



# **Board of Directors Governance Policies**

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Last Revised: September 2018

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Policy Type: Ends

Policy Title: A – Global End

Adopted/ Revised: February 7, 2012/ March 7, 2017

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### 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 cooperative,
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 and fosters opportunities for participation, empowerment and growth.

Policy Type: Executive Limitations  
Policy Title: B – Global Executive Constraint  
Adopted: April 1, 2011

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

Policy Type: Executive Limitations

Policy Title: B1 – Financial Conditions and Activities

Adopted: June 22, 2018

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With respect to the actual, ongoing financial conditions and activities, the General Manager must not cause or allow the Cooperative to be unprepared for future opportunities, the development of fiscal jeopardy, or material deviation of actual expenditures from board priorities established in the Ends policies.

With respect to the above the GM must 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 membership and member 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 (this includes 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).

Policy Type: Executive Limitations

Policy Title: B2 – Business Planning and Financial Budgeting

Adopted: April 1, 2011

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The General Manager shall not cause or allow business planning and budgeting, for any fiscal year or the remaining part of any fiscal year to deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

The GM will not cause or allow plans that:

1. Risk incurring those situations or conditions described as unacceptable in the board policy "Financial Condition and Activities."
2. Omit or obscure credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
3. Plan expenditures in any fiscal year that would result in default under any of the cooperative's financing agreements or lead to the insolvency of the cooperative.
4. Provide less for board prerogatives during the year than is set forth in the Governance Investment Policy.

Policy Type: Executive Limitations  
Policy Title: B3 – Asset Protection  
Adopted: April 1, 2011

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

The GM will 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. Inadequate security of premises and property.
4. Data, intellectual property, or files to be unprotected from loss, theft or significant damage.
  - a. Improper usage of members' and customers' personal information.
5. Uncontrolled purchasing or purchasing subject to conflicts of interest.
6. Lack of due diligence in contracts and real estate acquisitions.
7. Damage to the co-op's public image.

Policy Type: Executive Limitations

Policy Title: B4 – Membership Rights and Responsibilities

Adopted: April 1, 2011

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The General Manager will not allow members to be uninformed or misinformed of their rights and responsibilities.

The GM will not:

1. Create or implement a member equity system without the following qualities:
  - a. The required member equity, or fair share, is determined by the board.
  - b. Members are informed that equity investments are at risk. While they are generally refundable, 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, or would risk, cause or exacerbate non-compliance with any Financial Condition policy.
2. 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, and 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.

Policy Type: Executive Limitations  
Policy Title: B5 – Treatment of Consumers  
Adopted: April 1, 2011

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The General Manager will not be unresponsive to customer needs.

The GM will not:

1. Operate without a system for soliciting, addressing and responding to customer opinion regarding preferences, product requests, complaints and suggestions.
2. Allow an unsafe and unpleasant shopping experience for our customers.
3. Operate without a system that directs staff to provide quality customer service.

Policy Type: Executive Limitations

Policy Title: B6 – Staff Treatment and Compensation

Adopted: April 1, 2011

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

The GM will not:

1. Operate without written personnel policies that:
  - a. Clarify rules for staff
  - b. Provide for fair and thorough handling of grievances
  - c. Are accessible to all employees
  - d. Inform staff that employment is neither permanent nor guaranteed
  - e. Are in compliance with any union agreements
2. Cause or allow personnel policies to be inconsistently applied.
3. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
4. Establish compensation and benefits that are internally or externally inequitable.
5. Change the GM's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

Policy Type: Executive Limitations

Policy Title: B7 – Communication to the Board

Adopted/Revised: April 1, 2011/ February 4, 2014

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

The GM will not:

1. Submit monitoring data that is untimely, inaccurate, or hard to understand.
2. Report any actual or anticipated noncompliance with any board policies in an untimely manner.
3. Allow the board to be unaware of relevant trends, internal and external changes which affect the assumptions upon which board policy has previously been submitted.
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 his/her 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 board members over others except when:
  - a. fulfilling individual requests for information or
  - b. responding to officers or committees duly charged by the board.
7. Fail to supply for the board's consent agenda all decisions delegated to the GM yet required by law, regulation, or contract to be board approved.
8. Take leave without assigning a person responsible to report to the board.

Policy Type: Executive Limitations  
Policy Title: B8 – Board Logistical Support  
Adopted: April 1, 2011

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

Policy Type: Executive Limitations

Policy Title: B9 – GM Succession

Adopted/Revised: April 1, 2011/ October 8, 2013

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To protect the board from sudden loss of GM services, the GM shall not have less than one other manager sufficiently familiar with board and GM issues and Processes, including any special projects for which the GM is the lead manager, to enable her/him to take over with reasonable proficiency as an interim successor and shall inform the board of that person.

Policy Type: Executive Limitations  
Policy Title: B – 10 Endorsements of Public Policy  
Adopted: February 4, 2014

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The GM will not fail to perform due diligence in advance of taking a position on public policies and review these positions in advance with the board.

Policy Type: Board Process

Policy Title: C – Global Governance Commitment

Adopted: April 1, 2011/ Amended September 15, 2018

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Acting on behalf of our members, 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.

Policy Type: Board Process  
Policy Title: C1 – Governing Style  
Adopted: April 1, 2011

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We will govern in a way that emphasizes empowerment and clear accountability. In order to do this, we will:

1. Focus our vision outward and toward the future
2. Observe the 10 Policy Governance principles
3. Maintain group discipline, authority and responsibility
4. Clearly distinguish board and general manager roles
5. Encourage diverse viewpoints
6. Obey all relevant laws and bylaws.

Policy Type: Board Process  
Policy Title: C2 – The Board's Job  
Adopted: April 1, 2011

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In order to govern successfully, we will:

1. Create and sustain a transparent and accountable relationship with member- owners.
2. Hire, compensate, delegate responsibility to, and hold accountable a General Manager. (See D. Board GM Relationship Policies) and a Board Administrator.
3. Have expectations in the form of written governing policies that realistically address the broadest levels of all organizational decisions and situations. We will write these policies in the form of Ends, Executive Limitations, Board Process, and Board-Management Relationship, as described in the Policy Governance principles.
4. Assign responsibility in a way that honors our commitment to empowerment, and provides clear distinction of roles.
5. Regularly monitor operational performance in the areas of Ends and Executive Limitations, and board performance in the areas of Board Process and Board- Management Relationship.
6. Perpetuate the board s leadership capacity using ongoing education, training and recruitment.

Policy Type: Board Process  
Policy Title: C3 – Agenda Planning  
Adopted: April 1, 2011

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We will follow an annual agenda that focuses our attention upward and outward.

1. Our annual governance cycle will start when new directors are seated (the first Tuesday in October).
2. We will create, and modify as necessary, an annual calendar that includes the items mentioned in this policy, membership meetings, our annual election cycle, board training schedule, monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board-Management Relationship policies.
3. Throughout the year, we will attend to consent agenda items as expeditiously as possible.
4. We will limit the amount of meeting time taken up by monitoring reports, discouraging discussion unless the reports indicate policy violations, or the policy criteria themselves need review.

Policy Type: Board Process  
Policy Title: C4 – Board Meetings  
Adopted: April 1, 2011

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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 operational matters and personal concerns.
2. Meetings will be open except when executive session is officially called.
  - a. 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 use a relaxed version of Robert's Rules of Order.
4. The meeting agenda will be drafted by the board president and executive committee, and may be modified at the meeting by a majority vote of the board.

Policy Type: Board Process

Policy Title: C5 – Directors' Code of Conduct

Adopted/Revised: April 1, 2011/ March 4, 2014/ September 15, 2018

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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 members. 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. 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 (once the new Board is seated), every director will sign 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 Board members will submit to a background check to verify suitability for Board service. Such background checks to 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
    - 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 to vote on the particular conviction, should a dispute arise<sup>1</sup>.
  - 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 Cooperative must first resign from the Board.

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<sup>1</sup> Given the impossibility of listing every potential violation, the Board must take a good-faith decision as such matters arise.

- e. Any director who is also a paid employee 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 will resign from the Board if and when their employment ends<sup>2</sup>.
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. Board members shall not campaign against Board-sponsored measures.
7. Any director who does not follow the code of conduct policy shall resign from the Board if requested to do so by a 2/3 majority vote of the remaining Board.

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<sup>2</sup> This is intended to remove possibility of post-employment mischief. The Board may decide by majority vote to waive this requirement in a particular instance, if the Board is satisfied that this protection is not needed.

Policy Type: Board Process  
Policy Title: C6 – Officers' Roles  
Adopted: April 1, 2011

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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 acts consistently with board policies.
  - a. The president is authorized to use any reasonable interpretation of the provisions in the Board Process and Board- Management Relationship policies.
  - b. The president will chair and with consultation with the executive committee 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. A vice-president will perform the duties of the president in her/his absence.
5. The treasurer will lead the process for creating and monitoring the board's (not the co-op s) budget
6. The secretary will make sure the board s documents are accurate, up to date, and appropriately maintained.
  - a. In addition, the secretary will oversee the work of the Board Administrator.

Note: Please see appendix for job descriptions.

Policy Type: Board Process  
Policy Title: C7 – Board Committee Principles  
Adopted: April 1, 2011

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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. The Board will establish, regularly review and control committee responsibilities in written committee charters.
  - a. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.

Policy Type: Board Process  
Policy Title: C8 – Governance Investment  
Adopted: April 1, 2011

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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 members' skills and understandings.
  - 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. In no case will we complete this work later than August 31.

Policy Type: Board-Management Relationship  
Policy Title: D – Global Board-Management Connection  
Adopted: April 1, 2011

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The board's sole connection to the operations of the cooperative will be through the General Manager.

Policy Type: Board-Management Relationship

Policy Title: D1 – Unity of Control

Adopted: April 1, 2011

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Only officially passed motions 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.

Policy Type: Board-Management Relationship  
Policy Title: D2 – Accountability of the GM  
Adopted: April 1, 2011

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The General Manager is the boards only link to operational achievement and conduct.

1. The board will view GM performance as identical to organizational performance so that the co-op's accomplishment of board-stated ends and avoidance of board-proscribed means will be viewed 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 GM  
Adopted: April 1, 2011

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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 support the GM's choices as long as those choices are based on reasonable interpretations of board policies.
3. If we change an Ends or Executive Limitations policy, the change only applies in as specified for a date in the future.

Policy Type: Board-Management Relationship  
Policy Title: D4 – Monitoring GM Performance  
Adopted: April 1, 2011

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The board will systematically and diligently monitor and evaluate the GM's job performance.

1. Monitoring is how the board determines the degree to which the GM is following board policies. Information that does not directly relate to Ends or Executive Limitations policies is not monitoring information.
2. The board will acquire monitoring information by one or more of three methods:
  - a. by internal report, in which the GM discloses 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 criteria.
3. In every case, the 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 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 GM is compliant with a policy if s/he presents 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 but will ordinarily follow the schedule outlined in the Board Annual Calendar.
6. The Board's annual evaluation of the General Manager, based on a summary of monitoring reports received from October through September will be completed by November 1. The Board will make its decisions concerning the evaluation and the employment contract no later than November 1.
7. The board will complete the GM compensation process no later than November 1.