

POLICY REGISTER

Monadnock Community Market Co-op

Last Revised December 2nd, 2016

First Adopted April 29, 2011

CONTENTS

Last Revised: 4/29/11

| | |
|--------------------------------------|--|
| Ends | A – Ends |
| Executive Limitations | B – Global Executive Constraint B1 – Financial Condition B2 – Planning and Budgeting B3 – Asset Protection B4 – Membership Rights and Responsibilities B5 – Treatment of Consumers B6 – Staff Treatment and Compensation B7 – Communication to the Board B8 – Board Logistical Support B9 – GM Succession |
| Board Process | C – Global Governance Commitment C1 – Governing Style C2 – The Board’s Job C3 – Agenda Planning C4 – Board Meetings C5 – Directors’ Code of Conduct C6 – Officers’ Roles C7 – Board Committee Principles C8 – Governance Investment |
| Board- Management Relationship | D – Global Board-Management Connection D1 - Unity of Control D2 – Accountability of the GM D3 – Delegation to the GM D4 – Monitoring GM Performance |
| Appendices | <i>Suggested appendices include:</i> <i>Bylaws</i> <i>Board Annual Calendar and Monitoring Schedule</i> <i>Committee Charters</i> <i>Monitoring Decision Tree</i> <i>Policy Governance Source Document</i> |

Policy Type: Ends
Policy Title: A – Global End
Last Revised: February 11, 2012

Monadnock Community Market exists to meet our community's need for:

- 1. An accessible, community owned downtown food market**
- 2. A marketplace that welcomes and connects community**
- 3. A healthy, sustainable food system**
- 4. The support of local farmers and producers**
- 5. Appropriate education and training for the community**
- 6. A strong, sustainable and improving local economy**

Policy Type: Executive Limitations
Policy Title: B – Global Executive Constraint
Last Revised: November 11, 2011

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.

Policy Type: Executive Limitations
Policy Title: B1 – Financial Condition and Activities
Last revised: December 12, 2011

With respect to the actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

The GM will not:

- 1. Allow sales to decline or be stagnant.**
- 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. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.**
- 6. Acquire, encumber or dispose of real estate.**
- 7. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.**
- 8. Allow late payment of contracts, payroll, loans or other financial obligations.**
- 9. Use restricted funds for any purpose other than that required by the restriction.**
- 10. 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
Last revised: December 12, 2011

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 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 cause the insolvency of the Cooperative.**
- 4. Have not been tested for feasibility.**
- 5. 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
Last revised: December 12, 2011

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

The GM will not:

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

Policy Type: Executive Limitations
Policy Title: B4 – Membership Rights and Responsibilities
Last Revised: December 6, 2011

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 Cooperative's financial viability.**
 - c. Equity will not be refunded if such refunds 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, 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 members.**

Policy Type: Executive Limitations
Policy Title: B5 – Treatment of Customers
Last Revised: December 12, 2011

The General Manager will not be unresponsive to customer needs.

The GM will not:

1. Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints and suggestions.
2. Allow an unsafe shopping experience for our customers.

Policy Type: Executive Limitations
Policy Title: B6 - Staff Treatment and Compensation
Last revised: December 12, 2011

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.
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
Last Revised: December 12, 2011

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 reports that are untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy
2. Report any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance, in an untimely manner.
3. Allow the Board to be unaware of relevant trends, public events of the Cooperative, or significant internal and external changes.
4. 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.
5. 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.
6. 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.

Policy Type: Executive Limitations
Policy Title: B8 –Board Logistical Support
Last Revised: December 12, 2011

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. 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.

Policy Type: Executive Limitations
Policy Title: B9 – Emergency GM Succession
Last revised: December 12, 2011

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 to enable her/him to take over with reasonable proficiency as an interim successor.

Policy Type: Board Process
Policy Title: C – Global Governance Commitment
Last Revised: April 11, 2011

Acting on behalf of our owners, the Board ensures that our cooperative produces benefit and value, while avoiding unacceptable actions and situations.

Policy Type: Board Process
Policy Title: C1 – Governing Style
Last Revised: December 12, 2011

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
Last Revised: June 16, 2015

In order to govern successfully, we will:

1. Create and sustain a relationship with member-owners.
2. Hire, compensate, delegate responsibility to, and hold accountable a General Manager. (See D. Board GM Relationship Policies)
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 clear distinction of roles.
5. Rigorously 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
Last Revised: April 14, 2012

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

1. Our annual governance cycle will run from 1/1 - 12/31.
2. We will create, and modify as necessary, an annual calendar that includes the items mentioned in this policy, membership meetings, 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 Executive Limitations 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
Last Revised: April 11, 2011

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

1. We will use Board meeting time only for work that is the whole Board's responsibility. We will avoid committee issues, operational matters and personal concerns.
2. 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. When possible, announcement of the executive session should be on the published agenda.
3. We will seek consensus through discussion. We will then finalize and document decisions through the use of motions, seconds and majority vote.
4. The meeting agenda will be determined by the Board president, 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
Last Revised: June 16, 2015

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

1. Every director is responsible at all times for acting in good faith, in a manner which she/he reasonably believes to be in the best interests of the Cooperative, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.
2. Directors must demonstrate unconflicted loyalty to the interests of the Cooperative’s owners. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other Boards or staffs, and the personal interest of any director acting as an individual consumer or member.
 - 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. 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.
 - c. A director who applies for employment must first resign from the Board.
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 and attend most Board meetings and trainings within reason.
6. Directors will support the legitimacy and authority of the Board’s decision on any matter, irrespective of the director’s personal position on the issue.
7. Any director who does not follow the code of conduct policy shall resign from the Board if requested to do so by a 2/3 majority vote of the remaining Board.

Policy Type: Board Process
Policy Title: C6 – Officers’ Roles
Last Revised: December 2, 2016

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, in addition to duties outlined in Job Descriptions of Officers found in the appendices;
 - a. Ensures the Board acts consistently with Board Policies.
- b. Is authorized to use any reasonable interpretation of the provisions in the Board Process and Board-Management Relationship policies.
 - c. Will chair and set the agenda for Board meetings.
 - d. Plans for leadership (officer) perpetuation, and
 - e. May represent the Board to outside parties.
4. The Vice-President, will perform duties outlined in Job Descriptions of Officers found in the appendices.
5. The Secretary, in addition to duties outlined in Job Descriptions of Officers found in the appendices.
 - a. Will make sure the Board’s documents are accurate, up to date, and appropriately maintained.
 - b. Will adhere to the guidelines and duties stated in Procedures for Co-op Votes.
6. The Treasurer, in additions to duties outlined in Job Descriptions of Officers found in the appendices.
 - a. Will lead the Board’s process for creating and monitoring the Board’s (not the Cooperative’s) budget.

Policy Type: Board Process
Policy Title: C7 – Board Committee Principles
Last Revised: December 12, 2011

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
Last Revised: April 13, 2012

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 candidates for membership, as well as to maintain and increase existing directors' skills and understanding.
 - b. We will arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance.
 - c. We will use outreach mechanisms as needed to ensure our ability to listen to owner viewpoints and values.
 - d. We will use professional and administrative support.
3. We will develop the Board's annual budget in a timely way so as to not interfere with the development of the Cooperative's annual budget. In no case will we complete this work later than April

Policy Type: Board-Management Relationship
Policy Title: D – Global Board-Management Connection
Last Revised: December 12, 2012

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

Policy Type: Board-Management Relationship

Policy Title: D.1 – Unity of Control

Last Revised: December 12, 2011

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 can refuse any requests that, in the GM's opinion, may disrupt operations or that require too much staff time or resources.

Policy Type: Board-Management Relationship

Policy Title: D.2 – Accountability of the GM

Last Revised: December 12, 2011

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

1. The Board will view GM performance as identical to organizational performance so that the Cooperative'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: D.3 – Delegation to the GM

Last Revised: December 12, 2011

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

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

Policy Type: Board-Management Relationship
Policy Title: D.4 – Monitoring GM Performance
Last Revised: December 2, 2016

The Board will systematically and rigorously 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 he/she 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 listed above 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 October 31st.
7. The Board will complete the GM compensation process no later than May 31.

APPENDICES

COMMITTEE CHARTER (LAST UPDATED 12/2/2016)

Committee: Board Development

Chairperson: Anton Elbers

Other members: Susan Ashworth

Be sure the board has the training and education it needs.

Ensure that the next board is at least as good, if not better than, this board.

The primary purposes of the Board Development Committee will be to:

1. Plan annual retreat.
2. Plan orientation for new board members.
3. Organize attendance at CBLD for all new board members.
4. Determine additional board training needs; plan and arrange for training.
5. Board policy monitoring and self-assessment.
6. Plan board meeting development topics to coincide with the year's board work.

Related Policies: C2, C3, C8

COMMITTEE CHARTER (Last updated 12/2/2016)

Committee: Member Linkage

Chairperson: Jay Smeltz

Members: Katie Sutherland, Carolyn Crane

Be sure the board is in touch with the values held by members.

Ensure that members are informed about the board's activities and decisions.

The primary purposes of the Member Linkage Committee will be to:

1. Plan and implement outreach activities (such as surveys, forums, focus groups, meetings) that will educate the board about the values held by members.
2. Plan and implement communications with members to inform them about board activities and decisions, including the store newsletter.
3. Plan annual membership meeting (ad hoc committee within standing committee, with board officers and GM).
4. Assist the GM with communicating the values of membership to the co-op's patrons.

Related Policies: C2-1

COMMITTEE CHARTER (Last reviewed 12/2/2016)

Committee: Nominating

Chairperson: Lisa Mahar

Members: Mary Doane

The primary purposes of the Nominating Committee will be to:

1. Document Board Election process. Ensure the Board is adhering to the board election process.
2. Develop a plan for recruitment of board candidates for election and appointment.

Related Policies: Reference By-laws.

Officer Roles

Last Revised: December 2, 2016

President:

1. Responsible for these outcomes:

The board accomplishes its goals set in the annual retreat.

The board understands and utilizes governance policy.

The board is looking towards the future by understanding trends and growth opportunities.

Ensures all Board decisions are supported by the end statements and by- laws.

2. Chairs and sets the monthly agenda for board meetings.

3. Meets with the GM on at least a monthly basis so there are “no surprises”.

4. Oversees committee work and does not have to serve on a committee.

5. Manages Board Calendar.

6. Oversees the audit.

7. Oversees Annual Meeting preparation.

8. Writes the President’s letter for the annual report and prepares a presentation for the annual meeting.

9. Liaison to the Board Administrator.

10. Engages in the CDS monthly phone consultation.

11. Represents the Board to outside parties.

12. Oversees Leader perpetuation.

13. Certifies accuracy of Draft minutes.

14. Initiates and oversees GM compensation process and signs the GM contract.

Vice President

1. If the board president is unable to complete his/her term or continue as president, succeed to role of interim president until the remaining board members select a new president to fill the unexpired term.

2. Support committee work as needed and requested by President.

3. Engages in the CDS monthly phone consultation.

4. Support board leadership by maintaining a good working relationship with the GM

5. Regular check in with the President to provide support and feedback.

6. Chairs a committee.

7. Has the authority to sign contracts if the board President is unable to do so.

8. The Vice President’s role is an opportunity to prepare for the role of President.

Secretary

1. Will make sure the Board’s documents are accurate, up to date, and appropriately maintained.

2. Certifies the accuracy of Draft minutes of the monthly board meetings.

3. Assists the President in managing the Board Calendar.

4. Writes birthday cards and work anniversary cards to Co-op employees.

5. Manages newsletter articles.

6. Confirms amended policies get updated in the policy register and the updated register is sent to board members.

Treasurer

1. Will lead the Board's process for creating and monitoring the Board's (not the Cooperative's) budget.
2. Initiates and engages the audit process outlined in the board calendar.
3. Approves monthly and quarterly GM expenses.

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

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—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.

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

