

Daily Groceries

Co-op

POLICY REGISTER

CONTENTS

Last Revised: 9/30/12

Adopted: 10/11/12

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 GM Delegation D – Global Board-Management Connection □ D1 - Unity of Control □ D2 – Accountability of the GM □ D3 – Delegation to the GM □ D4 – Monitoring GM Performance

Appendices

Bylaws

Board Annual Calendar and Monitoring Schedule

Committee Charters

Monitoring Decision Tree

Policy Governance Source Document

Policy Type: Ends
Policy Title: A – Global End
Last Revised: **September 30, 2012**

In Athens there will be a thriving, local, cooperative economy; a fun, inspiring place to shop and learn; a hub for community and civic engagement; and a source of excellent food.

Policy Type: Executive Limitations

Policy Title: B – Global Executive Constraint

Last Revised: **September 30, 2012**

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: **September 30, 2012**

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: **September 30, 2012**

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.

The GM will not:

1. Create plans or budgets that
 - a. Risk incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."
 - b. Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
 - c. Would result in default under any of the Cooperative's financing agreements or cause the insolvency of the Cooperative.
 - d. Have not been tested for feasibility.
2. 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: **September 30, 2012**

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 deposits or investments to be unreasonably risked.
4. Allow inadequate security of premises and property.
5. Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.
 - a. Allow improper usage of members' and customers' personal information.
6. Allow purchasing that is uncontrolled or subject to conflicts of interest.
7. Allow lack of due diligence in contracts.
8. Allow damage to the Cooperative's public image.

Policy Type: Executive Limitations
Policy Title: B4 – Membership Rights and Responsibilities
Last Revised: **September 30, 2012**

The General Manager shall 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 a) at risk, and b) generally refundable, though the Board retains the right to withhold refunds when necessary to protect the Cooperative's financial viability.
 - 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: **September 30, 2012**

The General Manager shall 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.
3. Allow an unpleasant shopping experience by failing to:
 - a. Ensure adequate training for staff
 - b. Ensure cleanliness of the store

Policy Type: Executive Limitations
Policy Title: B6 - Staff Treatment and Compensation
Last revised: **September 30, 2012**

The General Manager shall 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 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. 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: **September 30, 2012**

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 legal actions, media coverage, trends, public events of the Cooperative, or internal and external changes including the manner in which it is being handled by the GM.
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.

Policy Type: Executive Limitations
Policy Title: B8 –Board Logistical Support
Last Revised: **September 30, 2012**

The General Manager shall 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.
5. Allow insufficient archiving of board documents.

Policy Type: Executive Limitations

Policy Title: B9 – Emergency GM Succession

Last revised: **September 30, 2012**

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: **September 30, 2012**

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: **September 30, 2012**

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.
 - a. Ends Policies
 - b. Ownership
 - c. Board Process Policies
 - d. Board Holism
 - e. Board-Management Relationship Policies
 - f. Governance Position
 - g. Limitations Policies
 - h. Policies (Decisions) Come in Sizes
 - i. Any Reasonable Interpretation
 - j. Monitoring
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: **September 30, 2012**

In order to govern successfully, we will:

1. Create and sustain a meaningful relationship with member-owners.
2. Hire, compensate, delegate responsibility to, and hold accountable a General Manager. (See D. Board GM Relationship Policies)
 - a. Use a strategic process to establish the value of GM compensation, and complete this process 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. 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.
7. Perform other duties as required by the bylaws or because of limitations on GM authority.

Policy Type: Board Process
Policy Title: C3 – Agenda Planning
Last Revised: **September 30, 2012**

We will follow a strategic multi-year workplan and annual agenda that focuses our attention upward and outward.

1. We will create, and modify as necessary, an annual calendar that includes tasks and events related to our multi-year workplan, membership meetings, Board training schedule, monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board-Management Relationship policies.
2. 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: **September 30, 2012**

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: **September 30, 2012**

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.
 - d. 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.
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 all Board meetings and trainings and protect the Board Process.
6. Directors will support the legitimacy and authority of the Board's decision on any matter, irrespective of the director's personal position on the issue.
7. Any director who does not follow the code of conduct policy can be removed from the Board by a 2/3 majority vote of the remaining Board.

Policy Type: Board Process
Policy Title: C6 – Officers' Roles
Last Revised: **September 30, 2012**

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 set the agenda for Board meetings.
 - c. The president plans for leadership (officer) perpetuation.
 - d. The president may represent the Board to outside parties.
4. The vice-president will perform the duties of the president in her/his absence.
5. The treasurer will lead the Board's process for creating and monitoring the Board's (not the Cooperative's) budget.
 - a. In addition, the treasurer will facilitate the Board's understanding of the financial condition of the Cooperative and report to the board at monthly meetings.
6. The secretary will make sure the Board's documents are accurate, up to date, and appropriately maintained.
 - a. In addition, the secretary will ensure that the articles of incorporation, bylaws and all Board policies are kept current, are provided to all board members and are maintained at a central location; all board notices required by our bylaws; the board policy manual is kept current and new directors receive a copy of the board policy manual.

Policy Type: Board Process
Policy Title: C7 – Board Committee Principles
Last Revised: **September 30, 2012**

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: **September 30, 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 [month].

Policy Type: Board-Management Relationship

Policy Title: D – Global Board-Management Connection

Last Revised: **September 30, 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: D1 – Unity of Control

Last Revised: **September 30, 2012**

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: D2 – Accountability of the GM

Last Revised: **September 30, 2012**

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: D3 – Delegation to the GM

Last Revised: **September 30, 2012**

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: D4 – Monitoring GM Performance
Last Revised: **September 30, 2012**

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, will be completed in accordance with the Board Calendar. The Board will make its decisions concerning the evaluation and the employment contract in accordance with the Board Calendar.

APPENDICES

COMMITTEE CHARTER

COMMITTEE: NOMINATION AND RECRUITMENT

DATE CHARTERED:

END OF TERM:

The primary purposes of the Nomination and Recruitment Committee will be to:

Identify and recruit a pool of well-qualified Board candidates according to Board policy.

Develop an application and screening process.

Provide a brief written report to the Board monthly about the activities of this committee.

Submit to the Board in a timely way names of recommended nominees for election or appointment.

2013 BOD Calendar Last Revised: December 2012

| Item | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec |
|-------------------------------------|---|--|---|---------------------|---|----------------------------|---|--------------------------------|---|--|---|---|
| Board Meetings | Jan 14 | Feb 18 | Mar 18 | Apr 15 | May 20 | June 17 | July 15 | Aug 19 | Sept 16 | Oct 21 | Nov 18 | Dec 16 |
| Board Education | CBL 101 New Board Training Asheville, Jan 26-27 | | CDS Strategic Seminar Asheville March 2 | | | CCMA June 6-8 Austin | | | | | Yearly Reflection: What have we learned? How can we integrate this learning/lead into the future? | Yearly Review and Update of next year's education plan |
| Member Engagement and Communication | Patronage | Patronage | Patronage | Patronage | Patronage | Patronage | Article for Annual Report | Prep for Annual Member Meeting | Article about BoD Elections, Candidate Bios | Review Member Meeting Agenda and assignments | Annual Member Meeting | |
| Admin. Agenda Items | Board packets for directors (welcome new directors) Finalize GM Evaluation | Finalize GM Compensation for 2013 (Election of Board Officers-2014) | BOD Budget finalized Review GM Compensation Proposal | | BOD Retreat March 22 | Board Retreat Follow-up | Review Member Meeting Agenda Start 2014 calendar Board assignments for election | | Deadline for BOD Candidates information for ballots September 11th Auditor Presents Report to the BOD | Board Elections October 1-21 | Certify election results | Farewell to departing directors Orientation meeting for new board members Review calendar for next year |
| | | | | | | | | | | | | |
| Board Monitoring | C: Global Governance D: Global BoD-Mgmt | C1: Governing Style | C2: Board's Job | C3: Agenda Planning | C4: Meetings | C5: Code of Conduct | C6: Officers | C7: Committee Principles | C8: Governance Investment | D1: Unity of Control | D2: GM Accountability | D3: Delegation to GM D4: Monitoring GM |
| GM Monitoring | B: Global Constraint | B1: Financial Condition B9: Succession | B4: Membership | B5: Consumers | B1: Financial Condition B2: Planning & Budgeting | A: Ends | A: Ends, continued | B1: Financial Condition | B3: Asset Protection | B6: Staff | B1: Financial Condition | B7: Board Communication B8: Board Support |

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.

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