

MUSTARD SEED

GOVERNANCE POLICIES

Revision 2.0 Updated June 2016

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Policy Type: Ends
Policy Title: A – Global End
Last Revised: **September 2015**

ENDS POLICIES

The Mustard Seed Food Co-operative exists so that our current and future member-owners and other people in the community have:

1. A financially viable and thriving co-operative grocery business
2. Empowered member owners who are actively engaged in our food co-operative
3. Education that leads to informed choices about health, food systems, the environment and co-operatives;
4. An improved environment and more sustainable food system in Hamilton
5. Increased access to local food in Hamilton with a broader local food economy
6. An engaged and motivated staff team.

MONITORING

All Ends monitoring reports will contain the following four elements:

1. Unless a new End, annual comparisons between previous reporting periods and current reporting period.
2. Successful results/achievements of the End: "What's going well".
3. Areas needing improvement.
4. When action is required, an action plan to achieve improvement with a timeline for achievement.
5. The Board may specify additional monitoring criteria for a particular End. The Board monitoring of Ends policies shall occur in November of each year.

Policy Type: Executive Limitations

Policy Title: B – Global Executive Constraint

Last Revised: **September 2015**

The General Manager must not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, or in violation of commonly accepted human resources, financial, business and professional ethics and practices, or in violation of the Co-operative Principles.

Policy Type: Executive Limitations
Policy Title: B1 – Financial Condition and Activities
Last Revised: **JUNE 2016**

With respect to the actual, ongoing financial conditions and activities, the General Manager must not cause or allow the Co-operative to be unprepared for future opportunities, the development of fiscal jeopardy, or key operational indicators to be below average for our industry.

The GM must not:

1. Allow sales growth to be insufficient to meet the approved budget.
2. Allow operations to generate an insufficient net income to meet the approved budget.
3. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be less than the Board approved target.
4. Allow solvency (the relationship of debt to equity) to be less than the Board approved target.
5. Allow growth in ownership to be insufficient to meet the Business Plan.
6. Default on any terms that are part of the Co-operative's loans.
7. Allow late payment of contracts, payroll, loans or other financial obligations.
8. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
9. Acquire, encumber or dispose of real estate.
10. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
11. Use restricted funds for any purpose other than that required by the restriction.
12. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).
13. Allow non-inventory purchases of greater than \$1,000.00 to be made without the authorization of the Board.

Policy Type: Executive Limitations
Policy Title: B2 –Planning and Financial Budgeting
Last Revised: **September 2015**

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

The GM must not:

1. Create plans or budgets for Board approval 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. Do not address excellence in business systems and operations.
 - d. Have not been tested for feasibility.
2. Provide less for Board prerogatives during the year than is set forth in the board budget.

Policy Type: Executive Limitations

Policy Title: B3 – Asset Protection

Last Revised: **September 2015**

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

The GM must 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 Co-operative's public image.
9. Acquire assets beyond the financial limits prescribed by the Board of Directors.

Policy Type: Executive Limitations

Policy Title: B4 – Membership Rights and Responsibilities

Last Revised: **June 2016**

The Board must not implement a patronage dividend system that does not comply with CRA regulations.

Policy Type: Executive Limitations

Policy Title: B5 – Treatment of Customers

Last Revised: **September 2015**

The General Manager must not be unresponsive to customer needs.

The GM must 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: **September 2015**

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

The GM must 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 either 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 2015**

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

The GM must 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 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.
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.
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 directors 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: **September 2015**

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

The GM must 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 directors 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 2015**

To protect the Board from sudden loss of GM services, the GM must not have less than one or more experienced staff member 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 2015**

Acting on behalf of our owners, the Board ensures the success of the co-operative by working together effectively, empowering and holding accountable professional management, providing strategic leadership for our co-operative, and perpetuating our democratic organization.

Policy Type: Board Process
Policy Title: C1 – Governing Style
Last Revised: **June 2016**

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

1. Be a strategic leader by focusing our vision outward and toward the future.
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.
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)
4. Maintain team discipline, authority and responsibility.
5. Practice the habits of a successful democracy, which we define as:
 - a. Preparation by review of all Board materials in advance of the meetings
 - b. Active and constructive participation in discussions on Board matters
 - c. Commitment to uphold discipline between Board governance and operations
 - d. Adherence to Robert's Rules of Order in conduct of meetings (where there is a conflict between Robert's Rules of Order and the Co-operative's By-laws, the By-laws shall prevail)
 - e. Respect for the confidential nature of closed-session discussions
 - f. Speaking with one voice on Board decisions
 - g. An evaluation, at least once every two years, of performance as a Board
 - h. Commitment to regular open houses or consultations with owners
5. Obey all relevant laws and bylaws.

Policy Type: Board Process
Policy Title: C2 – The Board’s Job
Last Revised: **September 2015**

In order to govern successfully, we will:

1. Practice, protect, promote and perpetuate a successful democracy for our Co-operative.
2. Hire, compensate, delegate responsibility to, and hold accountable a General Manager.
 - a. Use a strategic process to establish the value of GM compensation, and complete this process in a timely manner.
3. Assign responsibility in a way that honors our commitment to empowerment and clear distinction of roles.
4. 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.
5. Perpetuate the Board’s leadership capacity using ongoing education and training, a robust recruitment, qualification and nomination process and fair elections.
6. 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 2015**

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. Board meeting agendas will be determined by the Board president or Chair of Board meetings, and may be modified at the meeting by a majority vote of the Board.
3. Board agendas will adhere to the following policies:
 - a. Consent items will be those items not requiring a decision
 - b. The agenda will have written reports for information/decision circulated in advance
 - c. Only time sensitive decisions will be added after the agenda is released

Policy Type: Board Process
Policy Title: C4 – Board Meetings
Last Revised: **September 2015**

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, personal concerns and other topics that are not the highest and best use of our time.
2. Meetings will be open to the membership except when closed session is officially called.
 - a. We may occasionally use closed session to deal with confidential matters, as long as the purpose of the session is stated. When possible, announcement of the closed 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.

Policy Type: Board Process
Policy Title: C5 – Directors’ Code of Conduct
Last Revised: **September 2015**

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

1. Every director is responsible at all times for acting in good faith, in a manner which she/he reasonably believes to be in the best interests of the Co-operative, 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 Co-operative’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 Co-operative except as procedurally controlled to assure openness, competitive opportunity and equal access to “inside” information.
 - b. At a new director’s first board meeting, he/she will complete the “Conflict of Interest Disclosure” form, and will verbally report to the whole board the potential conflicts. Any subsequent potential conflicts will be reported to the whole board immediately.
 - c. When the Board is to decide on an issue about which a director has an unavoidable conflict of interest, that director shall abstain from the conversation and the vote.
 - d. A director who applies for employment 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 attend, and participate fully in all Board meetings and trainings except for excused absences.
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: **June 2016**

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

1. No officer and/or Director 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 make decisions that are consistent with Board Process and Board-Management Relationship policies in order to facilitate the Board's functioning.
 - b. The president, vice-president and secretary will 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. The vice-president will chair the meetings of the Board.
5. The treasurer will lead the Board's process for creating and monitoring the Board's (not the Co-operative's) budget.
 - a. In addition, the treasurer will facilitate the Board's understanding of the financial condition of the Co-operative.
6. The secretary will make sure the Board's documents are accurate, up to date, and appropriately maintained.

Policy Type: Board Process
Policy Title: C7 – Board Committee Principles
Last Revised: **June 2016**

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

1. Committees will reinforce and support Board holism.
2. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
3. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.
4. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.
5. The Board will establish, regularly review and control committee responsibilities in written committee charters which will include:
 - a. Composition of the committee (size)
 - b. Role, purpose and expectations
 - c. Expected time commitment
 - d. Function
 - e. Reporting relationship to the Board
6. The Board will appoint Chairs of Committees.
7. Membership on Board Committees will be determined by the Chair of the Committee.
8. The Human Resources Committee shall be comprised of members of the Board only.
9. Minutes of Board Committee meetings are not required but may be kept at the discretion of the Committee Chair.

Policy Type: Board Process
Policy Title: C8 – Governance Investment
Last Revised: **September 2015**

We will invest in the Board's governance capacity.

1. We will make sure that Board skills, methods and supports are sufficient to allow us to govern with excellence.
2. We will incur governance costs prudently, though not at the expense of endangering the development and maintenance of superior capability.
 - a. We will use training and retraining liberally to orient new directors and board candidates, as well as to maintain and increase existing 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 Co-operative's annual budget. In no case will we complete this work later than December.

Policy Type: Board-Management Relationship
Policy Title: D – Global Board-Management Connection
Last Revised: **September 2015**

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

Policy Type: Board-Management Relationship

Policy Title: D1 – Unity of Control

Last Revised: **September 2015**

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 2015**

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 organizational accomplishment of Ends and organizational operation within Executive Limitations 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 2015**

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 co-operative.
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 2015**

The Board will systematically and rigorously monitor and evaluate the GM's job performance compared to expectations set forth in Board policies.

1. The Board will acquire monitoring information by one or more of three methods: (a) by internal report, in which the GM discloses policy interpretations and compliance information to the Board; (b) by external report, in which an external, policies; or (c) by direct Board inspection, in which a designated director or committee assesses compliance with the policy.
2. In every case, the Board's 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 we will always judge with a "reasonable person" test rather than with interpretations favored by individual directors or by the Board as a whole.
3. The 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.
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 Annual Calendar.
5. The Board's annual evaluation of the General Manager, based on a summary of monitoring reports received during the year from the anniversary of the GM's hiring, will be completed by one month prior to the GM's anniversary date. The Board will make its decisions concerning the evaluation no later than the anniversary date of the GM's hiring.

APPENDICES

**Code of Conduct Agreement
For Board of Directors**

I agree to abide by Board Policy C5 Code of Conduct and any subsequent changes the board makes to that policy. I understand that if, in the opinion of 2/3 of co-op directors, I have violated the letter or spirit of the Code of Conduct, the board has the ability to vote to remove me from the board in accordance with policy C5.

According to Policy C5 I have an affirmative duty to disclose my actual and potential conflicts of interests, including relationships (such as with associations, organizations of which our co-op is a member, co-op employees and vendors) which may pose a conflict of interest in whole or in part with respect to my service on the board. These are listed below. I understand that I have a duty to disclose any additional actual or potential conflicts that may arise and to abide by board policy regarding participation in matters under consideration by the board.

Signature of Director/Candidate

Date

Note: This form is to be completed by all directors annually, within one month following board elections.