board Annual Calendar.

*This policy will be monitored in Dec*

## APPENDIX

### Policy Governance Quick Guide

Source: CDS Consulting Co-op

Policy Governance is an operating system for boards of directors. As with operating systems for computers, the system itself is not the point of the board's work; the system simply provides an underlying framework on which boards can build further agreements and activities. Policy Governance does not mandate specific decisions, but does highlight the kinds of decisions a board should make. These decisions include agreements about how the board will work together, how the board will empower and hold accountable the cooperative's management, how the board will articulate the cooperative's purpose and set up the cooperative for movement in that direction, and how the board understands the role of member-owners and others in the governance of the cooperative.

The Policy Governance operating system is essentially an integrated set of principles – principles that gain their power when used together. Key to the principles is the meaning of the word “policy.” Within the context of Policy Governance, policies are the proactive articulation of values or principles that guide action.

Policy Governance principles:

1. Ownership

The cooperative is owned by its members. The board exists to act and make decisions on behalf of and in the best interest of the owners.

2. Position of Board

The board is a distinct link in the chain of empowerment and accountability within the cooperative. The owners empower the board through the bylaws, and the board is accountable to owners for the success of the cooperative. In turn, the board empowers and holds management accountable, delegating authority to management through Ends and Executive Limitations policies.

3. Board Holism

The authority of the board belongs to the whole. To say that the board “speaks with one voice” means that the board's authority is a group authority. The “voice” of the board is expressed through the written policy decisions. Directors can work to persuade and influence the board in its deliberations and decision-making; beyond that, individual directors or subsets of the board have no authority to instruct staff.

4. Board Means Policies

The board defines in writing its own job and how it operates. These decisions are agreements about the board's means, categorized as Board Process policies and Board-Management Relationship policies.

5. Clarity and Coherence of Delegation

The board unambiguously identifies the authority and responsibility of any person (e.g., GM or board president) or committee to whom the board delegates. No individual director, officer, or committee can be delegated responsibility that interferes with or duplicates responsibility delegated to the GM.

6. Ends Policies

The board defines in writing the cooperative's purpose in terms of: intended effects/benefits to be produced, intended recipients of those benefits, and (if desired) the intended cost-benefit or priority of those benefits. (Any decisions about issues that don't fit the definition of Ends are means decisions.)



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### 7. Executive Limitations Policies

The board defines in writing its expectations about the means of the cooperative. Rather than prescribing board-chosen means, Executive Limitation policies define limits on operational means – essentially, defining boundaries on the GM’s authority. Executive Limitation policies describe means that are not allowed even if they are effective. The board retains the authority to make decisions that are outside of the GM’s authority.

### 8. Policy sizes

The board decides the four types of policies first at the broadest, most inclusive level. The board can then further define each policy in further levels of detail until reaching a point at which the board can accept any reasonable interpretation of the written policy.

### 9. Any Reasonable Interpretation

More detailed decisions about Ends and operational means are delegated to the GM, who has the right to use any reasonable interpretation of the board’s written policies. A reasonable interpretation will include more detailed and/or clarified meaning of the board’s policy, along with operational definitions (the metrics and benchmarks used to gauge accomplishment). More detailed decisions about board means (and the right to use any reasonable interpretation of those written policies) are delegated to the board chair – unless part of the delegation is explicitly directed to another officer or committee.

### 10. Monitoring

The board must check to ensure that the cooperative has achieved (or made progress toward) the Ends while operating within the Executive Limitation boundaries. The board judges the GM’s interpretation and operational definition for reasonableness, and judges whether the data demonstrates accomplishment of that interpretation and operational definition. The ongoing monitoring of Ends and Executive Limitations policies constitutes the GM’s performance evaluation. The board must monitor its own performance according to the stated board means policies.

Policy Governance is a registered service mark of John Carver.

For further information, see:

- Carver, John. *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, third edition. San Francisco: Jossey-Bass, 2006.
- Policy Governance Source Document, International Policy Governance Association, [policygovernanceassociation.org](http://policygovernanceassociation.org)
- [carvergovernance.com](http://carvergovernance.com), the authoritative website for the Policy Governance model
- Policy Governance FAQ in the CDS CC Library, [library.cdsconsulting.coop](http://library.cdsconsulting.coop)
- Goehring, Mark. “Taking Policy Governance to Heart,” *Cooperative Grocer*, March 2009

## APPENDIX

**By-Laws**  
Revised May 2019

### BYLAWS Middlebury Natural Foods Cooperative

#### **Article I: Organization**

- 1.1 **Name.** The name of the organization will be the Middlebury Natural Foods Cooperative (henceforth the “Cooperative”).
- 1.2 **Ownership and Purpose.** The Cooperative will be owned by its members. The objectives of the Cooperative are to provide a democratic, member-owned cooperative organization; to provide healthy foods and other useful goods and services; to encourage patterns of production and consumption that are ecologically sound and healthful; and to serve as a center for activities, education and services consistent with these objectives.

#### **Article II: Membership**

- 2.1 **Eligibility.** Membership in the Cooperative will be open to any individual who is in accord with its purposes and is willing to accept the responsibilities of membership.
- 2.2 **Nondiscrimination.** Membership will be open without regard to any characteristic that does not directly pertain to an individual’s eligibility.
- 2.3 **Admission.** Any eligible individual may be admitted to membership upon submitting an application and investing equity in an amount and on such terms as determined by the Board of Directors (henceforth the “Board”).
- 2.4 **Rights.** Member-owners have the right to elect the Cooperative’s Board, to attend meetings of the Board, to receive notice of and attend membership meetings, to petition as described in these bylaws, and to approve amendments to these bylaws. Each member-owner has one vote and no more on all matters submitted to member-owners. The rights of member-owners will apply only to active member-owners in good standing. All rights and responsibilities of member-owners are subject to applicable state law, to the bylaws as they may be amended from time to time, and to policies and decisions of the Cooperative or the Board.
- 2.5 **Responsibilities.** Member-owners will keep current in equity investments due to the Cooperative, will keep the Cooperative informed of any changes in name or current address, and will abide by these bylaws and the policies and decisions of the Cooperative or the Board. Member-owners will also patronize the Cooperative. A member-owner who upholds these responsibilities is considered an active member in good standing.
- 2.6 **Termination of Membership.** A member-owner may terminate his or her membership voluntarily at any time by written notice to the Cooperative. Membership may be terminated involuntarily by the Board for cause after the member-owner is provided

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written notice of the reasons for proposed termination and has thirty (30) days from the date of notice to contest the termination in person or in writing. Cause may include intentional or repeated violation of any provision of the Cooperative's bylaws or policies, actions that will impede the Cooperative from accomplishing its purposes, actions or threats that adversely affect the interests of the Cooperative or its member-owners, willful obstruction of any lawful purpose or activity of the Cooperative, breach of any contract with the Cooperative, or failure to patronize the business for more than two and a half (2.5) years.

- 2.7 **Return of Equity.** Equity shall be returned upon termination of membership in the Cooperative, under terms determined by the Board, and provided that the Board has determined that the equity is no longer needed by the Cooperative. Each member-owner also agrees that if he or she fails to cash the equity return check within ninety (90) days of the date on which it was issued, the Cooperative will have the right to retain the equity, or to make a contribution in the name of the former member-owner to support the local food system or other organizations aligned with the Cooperative's purpose in a manner as may be directed by the Board.
- 2.8 **Transferability.** Transferability of shares by member-owners is under the authority of the Board of Directors.

### Article III: Member-Owner Meetings and Decision Making

- 3.1 **Annual Meeting.** A membership meeting will be held each year at a time and place to be determined by the Board. The purpose of such meetings will be to hear reports on governance, operations and finances, to review issues that vitally affect the Cooperative, and to transact such other business as may properly come before the meeting.
- 3.2 **Special Meetings.** The Board may call special meetings of the membership. The Board will call a special meeting if presented with a written petition stating a proper purpose and signed by five percent (5%) of the total number of member-owners or 200 member-owners, whichever is less. Notice of special meetings will be issued to member-owners. In the case of a petition, notice of the special meeting will be issued within ten (10) days after a presentation of the petition to the Board. No business will be conducted at that special meeting except that specified in the notice of meeting.
- 3.3 **Notice of meetings.** Notice of the date, time, place and purpose of each meeting of the membership will be posted in a conspicuous place at the Cooperative and communicated to members not less than fifteen (15) days prior to the date of the meeting.
- 3.4 **Voting.** Voting on all matters that member-owners are entitled to vote upon will be accomplished through paper or electronic ballots, or both, as authorized by the Board. Unless otherwise specified in these bylaws, notice of the vote will be posted in a conspicuous place at the Cooperative and communicated by written notice delivered to member-owners' postal or electronic address not less than fifteen (15) days prior to the end of the voting period. Unless otherwise stated in the articles of incorporation, or these

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bylaws, or required by law, all questions will be decided by a vote of a majority of the member-owners voting thereon. Proxy voting is not allowed.

- 3.5 **Quorum.** At any meeting of the member-owners, or for any vote of the members, a quorum necessary for decision-making will be five percent (5%) of the total number of member-owners or 200 member- owners, whichever is less.

### ARTICLE IV: Board of Directors

- 4.1 **Powers and Duties.** The Board will be composed of eleven (11) Directors. The Board will have full power to govern the Cooperative and assure that its mission is articulated and carried out except for matters for which member-owner voting is required.
- 4.2 **Eligibility.** Directors must be member-owners of the Cooperative in good standing. Employees and spouses or family members of employees may not serve as a Director. A person with a conflict of interest so on-going and pervasive that he or she is unable to effectively fulfill the responsibilities of a director with the Cooperative may not serve as a Director.
- 4.3 **Terms and Elections.** Elections will occur annually, in a manner prescribed by the Board. Directors will serve a term of three (3) years and will serve staggered terms. In the event of a tie vote for Director, there will be a runoff election.
- 4.4 **Vacancies.** Any vacancy among Directors may be filled by a majority vote of the remaining Directors. A Director so elected will serve until the end of the pertinent term.
- 4.5 **Removal.** A Director may be removed by decision of two-thirds (2/3) of the remaining Directors for conduct contrary to the Cooperative or failure to follow Board policies. A Director may be removed by decision of the member-owners in accordance with the petition and voting provisions of these bylaws.
- 4.6 **Board Meetings.** The Board will hold regular and special meetings at such time and place as it will determine, and all Directors will be notified in writing of said meeting at least five (5) days in advance, unless the Board agrees to a shorter notice. The Board will provide reasonable notice of all Board meetings to member-owners. Attendance at any meeting constitutes waiver of notice of that meeting. Meetings will be open to all member-owners unless the Board decides to go into executive session regarding confidential or proprietary matters such as: labor relations or personnel issues; negotiation of a contract; discussion of strategic goals or business plans, the disclosure of which would adversely impact the Cooperative's position in the marketplace; and/or discussion of a matter that may, by law or contract, be considered confidential.
- 4.7 **Action Without a Meeting.** Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a written consent to the action is given by all Directors and filed with the minutes of the meetings.

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- 4.8 **Quorum.** A majority of current Directors will constitute a quorum for the transaction of business at any meeting of the Board of Directors. Decisions of the Board of Directors shall be made by majority vote of Directors present.
- 4.9 **Conflicts of Interest.** Directors will be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board, and such interest will be made a matter of record in the minutes of the meeting. Directors having such an interest will be permitted to make a statement with regard to the matter and shall then be required to leave the meeting room. A transaction in which a director has an interest will be prohibited unless the transaction is fair to the Cooperative and is approved by no less than a two-thirds majority of all disinterested directors.
- 4.10 **Officers.** The Board will elect officers as necessary for the effective conduct of Board business, consistent with any requirements of state law.
- 4.11 **Indemnification.** The Cooperative will indemnify and reimburse each present, past and future Director or Officer for any claim or liability (including expenses and attorneys' fees actually and reasonably incurred in connection therewith) to which such person may become subject by reason of being a Director or Officer, to the full extent allowed by law, except to the extent the Director or Officer acted in bad faith.

### ARTICLE V: Patronage Dividends

- 5.1 **Allocations to member-owners.** The Cooperative will allocate and distribute to member-owners the net profit from business done with them in such a manner that the allocation and distribution qualify as patronage dividends consistent with cooperative principles, applicable state and federal laws and generally accepted accounting principles. The Board will determine when and how such allocations and distributions will be made.
- 5.2 **Consent of member-owners.** By obtaining or retaining membership in the Cooperative, each member-owner consents to take into account, in the manner and to the extent required by federal and state tax law, any patronage dividend received from the Cooperative. Each member-owner also agrees that if his or her patronage dividend is not cashed within ninety (90) days of the date on which it was issued by the Cooperative, the Cooperative will have the right to make a contribution in the name of that member to support other organizations aligned with the Cooperative's purpose in a manner as may be directed by the Board from time to time.

### ARTICLE VI: Dissolution and Liquidation

- 6.1 **Asset Distribution.** The Cooperative may be dissolved or liquidated upon a decision of the Board and a two-thirds (2/3) vote of the member-owners who participate in the vote. Upon dissolution of the Cooperative, its assets will be distributed in the following manner and order: (i) by paying or making provision for payment of all liabilities and expenses of liquidation; (ii) by redeeming any equity accounts which, if they cannot be paid in full,

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will be paid on a pro rata basis; (iii) by distributing any remaining assets in a way that furthers the Cooperative's mission, as determined by the Board.

### ARTICLE VII: Bylaws

- 7.1 **Amendments.** These bylaws may be amended or repealed in whole or in part by a two-thirds ( $2/3$ ) vote of the member-owners who participate in the vote. An amendment may be proposed by decision of the Board or by petition of at least five percent (5%) of the total number of member-owners or 200 member-owners, whichever is less. The proposed amendment will be publicized to the membership not less than four (4) weeks prior to the voting process, which will be held at a time and in a manner determined by the Board.

## **APPENDIX**

### **Statement of the Cooperative Identity**

#### **Co-operative values**

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

#### **Co-operative Principles**

The co-operative principles are guidelines by which co-operatives put their values into practice.

##### **1. Voluntary and Open Membership**

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

##### **2. Democratic Member Control**

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

##### **3. Member Economic Participation**

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

##### **4. Autonomy and Independence**

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

##### **5. Education, Training and Information**

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

##### **6. Co-operation among Co-operatives**

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

##### **7. Concern for Community**

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



# APPENDIX

## Board Budget 2018-19 Worksheet

| 2017-2018                                   |           | 2018-2019       |   |
|---|-----------|-----------------|---|
| Board Budget                                |           | Proposed Budget |   |
| actual                                      |           |                 |   |
| <b>2017-18 expenses</b>                     |           |                 |   |
| <b>Professional and Admin:</b>              |           |                 |   |
| \$ 10,920                                   | \$ 10,818 | \$ 11,694       | add 3% COLA over last yr. 2339 Pres, 1337 other exec, 1002 x2 BDC chair, 668 x 5 others |
| \$ 3,458                                    | \$ 3,357  | \$ 3,500        |   |
| \$ 480                                      | \$ 480    | \$ 650          | increase to \$50/hr ask Victoria  |
| \$ 588                                      | \$ 588    | \$ 588          |   |
| \$ 9,340                                    | \$ 9,600  | \$ 9,776        | Use 9,400 + 4%  |
| <b>Board Development:</b>                   |           |                 |   |
| \$ 3,466                                    | \$ 1,200  | \$ 5,400        | 1200 annual retreat + 4200 for Abundant Sun   |
| \$ 6,850                                    | \$ 6,850  | \$ 6,890        | CBLD contract for 2018 of \$1722/Q  |
|   | \$ 500    | \$ 500          | added 11 subscriptions to Coop Grocer Mag \$275   |
| <b>Board to Member-Owner Communication:</b> |           |                 |   |
| \$ 4,660                                    | \$ 4,500  | \$ 4,800        |   |
| \$ 1,353                                    | \$ 2,400  | \$ 3,753        | Use last year but add the \$3 coupon for ballot "thank you"                             |
|   | \$ 350    | \$ 350          |   |
| <b>Other Expenses:</b>                      |           |                 |   |
| \$ 340                                      | \$ 600    | \$ 860          | Board meeting snacks, misc. + salad 30/meeting = 360                                    |
| \$ 324                                      | \$ 2,000  | \$ 1,000        | Misc./unplanned Staff Appreciation events   |
| \$ 41,779                                   | \$ 43,243 | \$ 49,761       | <b>Total</b>  |
|   |           | 3500            | D&O insur   |
|   |           | 9776            | Board discount  |
|   |           | \$ 36,485       | leftover for Board expense line   |

## Revision Log

- 07.18 New Register Adopted. Retired Vendor and Buying Criteria Polices. Kept Digital.
- 07.18 Added EL 10 (Information Technology and Digital Communications), previously EL 12 to this new register.
- 07.19 Deleted Section 2d & e from BP5 to reflect 2019 By Law change re no staff on board.
- 07.19 Replaced previous By Laws with current By Laws
- 08.19 Changed monitoring schedule of EL 10 from twice/year to once/year in Jan
- 11.19 Changed BMR 1 sub section numbers to bullets
- 04.20 Updated GM Comp & Board Comp narratives