

Open Harvest Cooperative

Board of Directors

Policy Register

2nd Edition – Effective July 1, 2015

(Board approved May 6, 2015)

Revised December 27, 2017

**Our policies are based the CBLD Template with adaptations from the
Open Harvest Policy Register of May 24, 2014.**

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Policy Type: Ends
Policy Title: E – Global Ends
Adopted: July 1, 2015, May 2017 (Revised)

Open Harvest Co-operative Grocery

Global Ends

Open Harvest Cooperative Grocery exists so there will be a vibrant community that:

- Has access to healthy, organic, and local food
- Supports economic justice and strengthens the local economy
- Upholds inclusive, socially responsible practices
- Contributes to a strong local food system and a sustainable environment
- Embodies cooperative principles

Monitored annually by internal report.

Policy Type: Executive Limitations
Policy Title: L – Global Executive Constraint
Adopted: July 1, 2015

The General Manager (GM) must 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 Co-operative Principles.

Monitored annually by internal report.

Policy Type: Executive Limitations
Policy Title: L1 – Financial Condition and Activities
Adopted: July 1, 2015, January 2017 (Revised)

With respect to the actual, ongoing financial conditions and activities, the General Manager must cause or allow the Cooperative to honor Board policies on Ends, to avoid fiscal jeopardy, to be prepared for future opportunities, and to maintain key operational indicators at or above the average for our industry.

The GM must not:

- L1.1. Allow operations to generate an inadequate net income.
- L1.2. Allow sales growth to be inadequate.
- L1.3. Allow solvency (the relationship of debt to equity) to be insufficient.
- L1.4. Allow liquidity (the ability to meet current and anticipated cash needs in timely and efficient fashion) to be insufficient.
- L1.5. Allow growth in ownership and owner paid-in equity to be insufficient.
- L1.6. Allow late payment of contracts, payroll, loans or other financial obligations.
- L1.7. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
- L1.8. Acquire, encumber or dispose of real estate without board approval.
- L1.9. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
- L1.10. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).
- L1.11. Allow the use of restricted funds for any purpose other than that required by the restriction.
- L1.12. Allow quarterly financial reports to be submitted later than the 21st of the month (or the first business day thereafter) following the end of each quarter, nor to exclude a one-year history with each report.
- L1.13. Allow an annual financial report to not be delivered to the Board by the October meeting, along with the external audit or review of financial statements.

Monitored quarterly by internal report and annually by external review or audit.

Policy Type: Executive Limitation
Policy Title: L2 – Planning and Financial Budgeting
Adopted: July 1, 2015

The General Manager must not operate without annual budgets and plans that address intentional and improved Ends accomplishment along with avoidance of fiscal jeopardy.

The GM must not:

L2.1. Create plans or budgets that:

L2.1.1. Risk incurring those situations or conditions described as unacceptable in the Board policy L1 - Financial Condition and Activities.

L2.1.2. Omit credible projection of revenues and expenses, member-owner investment and return, separation of capital and operational items, cash flow, subsequent audit/review trails, and disclosure of planning assumptions.

L2.1.3. Do not have separate line items for external accounting and legal services. These expenses are to be listed under “Store Expenses” and not “Board Expenses.”

L2.1.4. Do not address excellence in business systems and operations.

L2.1.5. Have not been researched for feasibility.

L2.2. Provide less for Board prerogatives during the year than is set forth in the Board budget.

L2.3. Allow the co-operative to operate without a multi-year (at least 3-year) strategic plan, including an annual business plan, which has been researched for feasibility.

Monitored annually by internal report.

Policy Type: Executive Limitations
Policy Title: L3 – Asset Protection
Adopted: July 1, 2015

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

The GM must not:

- L3.1. 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.
- L3.2. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
- L3.4. Allow deposits or investments to be unreasonably risked.
- L3.5. Allow inadequate security of premises and property.
- L3.6. Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage, including improper usage of members' and customers' personal information.
- L3.7. Allow purchasing that is uncontrolled or subject to conflicts of interest.
- L3.8. Allow lack of due diligence in contracts.
- L3.9. Allow damage to the Co-operative's public image.

Monitored annually by internal report.

Policy Type: Executive Limitations
Policy Title: L4 – Member-Owner Rights and Responsibilities
Adopted: July 1, 2015

The General Manager must not allow member owners to be uninformed or misinformed of their rights and responsibilities.

The GM must not:

L4.1. Create or implement a member-owner equity system without the required member equity, or fair share as determined by the Board.

L4.2. Allow member owners to be uninformed 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 Co-operative's financial viability.

L4.3. Implement a patronage dividend system that does not:

L4.3.1. Comply with IRS regulations.

L4.3.2. 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 Co-operative's net profit will be allocated and distributed to members.

L4.4. Fail to maintain a customer service desk with, at minimum, basic information about co-ops and membership in Open Harvest Co-op.

Monitored annually by internal report.

Policy Type: Executive Limitations
Policy Title: L5 – Engagement of Member-Owners & Customers
Adopted: July 1, 2015

The General Manager must not be unresponsive to customer needs.

The GM must not:

- L5.1. Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints and suggestions.
- L5.2. Allow an unsafe or unwelcoming shopping experience for customers.
- L5.3. Fail to provide information and education for customers, or to conduct an annual membership drive.
- L5.4. Fail to display publicly the Seven Co-operative Principles, and the definition of a co-operative.
- L5.5 Allow the Co-operative's integrity or public image to be compromised.

Monitored annually by internal report.

Policy Type: Executive Limitations
Policy Title: L6 – Staff Treatment and Compensation
Adopted: July 1, 2015

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

The GM must not:

L6.1. Operate without publicly stated written personnel policies that are included in an overall employee handbook, which also includes the equal opportunity and anti-discrimination policies and written job descriptions.

Accordingly the GM must not:

L6.1.1. Fail to clearly state and publish rules for staff.

L6.1.2. Provide for unfair or less than thorough handling of grievances in a way that does not include the Board as a participant in the grievance process.

L6.1.3. Be inaccessible to all staff.

L6.1.4. Fail to inform staff that employment is neither permanent nor guaranteed.

L6.2. Cause or allow personnel policies to be inconsistently applied.

L6.3. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.

L6.4. Establish compensation and benefits that are inequitable.

L6.5. Change the GM's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

L6.6. Operate without plans for developing an employee retirement program when the Co-op is in a financial position to enact such a program.

Monitored annually by internal report.

Policy Type: Executive Limitations
Policy Title: L7 – Communication to the Board
Adopted: July 1, 2015

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

The GM must not:

- L7.1. Submit monitoring reports that are untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy.
- L7.2. Report in an untimely manner any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance and a proposed schedule regarding follow-up reporting.
- L7.3. Allow the Board to be unaware of relevant legal actions, media coverage, trends, public events of the Co-operative, or internal and external changes.
- L7.4. Withhold her/his opinion if the GM believes the Board is not in compliance with its own policies on Governance and Management relations, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the GM.
- L7.5. Deal with the Board in a way that favors or privileges certain directors over others, except when responding to officers or committees duly charged by the Board.
- L7.6. 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.

Monitored annually by internal report.

Policy Type: Executive Limitations
Policy Title: L8 – Board Logistical Support
Adopted: July 1, 2015

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

The GM must not:

- L8.1 Provide the Board with insufficient staff administration to support governance activities and Board communication.
- L8.2 Allow the Board to be without a workable mechanism for official Board, officer or committee communications.
- L.8.3 Allow directors to be without an updated copy of the Policy Register and the Bylaws.
- L8.4 Provide inadequate information and notice to members concerning Board actions, meetings, activities and events.
- L8.5 Allow insufficient support for archiving of Board documents.

Monitored annually by internal report.

Policy Type: Executive Limitations
Policy Title: L9 – Emergency General Manager Succession
Adopted: July 1, 2015

To protect the Board from sudden loss of GM services, the GM must have at least 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, and must immediately notify the Board Chair of any changes in chain of succession.

Monitored annually by internal report.

Policy Type: Board Process
Policy Title: G – Global Governance Commitment
Adopted: July 1, 2015, December 6, 2017 (Revised)

Acting on behalf of our Member-Owners, the Board ensures the success of the Cooperative by working together effectively, empowering and holding accountable the General Manager (GM), providing strategic leadership for our Cooperative, and perpetuating our democratic organization.

Monitored annually by internal report.

Policy Type: Board Process
Policy Title: G1 – Governing Style
Adopted: July 1, 2015, December 6, 2017 (Revised)

We will govern in a manner consistent with the Four Pillars of Cooperative Governance (Teaming, Accountable Empowerment, Strategic Leadership, Democracy). To do this, we will:

- G1.1. Be a strategic leader by focusing our vision outward and toward the future.
- G1.2. Ensure effective systems of delegating authority to professional management, holding the use of that power accountable, and clearly distinguishing between Board and management responsibilities.
- G1.3. Observe the 10 Policy Governance Principles (Ends Policies, Ownership, Board Process Policies, Board Holism, Board-Management Relationship Policies, Governance Position, Limitations Policies, Policies/Decisions Come in Sizes, Any Reasonable Interpretation, Monitoring).
- G1.4. Maintain team discipline, authority and responsibility.
- G1.5. Practice the habits of a successful democracy.
- G1.6. Obey all relevant laws and Bylaws.

Monitored annually by internal report.

Policy Type: Board Process
Policy Title: G2 – The Board’s Job
Adopted: July 1, 2015, December 6, 2017 (Revised)

In order to govern successfully, we will:

- G2.1. Practice, protect, promote and perpetuate a healthy democracy for our Cooperative by observing the 10 Policy Governance Principles (Ends Policies, Ownership, Board Process Policies, Board Holism, Board-Management Relationship Policies, Governance Position, Limitations Policies, Policies/Decisions Come in Sizes, Any Reasonable Interpretation, Monitoring).
- G2.2. Hire, compensate, delegate responsibility to, and hold accountable a GM.
- G2.3. Use a strategic process to establish the value of GM compensation and complete this process in a timely manner.
- G2.4. Assign responsibility in a way that honors our commitment to empowerment and clear distinction of roles.
- G2.5. 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.
- G2.6. Perpetuate the Board’s leadership capacity using ongoing education and training with robust recruitment, qualification and nomination process, and fair elections.
- G2.7. Perform other duties as required by the Bylaws or because of limitations on GM authority.

Monitored annually by internal report.

Policy Type: Board Process
Policy Title: G3 – Agenda Planning
Adopted: July 1, 2015, December 6, 2017 (Revised)

We will follow a strategic annual agenda and multi-year work plan that focuses our attention outward and toward the future.

G3.1. We will create, and modify as necessary, an annual calendar including tasks and events related to our multi-year work plan, Member-Owner meetings, Board training schedule, policy monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board-Management Relationship policies.

G3.2. Board meeting agendas will be determined by the Board Chair and may be modified at the meeting by Board consensus.

Monitored annually by internal report.

Policy Type: Board Process
Policy Title: G4 – Board Meetings
Adopted: July 1, 2015, December 6, 2017 (Revised)

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

- G4.1. We will use Board meeting time for work that is the Board's responsibility. We will avoid committee issues, operational matters, personal concerns, and other topics unless they are the highest and best use of our time.
- G4.2. Meetings will be open to Member-Owners except when executive session is officially called.
- G4.3. 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 posted agenda.
- G4.4. We will seek consensus through discussion. Deliberation will be fair, open, orderly, and to the point. Should the Board fail to attain consensus on a matter with pressing time considerations, the Chair may ask the Board to vote on whether the Board should take a formal vote to decide the matter by simple majority.

To be monitored annually by internal report.

Policy Type: Board Process
Policy Title: G5 – Directors’ Code of Conduct
Adopted: July 1, 2015, December 6, 2017 (Revised)

As Directors, we each commit ourselves to ethical, professional and lawful conduct.

- G5.1. 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.
- G5.2. Directors must demonstrate unconflicted loyalty to the interests of the Cooperative’s Member-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-Owner.
 - G5.2.1. 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.
 - G5.2.2. Following the installation of newly elected Directors, all Directors must state for the record, to be recorded in the Board meeting minutes, whether they have any conflicts of interest. All Directors must report subsequent potential conflicts-of-interest to the Board as soon as the possibility of conflict develops.
 - G5.2.3. 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 discussion and the Board decision.
 - G5.2.4. A Director who applies for employment at the Co-operative must first resign from the Board.
- G5.3. Directors may not attempt to exercise individual authority over the Cooperative, GM and employees.
- G5.4. 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.
- G5.5. Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service.

- G5.6. Directors will prepare for, attend, and participate fully in Board meetings and trainings.
- G5.7. The Chair will dismiss from the Board any Director who accrues either three unexcused absences, or a total of five absences, over the course of the fiscal year.
- G5.8. Directors will support the legitimacy and authority of the Board's decision on any matter, irrespective of the Director's personal position on the issue.
- G5.9. Any Director who does not follow the Code of Conduct policy can be removed from the Board by a two-thirds majority vote of the remaining Board.
- G5.10. Directors who resign from the Board must submit a formal letter of resignation to the Chair at least one week before their final Board meeting.

Monitored annually by internal report.

Policy Type: Board Process
Policy Title: G6 – Officers’ Roles
Adopted: July 1, 2015, December 6, 2017 (Revised)

We will elect officers in order to help us accomplish our job.

- G6.1. No officer has any authority to supervise or direct the GM.
- G6.2. Officers may delegate their authority but remain accountable for its use.
- G6.3. The Chair ensures the Board acts consistently with Board policies.
 - G6.3.1. The Chair is authorized to make decisions that are consistent with Board Process and Board-Management Relationship policies in order to facilitate the Board’s functioning.
 - G6.3.2. The Chair will set the agenda for and chair Board meetings.
 - G6.3.3. The Chair plans for leadership (officer) perpetuation.
 - G6.3.4. The Chair may represent the Board to outside parties.
- G6.4. The Vice-Chair will perform the duties of the Chair in her/his absence, and as a matter of preparation for leadership will serve as the chair for Board meetings twice each year.
- G6.5. The Board Operations Committee will lead the Board’s process for creating and monitoring the Board’s (not the Cooperative’s) budget, in accord with the Board Operations Committee Charter.
- G6.6. The Board Operations Committee will ensure the Board’s documents are accurate, up to date, and appropriately maintained.

Monitored annually by internal report.

Policy Type: Board Process
Policy Title: G7 – Board Committee Principles
Adopted: July 1, 2015, December 6, 2017 (Revised)

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

- G7.1. Committees will reinforce and support Board holism. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
- G7.2. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.
- G7.3. The Board will establish, regularly review and control committee responsibilities in written committee charters. Committees will carry out their regularly assigned responsibilities as per their Committee Charter, and ensure that all relevant documentation is preserved and accessible to the Board.
- G7.4. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.

Monitored annually by internal report.

Policy Type: Board Process
Policy Title: G8 – Governance Investment
Adopted: July 1, 2015, December 6, 2017 (Revised)

We will invest in the Board's governance capacity.

- G8.1. We will make sure that Board skills, methods and supports are sufficient to allow us to govern with excellence.
- G8.2. We will incur governance costs prudently, though not at the expense of endangering the development and maintenance of superior capability.
 - G8.2.1. We will use training and retraining liberally to orient new Directors and Board candidates, as well as to maintain and increase existing Directors' skills and understanding.
 - G8.2.2. We will arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance.
 - G8.2.3. We will use outreach mechanisms as needed to ensure our ability to listen to Member-Owner viewpoints and values.
 - G8.2.4. We will use professional and administrative support.
- G8.3. 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 June of each year.

Monitored annually by internal report.

Policy Type: Board-Management Relationship
Policy Title: M – Global Board-Management Connection
Adopted: July 1, 2015

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

Monitored annually by internal report.

Policy Type: Board-Management Relationship
Policy Title: M1 – Unity of Control
Adopted: July 1, 2015

Only officially passed decisions of the Board are binding on the GM.

M1.1. 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.

M1.2. 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.

Monitored annually by internal report.

Policy Type: Board-Management Relationship
Policy Title: M2 – Accountability of the General Manager
Adopted: July 1, 2015

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

M2.1. The Board will view GM performance as identical to organizational performance so that organizational accomplishment of Ends and organizational operation within Executive Limitations will be viewed as successful GM performance.

M2.2. The Board will not instruct or evaluate any employee other than the GM.

M2.3. The Board will refrain from prescribing means to the GM or evaluating the GM's performance on the basis of means.

Monitored annually by internal report.

Policy Type: Board-Management Relationship
Policy Title: M3 – Delegation to the General Manager
Adopted: July 1, 2015

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

M3.1. As long as the GM uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the GM is authorized to establish all further policies, practices and plans for the Co-operative.

M3.2. The Board will respect and accept the GM's choices as long as those choices are based on reasonable interpretations of Board policies.

M3.3. If the Board changes the Ends or an Executive Limitations policy, the change only applies from that point forward.

Monitored annually by internal report.

Policy Type: Board-Management Relationship
Policy Title: M4 – Monitoring General Manager Performance
Adopted: July 1, 2015, June 2016 (Revised), August 2017 (Revised)

The Board will systematically and rigorously monitor and evaluate the GM's job performance compared to expectations according to Board Policy and GM reports.

- M4.1. The Board will acquire monitoring information by one or more of three methods: (a) internal report, in which the GM discloses policy 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.
- M4.2. In every case, the Board's standard for compliance will be "reasonable GM interpretation."
- M4.3. The Board will accept that the GM is compliant with a policy if he/she presents a reasonable interpretation and adequate data that demonstrate accomplishment of that interpretation.
- M4.4. 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's Annual Calendar.
- M4.5. The Board's bi-annual evaluation of the GM, based on a summary of monitoring reports received since the previous evaluation, will be completed by the first of May in alternate years from the GM contract negotiation. The Board will make its decisions concerning the evaluation and inform the GM no later than the end of that respective May.
- M4.6. The GM's employment contract will be negotiated bi-annually in alternate years from the GM evaluation. The Board will request the GM to prepare a compensation proposal by April 15 that addresses expectations and limitations specified by the Board. The approved contract will be signed by the GM no later than the end of that respective May. The contract term begins July 1 and covers two years ending on June 30.

Monitored annually by internal report.

APPENDICES

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.” (Webster’s)

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, fundraising, 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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