



Board of Directors Governance Policies

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Policy Type: Ends

Policy Title: A – Ends

Adopted/Revised: February 7, 2012/ July 10, 2023

The Sacramento Natural Foods Cooperative

1. Is the destination of choice in the Sacramento area for high quality, healthy foods, with an emphasis on locally-grown and regionally produced, organic, and ecologically-sound products.
2. Is a financially sustainable operation that supports and yields economic, social and environmental returns to its members and the community at large.
3. Works to engage consumers in higher levels of participation in the Co-op.
4. Supports the community by:
 - a. Being a leader among local businesses & cooperatives nationally,
 - b. Educating its consumer base about food, food related issues, health and the environment,
 - c. Supporting the greater network of local farmers & regional production systems that emphasize seasonal availability,
 - d. Being a superior and highly sought-out workplace that promotes excellence, diversity and inclusion and fosters opportunities for participation, empowerment and growth.

Policy Type: Executive Limitations

Policy Title: B – Global Executive Constraint

Adopted/Revised: April 1, 2011/July 10, 2023

The General Manager must not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, oppressive, unjust, imprudent, or contrary to the Cooperative Principles, or in violation of commonly accepted business and professional ethics and practices, or in violation of the SNFC Strategic Plan.

Policy Type: Executive Limitations

Policy Title: B1 – Financial Condition and Activities

Adopted/Revised: April 1, 2011/June 22, 2018/ July 8, 2019/July 10, 2023

With respect to the actual, ongoing financial conditions and activities, the General Manager must not cause or allow the Co-op to be unprepared for future opportunities, to develop fiscal jeopardy or to have key operational indicators be below average for our industry, or for material deviation of actual expenditures from board priorities established in the Ends policy. The General Manager must not:

1. Allow sales growth to be inadequate.
2. Allow operations to generate an inadequate EBITDAP (earnings before interest, taxes, depreciation, amortization, and patronage refunds) and 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 membership and member paid-in equity to be insufficient.
6. Default on any terms that are part of the Co-op's financial obligations.
7. Allow late payment of contracts, payroll, loans or other financial obligations (including allowing trade payables to be out more than 90 days).
8. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business, without board approval.
9. Acquire, encumber or dispose of real estate or enter into long-term real estate leases without Board approval.
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).
13. Allow the Cooperative's operations to materially deviate from the financial plan as defined in policy B2.

Policy Type: Executive Limitations

Policy Title: B2 – Planning and Financial Budgeting

Adopted/Revised: April 1, 2011/July 8, 2019/July 10, 2023

The General Manager must not operate without annual and multi-year plans and budgets that address intentional and improved Ends accomplishment and strengthening operations.

The General Manager must 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 planning assumptions.
 - c. Omit or obscure credible projection of revenues and expenses, member investment and return, separation of capital and operational items, cash flow, and debt service.
 - d. Do not pursue excellence in business systems and operations.
 - e. Have not been tested for feasibility.
 - f. Provide less for Board prerogatives during the year than is set forth in the Governance Investment Policy.
 - g. Fail to include sufficient detail to allow the Board to understand the operations of the Cooperative.
- 2. Begin any fiscal year without a financial plan agreed upon with the Board and General Manager.
 - 3. Fail to obtain mutual agreement with the Board before making any changes to the plan during the fiscal year.

Policy Type: Executive Limitations

Policy Title: B3 – Asset Protection

Adopted/Revised: April 1, 2011/July 10, 2023

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

The General Manager must not allow:

- 1. 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. Unnecessary exposure to liability or lack of insurance protection from claims of liability.
- 3. Deposits or investments to be unreasonably risked.
- 5. Data, intellectual property, or files to be unprotected from loss, theft or significant damage.
 - a. Improper usage of members' and customers' personal information.
- 6. Purchasing that is uncontrolled or subject to conflicts of interest.

7. Lack of due diligence in contracts and real estate transactions.
8. Damage to the Co-op's public image.
9. Operating without a crisis communications plan that includes communication protocols for the Board.

Policy Type: Executive Limitations

Policy Title: B4 – Membership

Adopted/Revised: April 1, 2011/October 15, 2018/July 10, 2023

The General Manager must not allow members to be without opportunities for meaningful participation.

The General Manager must not:

1. Allow members to be uninformed or misinformed of their benefits, rights and responsibilities.
2. Allow any individual to become a member unless that individual meets the eligibility requirements outlined in the Co-op's by-laws and pays the required member equity share.
3. Create or implement a member equity system without the following qualities:
 - a. The required member equity determined by the Board.
 - b. Members are informed that equity investments are at risk and generally refundable though the Board retains the right to withhold refunds when necessary to protect the Co-op's financial viability.
 - c. Equity will not be refunded if such a refund would lead to a net decrease in total member paid-in equity at the end of any reporting period, or would risk, cause or exacerbate non-compliance with any Financial Condition policy.
4. 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 that the Board can make a timely determination each year concerning how much, if any, of the Co-op's net profit will be allocated and distributed to members.
5. Allow a member benefits program that does not offer value.
6. Fail to forward to the Board any application for a member previously terminated by the Board of Directors by a super majority vote and shall not reinstate such member

until the Board votes to reinstate with a majority vote.

Policy Type: Executive Limitations

Policy Title: B5 – Customer Experience

Adopted/Revised: April 1, 2011/July 10,2023

The General Manager must not be unresponsive to customer needs. The General Manager must not:

1. Allow a customer experience that is not welcoming and inclusive.
2. Operate without a system for soliciting, addressing and responding to customer opinion regarding preferences, product requests, complaints and suggestions.
3. Allow an unsafe or unpleasant experience for our customers.
4. Operate without a system that directs staff to provide quality customer service.
5. Operate without written policies for handling customer misconduct that include an appropriate range of responses.

Policy Type: Executive Limitations

Policy Title: B6 – Staff Treatment and Compensation

Adopted/Revised: April 1, 2011/June 10, 2019/July 10, 2023

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

1. Cause and/or allow inequitable treatment of applicants and/or employees in regard to race, sex, identity, national origin, primary language, cultural fit, ability, or other factors unrelated to job qualifications and job performance.
2. Operate without policies and practices that attract and retain staff that reflect the diversity of our community.
3. Allow staff to be without training that supports justice and equity.
4. 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 and/or grievance process.
 - c. Support employees in reporting unethical or illegal behavior.

- d. Are accessible to all staff.
 - e. Inform staff that employment is neither permanent nor guaranteed.
 - f. Are applied consistently.
 - g. Are in compliance with any union agreements.
5. Discourage and/or prevent any employee from reporting unethical and/or illegal activity to the Board, and/or discriminate, and/or retaliate against any employee for reporting unethical and/or illegal behavior or activity.
 6. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
 7. Establish compensation and benefits that are internally inequitable and not competitive in our market.
 8. Change the General Manager's own compensation and benefits, except as those benefits are consistent with a package for all other employees.
 9. Allow the Co-op to operate without a program that encourages staff to become members of the cooperative.

Policy Type: Executive Limitations

Policy Title: B7 – Communication to the Board

Adopted/Revised: April 1, 2011/February 4, 2014/July 10, 2023

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

1. Submit monitoring reports that are untimely, inaccurate, hard to understand or that lack operational definitions (metrics, benchmarks) 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 Co-op, or internal and external changes.
4. Allow the Board to be unaware in advance of public and private events, petitions, and sponsorships supported by the Co-op, except in cases where such advance notice is not possible.
5. Withhold from the Board relevant information from or about key partners including NCG (National Co+op Grocers), including (but not limited to): reports about industry trends, operational audits, risk assessment and joint liability, program participation,

and member agreements.

6. Withhold an opinion if the General Manager believes the Board is not in compliance with its own policies on Board Process and Board-Management Relationship, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the General Manager.
7. Deal with the Board in a way that favors or privileges certain Board members over others except when responding to officers or committees duly charged by the Board.
8. Fail to supply for the Board's consent agenda all decisions delegated to the General Manager yet required by law, regulation, or contract to be Board approved.
9. Take leave without assigning a person responsible to report to the Board.

Policy Type: Executive Limitations

Policy Title: B8 – Board Logistical Support

Adopted/Revised: April 1, 2011/ July 10,2023

The General Manager will not allow the Board to have inadequate logistical support. The General Manager must 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 Co-op members concerning Board actions, meetings, activities and events.
4. Allow insufficient or inaccessible archiving and/or an online system for working on Board documents.

Policy Type: Executive Limitations

Policy Title: B9 – Emergency General Manager Succession

Adopted/Revised: April 1, 2011/October 8, 2013/July 10, 2023

To protect the Co-op from sudden loss of General Manager services, the General Manager must not have less than one other manager sufficiently familiar with General Manager responsibilities and Board processes, including any special projects for which the General Manager is the lead manager, to enable them to take over with reasonable proficiency as an interim successor, and shall inform the Board of that person.

Policy Type: Board Process

Policy Title: C – Global Governance Commitment

Adopted/Revised: April 1, 2011/September 15, 2018/July 10, 2013

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

Policy Type: Board Process

Policy Title: C1 – Governing Style

Adopted/Revised: April 1, 2011/July 10, 2023

We will govern in a manner consistent with the Four Pillars of Cooperative Governance (Teaming, Accountable Empowerment, Strategic Leadership, Democracy). In order to do this, 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. Work as a team.
4. Maintain discipline, embrace responsibility and exercise group authority.
5. Practice the habits of a successful democracy.
6. Maintain a commitment to diversity, equity and inclusion.
7. Seek, encourage and listen to people with a variety of demographic characteristics and diverse perspectives.
8. Use Policy Governance as our operating system, guiding the work of the Board and the General Manager through written policies.
9. Obey all relevant laws and bylaws.

Policy Type: Board Process

Policy Title: C2 – The Board's Job

Adopted/Revised: April 1, 2011/July 10, 2023

The role of the Board is to represent our members, to direct and inspire the Co-op, and to ensure appropriate performance.

In order to govern successfully, we will:

1. Practice, protect, promote and perpetuate a healthy democracy for our Co-op.
 - a. Establish and maintain communication with members, educating ourselves on diverse needs and perspectives, and reporting on the Board's activities and decisions.
2. Hire, set compensation for, delegate responsibility to, and hold accountable a General Manager.
3. Assign responsibilities through policies in a way that honors our commitment to empowerment, and clear distinction of roles.
4. Regularly and rigorously monitor the General Manager's performance in the areas of Ends and Executive Limitations.
5. Regularly and rigorously evaluate our Board performance in comparison to our agreements as written in Board Process and Board-Management Relationship policies.
6. Perpetuate the Board's leadership capacity using a robust recruitment, qualification and nomination process; thoughtful appointments; fair elections; and ongoing education and training.
 - a. We will have a strategic year-round recruitment and screening process.
 - b. We will commit to diversity, equity and inclusion.
 - c. We will provide excellent orientation to potential candidates and newly elected or appointed directors.

Policy Type: Board Process

Policy Title: C3 – Agenda Planning

Adopted/Revised: April 1, 2011/July 10, 2023

We will follow a strategic work plan and annual agenda that focuses our attention toward the future and away from operational details.

1. Our annual governance cycle will start when new directors are seated following the annual election (normally early October).
2. We will maintain an annual calendar that includes tasks and events related to our work plan, membership meetings, our annual election cycle, Board training schedule, monitoring schedule, and the General Manager evaluation and compensation decisions as outlined in our Board-Management Relationship policies.
3. Board meeting agendas will be prepared by the Executive Committee and may be modified at the Board meeting by a majority vote of the Board. The Board Chair will

solicit agenda items from Board members prior to the Executive Committee meeting.

Policy Type: Board Process

Policy Title: C4 – Board Meetings

Adopted/Revised: April 1, 2011/July 10, 2023

We will use our Board meetings as a valuable and primary tool 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, avoiding topics that are not the best use of our time such as operational matters and personal concerns.
2. Meetings will be open to the membership except when an executive session is officially called.
 - a. We will 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 attend to consent agenda items as expeditiously as possible.
4. We will seek agreement through discussion. We will finalize and document decisions through the use of motions, seconds and majority vote. We will use a relaxed version of Robert's Rules of Order.
5. If we must make a decision outside of a regular meeting, we will follow our bylaws, include all Board directors, and ensure that it is properly documented.

Policy Type: Board Process

Policy Title: C5 – Directors' Code of Conduct

Adopted/Revised: April 1, 2011/March 4, 2014/September 15, 2018/September 14, 2020/July 10, 2023

We each commit ourselves to ethical, responsible and lawful conduct. As Board directors, we are accountable for our fiduciary duty to the Co-op, acting unselfishly as trustees for the benefit of the Co-op as a whole.

1. Duty of Care. 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 Co-op, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. A director's duty of care shall focus the director on ensuring the adoption and adherence to policies developed by the Board as a whole.
2. Duty of Loyalty. Directors must demonstrate unconflicted loyalty to the interests of the Co-op. 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. A director's duty of loyalty requires discretion regarding conflicts of interest and treatment of confidential information.

- a. There will be no self-dealing or any conduct of private business or personal services between any director and the Co-op except as procedurally controlled by the Co-op to assure openness, competitive opportunity and equal access to inside information.
 - b. Every year (once the new Board is seated), every director shall 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.
At the same time, all directors shall submit to a background check to verify suitability for Board service. Such background checks will include the following disqualifying checks:
 - i. Bankruptcies more recent than 10 years (only to preclude the director from holding a position with signing authority).
 - ii. Felony convictions (given the impossibility of listing every potential violation, the Board must take a good-faith decision as such matters arise).
 - iii. Misdemeanor convictions involving financial issues or dishonesty.
 - iv. Other convictions or pleas involving crimes that would cause issues (for example: sexual assault). The full Board will vote on the particular conviction, should a dispute arise.
 - 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.
 - d. A director who applies for employment at the Co-op must first resign from the Board.
 - e. Any director who is also a paid employee (as provided for in Section 6.02(d) of the bylaws) has the same duties and responsibilities as any other director, and has the additional duty of clearly segregating staff and Board responsibilities. Any director who is also a paid employee shall resign from the Board if and when their employment ends.
3. Directors may not attempt to exercise individual authority over the organization.
- a. When interacting with the General Manager or employees, directors must carefully and openly recognize their lack of individual authority. Any direction by an individual director is of the same authority as any other member of the Co-op.
 - b. When interacting with the public, the press, or other entities, directors must

recognize the same limitation and the inability of any individual director to speak for the Board except to repeat explicitly stated Board decisions.

4. Directors will not exhibit violent, oppressive or racist behaviors or speech.
5. Directors shall respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service. Executive session matters, attorney-client privileged communications, and commercially proprietary matters are confidential.
6. Directors will use electronic communications in a manner consistent with this policy and the responsibilities of a Board member.
7. Directors will prepare for, take responsibility for, attend, and participate fully in all Board meetings, retreats, training, and other Board related activities to which the director has committed.
8. 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.
 - a. Directors shall not campaign against Board-sponsored measures.
 - b. Expression of subsequent dissenting viewpoints shall be conducted according to any process determined by the Board.
9. Any director who does not follow the code of conduct policy shall be subject to a disciplinary process and measures that may result in being requested to resign from the Board by a 2/3 majority vote of the remaining Board. (See Appendix for Board Governance Policies, C-5-Director's Progressive Disciplinary Process). In addition,
 - a. A director is subject to removal from the Board for any reason authorized by law.
 - b. Any director may be expelled from Co-op membership for not following the rules of the Co-op, including the Director's Code of Conduct (Bylaws sections 4.03 and 6.04(b)(1-3)).

Policy Type: Board Process

Policy Title: C6 – Officers' Roles

Adopted/Revised: April 1, 2011/July 10, 2023

We will elect officers in order to help us accomplish our job (see Appendix for job descriptions).

1. No officer has any individual authority to supervise or direct the General Manager.
2. Officers may delegate their authority but remain accountable for its use.
3. The Board Chair ensures the Board functions well and in accord with our policy

agreements. The Board Chair:

- a. 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. Will chair, and with the Executive Committee, set the agenda for Board meetings. To ensure all directors have the ability to request agenda items, the Board Chair will solicit input prior to the Executive Committee meeting.
 - c. Is the point person for the relationship between the Board and General Manager between meetings.
 - d. Plans for Board leadership (officer) perpetuation.
 - e. May represent the Board to outside parties.
4. A Vice Board Chair will perform the duties of the Board Chair if the Board Chair is unable to do so.
 5. The Finance Committee chair will lead the process for creating and monitoring the Board's (not the Co-op's) budget and will facilitate the Board's understanding of the financial condition of the Co-op.
 6. A Vice Board Chair in conjunction with the Corporate Secretary will make sure Board documents are accurate, up to date, and appropriately maintained.
 - a. Board documents include Board policies, meeting minutes, monitoring report summary, annual calendar and committee charters, Board operating procedures, job descriptions and other records that perpetuate Board operations and activity.

Policy Type: Board Process

Policy Title: C7 – Board Committee Principles

Adopted/Revised: April 1, 2011/July 10, 2023

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

1. Committees will reinforce and support the wholeness of the Board.
 - a. 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. Only the Board has the authority to appoint committee members.
4. The Board will establish, regularly review and control committee responsibilities in written committee charters.

- a. Charters must be approved by the Board.
- b. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the General Manager.
- c. We will compensate Co-op members appointed to Board committees similar to compensation provided to Member Community Service Program participants (Bylaws 2.05).

Policy Type: Board Process

Policy Title: C8 – Governance Investment

Adopted/Revised: April 1, 2011/July 10, 2023

We will invest in the Board's governance skills, methods and support to allow us to govern with excellence.

1. We will use the Co-op's resources prudently and strategically.
 - 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 understandings. See Appendix for Board Orientation and Onboarding, as well as Board Development checklists and plans.
 - 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 member viewpoints and values.
 - d. We will use professional and administrative support.
 - e. In establishing Board compensation we will:
 - i. Provide a stipend and discount on Co-op purchases to Board members.
 - ii. Link compensation to the work requirements of various roles.
 - iii. Have the Co-op Treasurer determine the San Francisco area Consumer Price Index for June as published by the Bureau of Labor Statistics for the most recent 12-month period and provide this information to the chair of the Finance Committee, which may recommend adjusting the amount of Board stipends for the upcoming year by this Index.
 - iv. Based on the financial condition of the Co-op, decide whether or not to approve adjustment of the annual stipend.
 - v. Receive the same store discount as staff. The discount may be reviewed as

part of setting the Board's budget.

vi. Keep our members informed.

2. We will develop the Board's annual budget in a timely way so as to not interfere with the development of the Co-op's annual budget. We will complete this work no later than August 31.

Policy Type: Board-Management Relationship

Policy Title: D – Global Board-Management Connection

Adopted/Revised: April 1, 2011/July 10, 2023

The Board has hired the General Manager (GM) to operate the business. We will be an excellent employer to the GM as our sole employee, cultivating a relationship rooted in equity, respect, and mutual support. In delegating authority to the GM, we acknowledge the GM's expertise and we will work collaboratively and transparently with the GM in addressing any issues as they arise.

Policy Type: Board-Management Relationship

Policy Title: D1 – Unity of Control

Adopted/Revised: April 1, 2011/July 10, 2023

Only official decisions and policies of the Board are binding on the GM.

1. 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.
2. In the case of directors or committees requesting information or assistance without Board authorization, the GM may refuse any requests that, in the GM's opinion, may disrupt operations or require too much staff time or resources.

Policy Type: Board-Management Relationship

Policy Title: D2 – Accountability of the General Manager

Adopted/Revised: April 1, 2011/July 10, 2023

The GM is accountable for achieving the Ends and operating the organization within the Executive Limitations.

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

Policy Type: Board-Management Relationship
Policy Title: D3 – Delegation to the General Manager
Adopted/Revised: April 1, 2011/July 10, 2023

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 Co-op.
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 after the change is approved.

Policy Type: Board-Management Relationship
Policy Title: D4 – Evaluating the General Manager
Adopted/Revised: April 1, 2011/ July 10, 2023

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.
2. The Board will acquire monitoring information by one or more of three methods:
 - a. Most commonly by internal report, in which the GM discloses interpretations and compliance information to the Board;
 - b. Periodically by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies; or
 - c. Rarely by direct Board inspection, in which a designated director or committee assesses compliance with policy.
3. The Board will accept that the GM is compliant with a policy if the monitoring report includes a reasonable interpretation, including clear metrics and benchmarks, and adequate data that demonstrate accomplishment of that interpretation.
 - a. The Board's standard for compliance with a policy will be any reasonable interpretation by the GM. The GM's interpretation does not need to be an interpretation favored by individual directors or by the Board as a whole.
4. In evaluating non-compliance, we will consider the severity, implications and trends, as well as the GM's explanation and plan to achieve compliance.

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.
6. The Board's annual evaluation of the GM, based on a summary of monitoring reports received from July through June will be completed by July 31.
 - a. The Board will establish a GM Evaluation Committee in January to consist of Board Officers and other interested directors. The Committee will prepare a plan for GM Evaluation that follows this policy.
 - b. In June of each year the GM Evaluation Committee will review a summary of monitoring reports received during the previous 12 months.
 - c. The GM Evaluation Committee will invite the GM into a conversation to share other relevant information and clarifications.
 - d. Based on the review of reports and the conversation, in July the GM Evaluation Committee will present an evaluation letter to the Board for approval. The final approved letter will be presented to the GM by July 31.

Policy Type: Board-Management Relationship

Policy Title: D5 - Compensating the General Manager

Adopted: July 10, 2023

The Board will compensate the GM in a way that honors their value to the Co-op, and demonstrates our commitment to equitable treatment.

1. We will establish a compensation package that is equitable, competitive in our market, and sustainable for the Co-op.
2. We will use a strategic process to establish the value of the GM's compensation, and we will complete this process in a timely manner, normally no later than August 31.
3. The Board will present a Request for Proposal template to the GM in June to initiate compensation adjustment discussion.
4. The Board will determine GM compensation by August 31. Board approved compensation adjustment will be reported to the Finance Manager by the Board Chair.

APPENDIX - BOARD of DIRECTORS GOVERNANCE POLICIES

Policy Type: Board Process

Policy Title: C5 Appendix – Directors' Progressive Disciplinary Process

Adopted/Revised: September 15, 2018/September 14, 2020/July 10, 2023

This progressive disciplinary process outlines measures that the Board shall follow when notified of director misconduct.

1. The following preliminary remedies are available to the Board:
 - a. A director, member, or staff of the Co-op may bring a concern regarding director misconduct to any member of the Executive Committee. If the accused director, or if the accuser, is a member of the Executive Committee, that director shall not participate in committee decision making about the disciplinary process.
 - b. The Executive Committee shall exercise judgment and common sense to resolve accusations of alleged misconduct. This responsibility is delegable by the Executive Committee.
 - c. Prior to pursuing any formal action, the Executive Committee (or the committee's delegee) shall meet with the accused director and any accusers or witnesses. The form and scope of meetings is at the prerogative of the Executive Committee or the committee's delegee.
 - d. If the Executive Committee (or the committee's delegee) finds that misconduct occurred, the Executive Committee or the committee's delegee, shall communicate in writing the nature of the misconduct to the accused director. A director may be asked to refrain from further misconduct and encouraged to seek help from fellow directors, former directors, or organizations that provide support to the Board. The purpose of any help should be to gain understanding of the conduct, encourage behavioral changes, and learn how the director might follow the Code of Conduct.
 - e. Pending resolution of an act of misconduct characterized by a confidentiality breach, the Executive Committee (or the committee's delegee) may exclude the director from confidential communications regarding the matter at issue. This action is appealable to the whole Board, which shall provide a response to the appeal. The timeframe for this process of notice to exclude, right to appeal and resolution of the appeal shall be timely to prevent delaying Board decision on the confidentiality matter.
 - f. Pending resolution of an act of misconduct characterized by a conflict of interest, the Executive Committee (or the committee's delegee) may exclude the director from voting and deliberating regarding the matter at issue. This action is appealable to the entire Board, which shall provide a response to the appeal. The timeframe for this process of notice to exclude, right to appeal and resolution of the appeal shall be timely to prevent delaying Board decision on the conflict of interest matter.

- g. Repeat occurrences of misconduct may be brought to the whole Board, which may reinforce prior actions or impose additional measures to address the director's misconduct. The director alleged to have committed the misconduct shall be afforded adequate procedural protections, including advance notice of each accusation in writing, evidence against the director, and the opportunity to be represented by a personal adviser but not an attorney. Any remedial action decisions shall be communicated to the director in writing.
- 2. Upon exhaustion of available preliminary remedies, the Board may pursue final action remedies. These disciplinary matters may be conducted in executive session. Final action on any disciplinary matters shall be recorded in the minutes of the Board. These actions shall include, but not be limited to, the following:
 - a. Regarding acts of misconduct characterized by a confidentiality breach, the Board may vote to exclude the director from confidential communications regarding the matter at issue for up to the duration of the remainder of the director's term.
 - b. Regarding acts of misconduct characterized by a conflict of interest, the Board may exclude the director from voting and deliberating regarding the matter at issue for up to the duration of the remainder of the director's term.
 - c. Requiring the director to attend any appropriate training or professional counseling appropriate to the misconduct.
 - d. Prohibiting the director from serving as a Board or corporate officer or chair of a committee, especially if the misconduct has included a sustained and unexcused lack of participation in committee or officer responsibilities.
 - e. Directing the Nominations Committee to decline to recommend nominating the director as a candidate to serve an additional term.
- 3. As a last resort, the Board may request a director who repeatedly violates the Code of Conduct to resign by a 2/3 majority vote.
 - a. Board shall call an executive session (including the General Manager and a personal adviser, who is not an attorney, if requested by the accused director) to review the evidence. An outside investigation may also be undertaken by the Board. If there is documented evidence that a director has not complied with the Code of Conduct, the director may resign from the Board voluntarily or the remaining directors may request the accused director to resign by a 2/3 majority vote of the remaining directors. There must be documented evidence for the Board to take a 2/3 majority vote.
 - b. Following a successful Board vote requesting a director to resign, that director's violation of the Code of Conduct is the basis for the Board to decide whether to suspend or expel that director as a member of the Co-op for failure to follow the rules of the Co-op as provided for in the bylaws. Status as a director does not

preclude a director from suspension or expulsion from the Co-op for any reasons applicable to Co-op members.

- c. Board decisions regarding requested resignations or removal shall be communicated to the Co-op membership by notice of an agenda item for the Board meeting where the decision is made and recorded in the meeting minutes. In addition, members may be notified directly if desired by the Board.

BOARD JOB DESCRIPTIONS

BOARD ORIENTATION AND ONBOARDING

BOARD DEVELOPMENT CHECKLISTS

BOARD DEVELOPMENT PLAN