

# Eastside Food Co-op

## **POLICY REGISTER**

---

---

Last Revised: 02/15/2023

## Contents

Policy Type: Ends .....	1
Policy Title: A – Global End.....	1
Policy Type: Executive Limitations .....	2
Policy Title: B – Global Executive Constraint.....	2
Policy Title: B1 – Financial Condition and Activities.....	2
Policy Title: B2 – Business Planning and Financial Budgeting.....	3
Policy Title: B3 – Asset Protection.....	4
Policy Title: B4 –Owner Relations .....	5
Policy Title: B5 –Customer Relations.....	6
Policy Title: B6 - Staff Treatment and Compensation .....	7
Policy Title: B7 –Owner and Community Education .....	8
Policy Title: B8 – Environment .....	9
Policy Title: B9 – Community Values.....	10
Policy Title: B10 – Communication to the Board .....	11
Policy Title: B11 –Board Logistical Support .....	12
Policy Title: B12 – Management Continuity.....	13
Policy Type: Board Process.....	14
Policy Title: C – Global Governance Commitment .....	14
Policy Title: C1 – Governing Style.....	14
Policy Title: C2 – The Board’s Job .....	15
Policy Title: C3 – Annual Agenda Planning .....	16
Policy Title: C4 – Board Meetings.....	17
Policy Title: C5 – Directors’ Code of Conduct.....	18
Policy Title: C6 – Officers’ Roles .....	19
Policy Title: C7 – Board Committee Principles .....	20
Policy Title: C8 – Governance Investment.....	21
Policy Type: Board-Management Relationship.....	22
Policy Title: D – Global Board-Management Connection.....	22
Policy Title: D1 – Unity of Control .....	22
Policy Title: D2 – Accountability of the General Manager .....	23
Policy Title: D3 – Delegation to the General Manager.....	24

Policy Title: D4 – Monitoring General Manager Performance..... 25

Appendices ..... 26

Appendix 1: POLICY GOVERNANCE® SOURCE DOCUMENT ..... 26

## **Policy Type: Ends**

### **Policy Title: A – Global End**

Eastside Food Co-op is....

1. Part of a fair and equitable food system.
2. A well-run co-operative business that serves its community.
3. A trusted provider of high-quality consumer choices.
4. A diverse network of people connected through shared values.

## **Policy Type: Executive Limitations**

### **Policy Title: B – Global Executive Constraint**

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

### **Policy Title: B1 – Financial Condition and Activities**

With respect to the actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the development of fiscal jeopardy to the Co-op's short term or long term financial health or deviation from Board priorities established in Ends policies.

The General Manager shall not:

1. Allow sales growth to be inadequate.
2. Allow operations to generate an inadequate net income.
3. Allow insufficient liquidity.
4. Allow an insufficient equity to debt ratio.
5. Allow growth in ownership and owner paid-in equity to be insufficient.
6. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
7. Acquire, encumber or dispose of real estate.
8. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
9. Allow late payment of contracts, payroll, loans or other financial obligations.
10. Use restricted funds for any purpose other than that required by the restriction.
11. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP) or make material changes in accounting systems or methods without informing the Board.
12. Make major capital expenditures, sell capital assets, or enter into significant leases over \$50,000 without Board approval. If an emergency situation requires such an expense, the General Manager will report it to the board immediately with a justification of the expense and, if applicable, a proposed strategy to prevent re-occurrence.
13. Operate without meeting or exceeding fiscal performance attained by similar businesses.

*Policy Type: Executive Limitations*

**Policy Title: B2 – Business Planning and Financial Budgeting**

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

1. The General Manager shall not 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. Would result in default under any of the Cooperative's financing agreements or cause the insolvency of the Cooperative. (*template: Do not address excellence in business systems and operations.*)
  - d. Have not been tested for feasibility.
2. The General Manager shall not fail to provide less for Board prerogatives during the year than is set forth in the C8 governance investment policy.
3. The General Manager shall not fail to present to the Board proposals to invest in other cooperatives. Investments shall not be made without board approval.

*Policy Type: Executive Limitations*

**Policy Title: B3 – Asset Protection**

The General Manager shall not allow assets to be unprotected, subject to unnecessary risk, or inadequately maintained.

The General Manager shall not:

1. Allow facility and equipment to be improperly maintained.
2. 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.
3. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
4. Allow the Cooperative to be unprepared for disasters.
5. Allow deposits or investments to be subject to unnecessary risk.
6. Allow inadequate security of premises and property.
7. Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.
8. Allow improper access to or usage of owners' and customers' personal information.
9. Allow purchasing that is uncontrolled or subject to conflicts of interest.
10. Allow Cooperative property to be unaccounted for according to inventory best practices.
11. Allow lack of due diligence in contracts.
12. Endanger the Cooperative's credibility in the community.

*Policy Type: Executive Limitations*

**Policy Title: B4 –Owner Relations**

The General Manager shall not fail to establish, maintain, and promote ownership reflective of our diverse community.

The General Manager shall not:

1. Fail to make timely, accurate, and relevant information readily available to owners of their rights, responsibilities, and opportunities for participation.
2. Fail to ensure accurate and current owner records including equity payments and eligibility for benefits and voting.
3. Fail to create and implement an owner equity system to include the following qualities:
  - a. The required owner equity, or fair share, is determined by the Board.
  - b. Owners are informed that equity investments are:
    - i. At risk, and
    - ii. Generally refundable, though the Board retains the right to withhold refunds when necessary to protect the Cooperative's financial viability.
  - c. Equity will not be refunded if such refunds would lead to a net decrease in total owner paid-in equity, or would risk, cause or exacerbate non-compliance with any Financial Condition policy.
4. Fail to implement a patronage dividend system which will 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 owners.
5. Fail to implement a system for direct owner investment to ensure the economic viability of the Co-op or for other projects or expenditures deemed necessary by the Board.
6. Fail to encourage active ownership and participation in the Co-op.
7. Fail to ensure clear lines of communication with owners and opportunities for owners to provide feedback and ideas to the Co-op.



*Policy Type: Executive Limitations*

**Policy Title: B5 –Customer Relations**

The General Manager shall not provide less than exceptional service.

The General Manager shall not:

1. Fail to operate with a system for soliciting and considering customer opinion regarding preferences, product requests, complaints and suggestions.
2. Fail to allow a safe shopping experience for our customers.
3. Fail to allow fair and accurate merchandising and marketing practices.
4. Fail to maintain high standards for quality and freshness.
5. Fail to offer organically and/or sustainably grown foods giving a preference for locally produced when feasible.
6. Fail to offer minimally processed and packaged products.
7. Fail to allow employees to be sufficiently trained in customer service.

*Policy Type: Executive Limitations*

**Policy Title: B6 - Staff Treatment and Compensation**

The General Manager shall not treat staff in any way that is unfair, unsafe, or unclear. The General Manager may not cause nor allow discrimination or harassment among employees and potential employees based on other than business related criteria, individual performance, and qualifications. Specifically the General Manager shall not cause nor allow discrimination or harassment based upon sex, race, age, physical or mental disability, sexual orientation, national origin, marital/parental status or religion.

The General Manager shall not:

1. Operate without written personnel policies that:
  - a. Clarify rules for staff.
  - b. Provide for fair and thorough handling of grievances in a way that does not include the board as a participant in the grievance process.
  - c. Are accessible to all staff.
  - d. Inform staff that employment is neither permanent nor guaranteed.
2. Cause or allow personnel policies to be inconsistently applied.
3. Fail to provide for adequate documentation, security and retention of personnel records and all personnel related decisions.
4. Fail to establish compensation and benefits that are internally or externally equitable.
5. Change the General Manager's own compensation and benefits except as his or her benefits are consistent with a package for all other employees.
6. Fail to create an exemplary workplace that attracts and retains motivated employees.
7. Fail to create opportunities for employee development and advancement.

*Policy Type: Executive Limitations*

**Policy Title: B7 –Owner and Community Education**

The General Manager shall not fail to promote educational opportunities for owners, staff, and community members that lead to informed choices about health, whole food preparation, sustainable food systems, the environment, and the economic and social value of the cooperative model.

The General Manager shall not:

1. Fail to make information on cooperative, nutritional, consumer and environmental issues available to owners and the community to help facilitate customer choice.
2. Fail to offer opportunities for owners and community members to become informed about community-wide issues that are of shared concern.

*Policy Type: Executive Limitations*

**Policy Title: B8 – Environment**

The General Manager shall not fail to take reasonable measures to ensure that the Co-op activities and practices minimize the Co-op's negative impact, and maximize the Co-op's positive impact, on the environment.

The General Manager shall not:

1. Fail to minimize any release of pollutants.
2. Fail to reasonably minimize the creation of waste through reduction, reuse and recycling.
3. Fail to ensure that all waste is disposed of through safe and responsible methods.
4. Fail to reasonably minimize the use of non –renewable energy through improved efficiency and conservation.

*Policy Type: Executive Limitations*

**Policy Title: B9 – Community Values**

The General Manager shall not fail to take reasonable measures to ensure that the Co-op operates as a responsible, engaged citizen of its community.

The General Manager shall not:

1. Fail to ensure that the Co-op is actively involved in and works toward the vitality of the Co-op's community.
2. Fail to ensure that the Co-op is a vibrant focal point and a gathering space for the diverse elements of our community.
3. Fail to ensure that the Co-op takes an active role in the regional network of cooperatives, influencing and developing public policy on agriculture and organically grown products.
4. Fail to ensure that the Co-op works to support meaningful standards for sustainable and organic foods, and supports organizations involved in sustainable agriculture.
5. Fail to purposefully give preference to spending the Co-op's money so that it stays in both our geographic and cooperative community.

*Policy Type: Executive Limitations*

**Policy Title: B10 – Communication to the Board**

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

The General Manager shall not:

1. Submit untimely or inaccurate monitoring reports, or that lack operational definitions and verifiable data.
2. Fail to report any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance, in a timely manner.
3. Fail to inform the Board of relevant legal actions, media coverage, trends, public events of the Cooperative, or internal and external changes.
4. Fail to report current financial performance impact on future financial condition.
5. Withhold his/her opinion if the General Manager 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 General Manager.
6. 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.
7. Fail to inform the Board in a timely manner of all decisions that the Board has delegated to the General Manager, but which require the Board's legal, regulatory, or contractual oversight.

*Policy Type: Executive Limitations*

**Policy Title: B11 –Board Logistical Support**

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

The General Manager shall not:

1. Provide the Board with insufficient staff administration or information to support governance activities, governance budgets, and Board communication.
2. Allow the board to be without a workable mechanism for official board, officer or committee communications.
3. Allow Board Members to be without an updated copy of the Policy Register and the Bylaws.
4. Provide inadequate information and notice to members concerning Board actions, meetings, activities and events.
5. Allow insufficient archiving of board documents.

*Policy Type: Executive Limitations*

**Policy Title: B12 – Management Continuity**

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

The General Manager shall not:

1. Allow store systems and procedures to be undocumented.
2. Allow the essential General Manager roles and responsibilities to be undocumented.
3. Fail to create an annual personal professional development plan.



## **Policy Type: Board Process**

### **Policy Title: C – Global Governance Commitment**

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.

### **Policy Title: C1 – Governing Style**

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

1. Focus our strategic vision toward the future.
2. Strive toward proactive, instead of reactive, governance. Govern ourselves according to the principles of Policy Governance.
3. Maintain respectful and inclusive conversations to ensure job responsibilities of all board members are understood.
4. Ensure effective systems of delegating authority to professional management, holding the use of that power accountable, and clearly distinguishing between board and management responsibilities.
5. Seek diverse viewpoints
  - a. Utilize Diversity, Equity, and Inclusion (DEI) in the board's approach to governance to ensure the well-being of our owners and the communities we serve.
  - b. Ensure the board candidate pool reflects our ownership and community.
  - c. Identify owners and community members who are not represented on the board and encourage them to run.
  - d. Utilize outside expertise such as fiduciary and project-specific entities.
6. Obey all relevant laws and bylaws.
7. Practice and encourage transparent communication in interactions including making a Policy Manual, posting meeting minutes, and agenda available to all owners on the Eastside Web site.
8. We ensure the election process is open, transparent, equitable, and reported to owners.
9. Review and monitor policies at least annually.

**Policy Title: C2 – The Board’s Job**

In order to govern successfully we will:

1. Create and sustain a meaningful relationship with owners.
2. Hire, compensate, delegate responsibility to, and hold accountable a General Manager.
  - a. The value of General Manager compensation will be established using a strategic process and will be completed in a timely manner.
3. Have expectations in the form of written governing policies that realistically address the broadest levels of all organizational decisions and situations. These policies are in the form of Ends, Executive Limitations, Board Process, and Board-Management Relationship, as described in the Policy Governance principles. The board will have periodic board discussion of process improvement.
4. Assign responsibility to the General Manager in a way that honors our commitment to empowerment and clear distinction of roles.
5. Rigorously monitor operational performance in the areas of Ends, Executive Limitations, and Board performance in the areas of Board Process and the Board-Management Relationship.
6. Cultivate the Board’s leadership capacity using ongoing education, training and recruitment.
7. Perform other duties as required by the bylaws or because of limitations on General Manager authority.
8. Develop a forward-thinking strategic vision that will be reviewed and updated at least annually.
9. Acknowledge and dismantle any inequities within our policies, systems, programs, and services, and continually update and report organization progress.
10. Model diversity and inclusion for the Cooperative community and maintain an inclusive environment with equitable treatment for all.

**Policy Title: C3 – Annual Agenda Planning**

We follow strategic priorities and an annual governance cycle that focuses our attention on the long-range vision as articulated in the Ends Policies.

1. We create, and modify as necessary, an annual calendar that includes tasks and events related to our strategic vision, ownership meetings, Board training schedule, monitoring schedule, and the General Manager evaluation and compensation decisions as outlined in our Board-Management Relationship policies.
2. In collaboration with the General Manager, the Board will engage in regularly scheduled strategic planning sessions to set strategic vision and priorities.
3. The Board will ensure that the Cooperative meets all requirements of law and bylaws for relationship with owners including holding an annual meeting and preparing a written annual report to owners.
  - a. The Board shall ensure that Bylaws are current, complied with and meet the needs of the Cooperative. As needed, the Board shall propose bylaw amendments to the owners for approval.
  - b. The Board will share diversity, equity, and inclusion (DEI) updates at the annual owner meeting.

**Policy Title: C4 – Board Meetings**

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

1. We use Board meeting time only for work that is the whole Board's responsibility. We will avoid operational matters that are the purview of the General Manager. We also avoid personal concerns and committee issues not pertinent to the agenda.
2. In the spirit of democratic member control, Eastside Food Cooperative's board will solicit agenda items for full board meetings from owners and all board members via the Cooperative's website or board email. The final agenda will be published by the Board President with final approval by the full board at the board meeting. The agenda and approved meeting minutes will be published on the Cooperative's website and the store bulletin board.
3. Meetings will be open to the membership 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. Announcement of the Executive Session should be on the published agenda when possible.
4. We will promote open discussion and seek group agreement in our decision-making. After thorough discussions, we will confirm decisions through the use of motions, seconds, final discussion and majority vote.
5. The Cooperative will use a consent agenda to save time at meetings. This becomes a single agenda item to be voted on by the full board. The consent agenda will be sent out to the Board one week prior to the full board meeting.

**Policy Title: C5 – Directors’ Code of Conduct**

While carrying out our board service, we each commit ourselves to exercise conduct that upholds cooperative values and principles and is consistent with current laws.

1. A director shall discharge the duties of the position of director in good faith, in a manner the director reasonably believes to be in the best interests of Eastside Food Cooperative, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
2. Directors are required to understand and uphold their responsibilities as required under law in regards to fiduciary responsibility. Training is provided.
3. Directors shall respect and uphold confidentiality as it relates to their fiduciary duty.
4. All directors shall disclose conflicts of interest (according to Board established procedure).
  - a. At all times a director shall put the interests of the Cooperative above self-interest and not use their position as a director to derive an improper benefit.
5. To the best of their ability, directors will prepare for, attend, and participate fully in all Board meetings and trainings.
6. Directors respect the expressions and opinions of their peers and honor this diversity of perspectives. We foster an equitable organization to provide an inclusive space. Directors shall respect group decisions even if they don’t necessarily agree with the decision.
7. We prohibit behavior or speech from directors that is violent, oppressive, or racist.

**Policy Title: C6 – Officers' Roles**

We elect officers in order to help us accomplish our objectives.

1. No one officer has the authority to supervise or direct the General Manager.
2. Officers may delegate their responsibilities but must remain accountable for them.
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 preside over all meetings of the Cooperative and of the directors and make sure the agenda is set for Board meetings. Any board member may add or delete items from the agenda provided the majority agrees to the change.
  - c. The President ensures board leadership perpetuation.
  - d. The President may represent the Board to outside parties and sign as President, with the Secretary, all notes, deeds and other conveyances of real estate, as well as all certificates of stock of the Cooperative.
  - e. The President maintains contact with the General Manager as needed, at least monthly.
4. The Vice President will support the President and perform the duties of the President in their absence.
5. The Treasurer will lead the Board's process for creating and monitoring the Board's (not the Cooperative's) budget. In addition, the Treasurer will facilitate the Board's understanding of the financial condition of the Cooperative.
6. The secretary will:
  - a. Make sure the Board's documents are accurate, up to date, and appropriately maintained.
  - b. Work with the board assistant to ensure that a complete record of the meetings of the Cooperative and of the Board of Directors is kept.
  - c. Sign as secretary, with the president, all notes, deeds and other conveyances of real estate, as well as certificates of stock of the Cooperative.
  - d. Provide all notices required by law be served.
  - e. Perform such other duties as may be required of them by the Cooperative or the Board of Directors.
  - f. Work with the General Manager to put together a training manual for the incoming new Board members.

**Policy Title: C7 – Board Committee Practice**

We will use Board committees to help us accomplish our goals.

1. Committees help the Board move forward by researching information and bring back this information to the full board to discuss alternative options.
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 to make sure they do not conflict with authority delegated to the General Manager or the Board as a whole.
4. The Board will protect, promote and perpetuate a healthy inclusive democracy for the Cooperative.

**Policy Title: C8 – Governance Investment**

We will invest in the Board’s governance capacity.

1. We make sure that Board skills, methods and supports are sufficient to allow us to govern with excellence. All Eastside Food Cooperative Board members will receive education and training as needed, requested, and required to allow the Board as a whole to operate at all times to the fiduciary standards required by law.
2. We incur governance costs prudently, but at a level sufficient to develop and maintain the Board’s strong capability.
  - a. We liberally use continuing education in order to orient new directors and board candidates; as well as to maintain and increase existing directors’ skills and understanding.
  - b. We arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance. We invest time and energy through direct Board outreach which is twofold: We gather diverse viewpoints from owners, and provide education and training that equip owners to be informed about the nature and benefits of cooperatives.
  - c. We will use outreach mechanisms to educate and inspire owners to engage in board service.
  - 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.



## **Policy Type: Board-Management Relationship**

### **Policy Title: D – Global Board-Management Connection**

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

### **Policy Title: D1 – Unity of Governance**

Board direction of the GM is exclusively made by the Board as a whole.

1. Any request from an individual Board member or committee considered onerous by the GM shall be brought to the whole Board for consideration.

*Policy Type: Board-Management Relationship*

**Policy Title: D2 – Accountability of the General Manager**

The Board exercises its responsibility to staff, store operations and conduct of the business only through the General Manager.

1. General Manager performance will be judged by the success of the store in meeting operational targets and strategic goals within the boundaries of the Executive Limitations policies.
2. The Board will not instruct or evaluate any employee other than the General Manager.

*Policy Type: Board-Management Relationship*

**Policy Title: D3 – Delegation to the General Manager**

The Board delegates responsibility to the General Manager through written Ends and Executive Limitations policies.

1. As long as the General Manager uses a reasonable interpretation of the Board's Ends and Executive Limitations policies and strategic priorities, the General Manager is permitted to establish all further policies, practices and plans for the cooperative's business entities.
2. If the Board changes an Ends or Executive Limitations policy, the change only applies in the future.

*Policy Type: Board-Management Relationship*

**Policy Title: D4 – Monitoring General Manager Performance**

The Board will systematically and rigorously monitor and evaluate the General Manager’s job performance. Monitoring is how the Board determines the degree to which the General Manager is following Board policies. Information that does not directly relate to Ends or Executive Limitations policies is not monitoring information.

1. The Board will acquire monitoring information by one or more of three methods:
  - a. by internal report, in which the General Manager 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.
2. In every case, the standard for compliance will be any reasonable General Manager 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.
3. The General Manager is compliant with a policy by presenting a reasonable interpretation of the policy and adequate supporting data indicating compliance and the interpretation and data are accepted by the board.
4. The Board will monitor all policies that instruct the General Manager. The Board can monitor any policy at any time by any method listed above but will ordinarily follow an annual schedule as outlined by the board.
5. The Board’s annual evaluation of the General Manager will be based on monitoring information (see D.4.1 above) from the monitoring year. The Board will make its decisions concerning the evaluation and the employment contract in a timely manner.

## **Appendices**

### **Appendix 1: POLICY GOVERNANCE® SOURCE DOCUMENT**

#### **Why a Source Document?**

A “source” is a point of origin. A source document is a “fundamental document or record on which subsequent writings, compositions, opinions, beliefs, or practices are based.” (Websters)

Without a simply expressed clear point of source, interpretations, opinions, writings and implementations may intentionally or unintentionally diverge from the originating intent and ultimately be undifferentiated. The point of source (“authoritative source”) is John Carver, the creator of Policy Governance, with Miriam Carver his fellow master teacher.

Without a simply expressed clear source document, Policy Governance is not reliably grounded and not transferable as a paradigm of governance. It is left vulnerable to interpretation, adaptation and impotence. This document has been produced by the International Policy Governance Association and approved by John and Miriam Carver as being true to source.

#### **What Policy Governance is NOT!**

1. Policy Governance is not a specific Board structure. It does not dictate Board size, specific officers, or require a CEO. While it gives rise to principles for committees, it does not prohibit committees nor require specific committees.
2. Policy Governance is not a set of individual “best practices” or tips for piecemeal improvement.
3. Policy Governance does not dictate what a Board should do or say about group dynamics, methods of needs assessment, basic problem solving, fund raising, managing change.
4. Policy Governance does not limit human interaction or stifle collective or individual thinking.

#### **What Policy Governance IS!**

Policy Governance is a comprehensive set of integrated principles that, when consistently applied, allows governing Boards to realize owner-accountable organizations.

Starting with recognition of the fundamental reasons that Boards exist and the nature of Board authority, Policy Governance integrates a number of unique principles designed to enable accountable Board leadership.

#### **Principles of Policy Governance**

## *Appendices*

1. **Ownership:** The Board connects its authority and accountability to those who morally if not legally own the organization—if such a class exists beyond the Board itself—seeing its task as servant-leader to and for that group. “Owners,” as used in the Policy Governance model, are not all stakeholders, but only those who stand in a position corresponding to shareholders in an equity corporation.
2. **Governance Position:** With the ownership above it and operational matters below it, governance forms a distinct link in the chain of command or moral authority. Its role is commander, not advisor. It exists to exercise that authority and properly empower others rather than to be management’s consultant, ornament, or adversary. The Board—not the staff—bears full and direct responsibility for the process and products of governance, just as it bears accountability for any authority and performance expectations delegated to others.
3. **Board Holism:** The Board makes authoritative decisions directed toward management and toward itself, its individual members, and committees only as a total group. That is, the Board’s authority is a group authority rather than a summation of individual authorities.
4. **Ends Policies:** The Board defines in writing the (a) results, changes, or benefits that should come about for specified (b) recipients, beneficiaries, or otherwise defined impacted groups, and (c) at what cost or relative priority for the various benefits or various beneficiaries. These are not all the possible “side benefits” that may occur, but those that form the purpose of the organization, the achievement of which constitutes organizational success. Policy documents containing solely these decisions are categorized as “Ends” in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
5. **Board Means Policies:** The Board defines in writing those behaviors, values-added, practices, disciplines, and conduct of the Board itself and of the Board’s delegation/accountability relationship with its own subcomponents and with the executive part of the organization. Because these are non-ends decisions, they are called “Board means” to distinguish them from ends and staff means. In describing the Policy Governance model, documents containing solely these decisions are categorized as Governance Process and Board-Management Delegation, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
6. **Executive Limitations Policies:** The Board makes decisions with respect to its staff’s means decisions and actions only in a proscriptive way in order simultaneously (a) to avoid prescribing means and (b) to put off limits those means that would be unacceptable even if they work. Policy documents containing solely these decisions are categorized as “Executive Limitations” in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
7. **Policy “Sizes”:** The Board’s decisions in Ends, Governance Process, Board-Management Delegation, and Executive Limitations are made beginning at the broadest, most inclusive level and, if necessary, continuing into more detailed levels that narrow the interpretative range of higher levels, one articulated level at a time. These documents—

## *Appendices*

which replace or obviate Board expressions of mission, vision, philosophy, values, strategy, and budget—are called policies in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.

8. **Delegation to Management:** If the Board chooses to delegate to management through a chief executive officer, it honors the exclusive authority/accountability of that role as the sole connector between governance and management.
9. **Any Reasonable Interpretation:** In delegating further decisions—beyond the ones recorded in Board policies—the Board grants the delegatee the right to use any reasonable interpretation of those policies. In the case of Ends and Executive Limitations when a CEO exists, that delegatee is the CEO. In the case of Governance Process and Board-Management Delegation, that delegatee is the CGO (chief governance officer) except when the Board has explicitly designated another Board member or Board committee.
10. **Monitoring:** The Board monitors organizational performance through fair but systematic assessment of whether a reasonable interpretation of its Ends policies is being achieved and a reasonable interpretation of its Executive Limitations policies is being avoided. If there is a CEO, this constitutes the CEO's evaluation.

All other practices, documents, and disciplines must be consistent with the above principles. For example, if an outside authority demands Board actions inconsistent with Policy Governance, the Board creatively uses the consent agenda or other device to be lawful without compromising governance.

Policy Governance is a precision system that promises excellence in governance only if used with precision. These governance principles form a seamless paradigm or model. As with a clock, removing one wheel may not spoil its looks but will seriously damage its ability to tell time. So in Policy Governance, all the above pieces must be in place for Policy Governance to be effective. When all brought into play, they allow for a governing Board to realize owner accountability. When they are not used completely, true owner accountability is not available.

Policy Governance Boards live these principles in everything they are, do and say.  
Produced by International Policy Governance Association in consultation with John and Miriam Carver, 2005 - 2007.

Policy Governance® is a registered service mark of John Carver. Used with permission. The authoritative website for the Policy Governance® model can be found at [www.carvergovernance.com](http://www.carvergovernance.com).

Copying permitted if attributed to source. If referenced as source document, must reference entire document and, if copied, be copied in its entirety.