

RETAIL BOARD OF DIRECTORS MANUAL

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INTRODUCTION

Welcome! This manual is intended for all Directors that have been elected to the board of a retail co-operative that is a member-owner of Federated Co-operatives Limited (FCL). The production of this manual is a service provided by the Strategy Business Unit at FCL.

The manual provides essential information that will assist retail boards to effectively direct the management and business of the affairs of the co-operative and to ensure good governance practices, based on a set of agreed-upon competencies and the role and responsibilities of boards within the Co-operative Retailing System.

This manual has been designed to be an evergreen, living document. Content will be reviewed on a regular basis to ensure it remains consistent with new FCL policies, practices or procedures. Retail Boards of Directors are encouraged to make this document their own, by including content that reflects their own governance practices and by inserting their co-operative's constituting documents, such as the articles of incorporation, bylaws and board policies.

All new Directors should be given access to a copy of this manual, as part of the orientation process and as soon as possible after their election to the board. It is also recommended that this manual be reviewed annually by the board to identify any missing information and to provide suggestions to FCL for improvements, so that it remains a useful and practical tool for carrying out the board's role and responsibilities. It is not expected that this manual will serve as the only source of information for boards. It is to be used in concert with other sources such as the General Manager, the FCL Retail Advisor, the Region AVPs and other resources at the Region office.

SECTION A: GOVERNING DOCUMENTS

1. THE ACTS

Retail co-operatives are legally incorporated under provincial legislation, known as either the *Co-operatives Act* or the *Cooperative Associations Act*. (FCL comes under the *Canada Co-operatives Act*). The *Acts* are passed by provincial legislatures and provide the legal authority and guidelines within which co-operatives function. They set out such items as the means of incorporating a co-operative, the powers of a co-operative, the qualifications of directors, the responsibilities of directors and the penalties for which they may be liable. Legislative Acts are seldom changed.

In British Columbia, the *Business Corporations Act* is also important to co-operatives. The *Cooperative Association Act* of British Columbia incorporates, by reference, several sections of the *Company Act* which has been replaced by the *Business Corporations Act*.

Directors are not expected to know all the details of the *Act* that sets out the rules and requirements for operating a co-operative in their province, but they should know how to access the information and familiarize themselves with the relevant parts of the *Act* that refer to the responsibilities and obligations of Directors and Officers.

Here are the links to each of the provincial Acts:

[Manitoba Co-operatives Act](#)

[Saskatchewan Co-operatives Act](#)

[Alberta Co-operatives Act](#)

[British Columbia Co-operative Association Act](#)

[British Columbia Business Corporations Act](#)

2. THE REGULATIONS

In addition to the *Act*, each province has *Regulations* passed by the provincial cabinet. The *Act* generally sets out the framework of a regulatory scheme and delegates the authority to develop the details and express them in regulations.

The contents of the *Regulations* vary from province to province, but most contain forms to be used when incorporating a co-operative, fee schedules and other routine items.

A co-operative requiring legal interpretation of a provincial *Act* or *Regulations* should first contact their Retail Advisor or the Associate Vice-President in their region. They may in turn refer the co-operative to legal counsel if necessary.

3. BYLAWS OR RULES

Bylaws or rules deal primarily with matters relating to the particular needs of each co-operative, such as number of directors, procedure for holding meetings, distribution of surplus and withdrawal of members.

Bylaws/rules are established by the members and are binding on all members who chose to join the co-operative. Each member, when joining the co-operative, agrees to be bound and to abide by them. Any changes to the co-operative's bylaws/rules must be made by the members by special resolution at a general meeting, usually on recommendation from the Board of Directors. It is therefore the responsibility of the board to understand the bylaws/rules, to be guided by them, to communicate their content to members, and to recommend amendments as needed.

In Alberta, Saskatchewan and Manitoba, each co-operative is responsible for drawing up its own bylaws in accordance with the provisions laid out in the *Act* and the *Regulations*. In British Columbia, the *Regulations* have a set of rules attached as a schedule that may be adopted or modified by each co-operative. The *Acts* in these provinces also set out procedures for changing or adding to the bylaws or rules.

Updating Bylaws/Rules

As a good practice, the co-operative's bylaws or rules should be reviewed by the board every three to five years, in collaboration with the General Manager. The board may see fit to assign a board committee to undertake this task and make any recommendations for changes to the board.

If there are recommendations for changes, they must be set out in the appropriate resolution with proper notice for consideration at the next membership meeting. The process for amending a co-operative's bylaws/rules is laid out in provincial legislation and often, in the bylaws/rules themselves. The General Manager or your Retail Advisor will support you to ensure that the process is consistent with provincial legislation and the co-operative's bylaws/rules.

Proposed bylaw or rule amendments should be submitted to the provincial department in charge of co-operatives for review prior to bringing it to the members to ensure that there are no legal or other impediments to the proposed changes.

The bylaw/rule amendment is then taken to the co-operative's membership meeting for approval.

In British Columbia and Saskatchewan, changes to rules or bylaws are not effective until filed with the Registrar. In Alberta, changes are to be filed with the Director (of Co-operatives) within 60 days of coming into force. Manitoba does not have any requirements for filing bylaw changes.

Once government approval is given, the bylaws/rules are consolidated to reflect the amendments. An updated version of the bylaws/rules is put on file and is also distributed to the directors.

4. INCORPORATING DOCUMENTS

Another important legal document for co-operatives to maintain in their files is the incorporating document:

- in British Columbia, the memorandum of association;
- in Alberta, Saskatchewan and Manitoba, the articles of incorporation or articles of amendment.

This document details the nature of the business to be conducted by the co-operative. Like the co-op's bylaws/rules, the incorporating documents should also be reviewed every three to five years to ensure that the provisions are still relevant.

5. MEMBERSHIP APPLICATION

The application for membership signed by each applying member is a legal contract in which the member agrees to abide and be bound by the bylaws or rules of the co-operative. Each member's application form should be kept in a safe location at the co-operative.

6. KEEPING RECORDS

Each of the provincial *Co-operatives Acts* sets out what records must be kept at the registered office and those that must be made available to members upon request. The *Acts* also include requirements for maintaining membership lists and how, for what purposes and by whom they may be accessed. It is best to check with your Retail Advisor before making any records or membership lists available to anyone.

In general, co-operatives must keep a record of:

- their articles and bylaws and all amendments to its articles and bylaws;
- minutes of member meetings and resolutions of members;
- the register of its directors;
- the register of its members;
- the investment shareholders, if any; and,
- a security register if applicable.

In addition to the records described above, a co-operative shall prepare and maintain adequate accounting records and records containing minutes of meetings and resolutions of the directors and any committee of directors. The section pertaining to records for each *Act* can be found here:

[Manitoba](#)

[Saskatchewan](#) (see Part 4)

[Alberta](#) (see Part 1, Division 5)

[British Columbia](#)

SECTION B: FEDERATED CO-OPERATIVES LIMITED (FCL) AND THE CO-OPERATIVE RETAILING SYSTEM (CRS)

FEDERATED CO-OPERATIVES LIMITED (FCL)

FCL is what is known as a second-tier co-operative. It is owned by its retail co-op members located throughout Western Canada. FCL provides its member-owners with central wholesaling, manufacturing and administrative services. It employs thousands of people across Western Canada and is a significant contributor to the economy of the region.

As a part of FCL, each member-owner co-operative not only has access to a wide range of goods and services, it is also part of a system that is much bigger than the sum of its parts. FCL's mission is *to provide responsible, innovative leadership and support to the Co-operative Retailing System, for the benefit of members, employees and Canadian communities*. Its vision is *to set the world standard in consumer co-operative excellence*.

FCL also has an aspirational statement that sets a clear direction for where the organization wants to be. *“Strong co-operative governance is the foundation upon which we pursue a common purpose with our retail owners. Working together, we sustain a vibrant Federation by creating shared value. We leverage our financial strength to steward the sustainable growth of our Co-operative Retailing System. At Co-op our members/customers feel at home, because we are part of the fabric of the communities we serve. We foster meaningful careers and inspire our employees to bring our brand to life every day. We model and celebrate a culture of teamwork, learning and innovation.”*

In order to achieve the vision and bring this statement to life, FCL needs to work closely with all of its member-owners. It does so by providing a range of supports and services to both boards and managers in each of the five regions.

For more detailed information about Federated Co-operatives Limited, go to the [website](#).

More information about co-operatives and the co-operative difference is also available in the Appendix.

THE CO-OPERATIVE RETAILING SYSTEM

The Co-operative Retailing System (CRS) began in 1928 in Western Canada when locally owned retail co-operatives worked together to form provincial wholesales in order to expand their purchasing power. The co-operative wholesales in the four western provinces, along with the Co-operative Refinery Complex (CRC) in Regina, joined together to form Federated Co-operatives Limited. Today, the CRS is comprised of over 200 retail co-operatives and FCL, which provides a wide range of services to its members.

Click [here](#) for more information about the CRS.

Directors can also learn more about FCL and the CRS by going online to the Co-op Learning Centre and reviewing the course entitled *Understanding Co-operatives*.

SECTION C: BOARD OPERATIONS

ROLE AND RESPONSIBILITIES OF A RETAIL BOARD OF DIRECTORS

The Board of Directors is elected by the membership to lead and guide the co-operative on their behalf. This description of role and responsibilities was developed and validated by over 600 directors in the CRS at the 2013 Fall Conferences.

ROLE

To plan and oversee the business of the co-operative in accordance with the applicable legislation, regulations, bylaws and policies so that it meets the needs of its members and effectively moves the co-operative towards achieving the strategic goals and objectives developed jointly by the board and management.

CORE RESPONSIBILITIES

Provide Strategic Direction and Monitor for Results

- Establish and annually review the co-operative's mission, vision and values to ensure relevance.
- Work with management to develop long-term business strategies that align with the co-op's mission and vision, and with the overall strategic direction of the Cooperative Retailing System in Western Canada
- Monitor progress towards achievement of objectives identified in the long-term business strategies.

Ensure Effective Board Operations

- Elect the President/Chair of the board and define the position's duties, responsibilities and authority; establish remuneration (if applicable) and evaluate performance.
- Establish the organization of the board, including appointment of officers and committees, and clearly define the responsibilities and authorities for each.
- Establish and regularly review board policies and codes of conduct for the maintenance of an informed, ethical and effective Board of Directors.
- Engage in ongoing learning and training to develop board and individual Director competencies.
- Establish an appropriate nomination process to attract qualified candidates to the board with the requisite competencies.
- Put in place a process to assess performance of the board.
- Clearly delineate board and management responsibilities in implementing operational and long-term strategic plans.

Conduct Monitoring and Oversight

- Review and approve capital and operating budgets.
- Review and approve major plans and programs.
- Review and approve organizational policies.
- Ensure that management has in place a rigorous process for identifying, prioritizing, managing and monitoring its critical risks and that the process is improved continuously as the business environment changes.
- Be aware of the most significant risks affecting the co-operative and ensure that management is responding appropriately to these risks in accordance with the co-operative's philosophy and appetite for risk.
- Analyze and assess the co-operative's financial performance against budget, industry benchmarks and co-operative standards where applicable.

- Ensure that both internal and external audits are carried out and analyze results.
- Oversee the appropriate management of the co-operative's assets.
- Preserve the co-operative structure of the organization.

Ensure Organizational Performance

- Appoint the General Manager, define the position's duties, responsibilities and authority, establish remuneration, ensure development of an annual performance plan, monitor and evaluate performance and ensure his or her ongoing learning.
- Establish a succession plan for the General Manager.

Foster Effective Communications and Relations

- Maintain ongoing, open and direct communications with members and bring relevant concerns, perspectives and ideas to the attention of the board.
- Provide for the annual and any special general meetings of members and ensure appropriate and timely reporting on the stewardship of the resources of the co-operative.
- Foster effective relations and co-ordination with other co-operatives serving the area, as appropriate.
- Maintain effective relations with community stakeholders.
- Promote awareness of the co-operative model in the community and encourage the co-operative's participation in community activities.
- Raise members' awareness about the Co-operative Retailing System in Western Canada.

DIRECTORS' LEGAL OBLIGATIONS

Duty

The *Acts* in each province impose a duty on every director and officer that they must, in exercising their powers and performing their duties of office:

- act honestly and in good faith with a view to the best interests of the co-operative; and,
- exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

These duties are owed exclusively to the co-operative and not to any one or more of the members of the co-operative.

Directors cannot place their own private interests in conflict with their duties owed to the co-operative. A director cannot take personal benefit from his/her position and must disclose any conflict or potential conflict to the board in a timely fashion.

Best Interests

When considering the best interests of the co-operative, directors are expected to consider the interests of the co-operative's members/shareholders as a collective whole rather than thinking only of the co-operative as an abstract legal entity. This means taking into account the interest of all the members/shareholders and not allowing one sectional interest to prevail over all the others. In general, directors and officers act in the co-operative's best interests when they act in ways that maximize profits and take into consideration the interests of all the members/shareholders.

Confidentiality

The general principles of director confidentiality are:

- Directors have no obligation to share board minutes or the details of board discussions with anyone outside the board, not even members or employees of the co-operative; and,
- Directors must not share sensitive information from board minutes or board discussions with anyone outside the board, not even members or employees of the co-operative.

As a part of a director's duty of loyalty, they must keep confidential board minutes and the details of board discussions. Any communications from the board should come from the board and not from individual members. Breach of the duty of confidentiality could result in damages to the co-operative for which a director may be found liable.

Statutory Duties

There are a number of legal requirements whereby a director may be found personally liable. These include potential liability to the co-operative's employees for unpaid wages and liability to the co-operative where the directors have voted to issue shares in the co-operative to someone for less than fair value or where the directors have voted to redeem shares contrary to the *Act*. Be sure to review the *Act* in your jurisdiction to determine what specific liability is placed on directors. As well, personal liability can be incurred by a director where the co-operative commits an offence under a number of acts including the *Canadian Environmental Protection Act*.

Good Management

Upon appointment as a director:

- Become familiar with the co-op's policies and the current structure of management;
- Become familiar with the nature and extent of the co-ops articles of incorporation, its bylaws and its organizational objectives;
- Determine the degree to which indemnification of directors is provided through agreement, bylaws and/or through directors' liability insurance.

On an ongoing basis:

- Attend all or at least the vast majority of board meetings;
- Prior to meetings, ensure you have received and reviewed all documents and reports on which voting is anticipated;
- Review in detail all minutes of meetings and ensure that any clarifications and corrections are brought forward prior to approval;

- Review in detail all financial statements and ask questions for clarification;
- Obtain written legal opinions for any action to be taken by the board which is outside the directors' expertise;
- Obtain written professional opinions from specialists on whose advice the board is expected to act;
- Maintain minutes recording any disclosure, dissent or abstention by you or other board members;
- Vote against any expenditures if there is a question about the solvency of the co-operative;
- Inquire on at least an annual basis as to whether the co-operative is up to date on tax payments, EI and CPP remittances;
- Implement controls for the execution of cheques and contracts;
- Comply with the duty of confidentiality;
- Avoid or disclose any conflict of interest in a timely fashion; and,
- Do not leave decision making to other directors; you rely on the other directors and officers at your risk.

CODE OF CONDUCT FOR DIRECTORS

Directors are elected by the members of a retail co-operative to represent their interests. Laws of the province of incorporation and the bylaws or rules of the co-operative define the manner in which the co-operative will conduct its affairs.

Legally, directors are expected to:

- Comply with all provincial government legislation and regulations, as well as the co-operative's bylaws/rules;
- Understand the co-operative model and principles;
- Effectively represent the interests of the members and report back to them; and,
- Abide by good governance practices.

This Code of Conduct reflects the co-operative's expectations and intentions with respect to the behaviour of its directors. All directors are expected to:

- Demonstrate commitment by purchasing the goods and services provided by the co-operative to the fullest extent possible.
- Make impartial decisions that are in the interests of the co-operative as a whole, rather than for one's private interests.
- Avoid all conflicts of interest, real or perceived, that could damage the co-operative.
- Respect and abide by board decisions on all issues.
- Maintain confidentiality with regard to boardroom discussions and privileged information (including verbal information), documents and reports.
- Recognize and respect lines of authority and responsibility delegated to the General Manager.
- Develop and maintain a relationship of trust and respect between the General Manager and the board.
- Be aware of and understand the co-operative's mission, vision, values and strategic priorities.
- Continue to develop their competencies as directors by participating in learning activities.
- Represent the co-operative and FCL in their community by demonstrating the core values of integrity, excellence and responsibility.
- Support FCL and the CRS by actively participating and supporting the efforts of the federation.

This document reflects the provisions of the Code of Conduct described in the section above. All retail co-operatives are encouraged to have new directors read and sign the Commitment to Office at the Annual Meeting or at the first meeting of directors that immediately follows their election to the board. As a good practice, directors in office should also review and sign the Commitment to Office on an annual basis.

COMMITMENT TO OFFICE

of _____ **Co-operative Association Limited**

I recognize that, in taking my place on the Board of Directors of _____ Co-operative Association Limited (the "Co-operative"), I have accepted an important stewardship position. I understand the role and responsibilities of the Board of Directors and pledge to carry them out to the best of my abilities. I also understand that _____ Co-operative is a member-owner of Federated Co-operatives Limited (FCL) and as such, I will reflect its core values of integrity, excellence and responsibility in the execution of my duties.

1. I will contribute to the fulfilment of the mission, goals and strategic priorities and objectives of the _____ Co-operative Association.
2. I will not knowingly violate the provisions of the _____ Act (the "Act") or the bylaws ("rules" in British Columbia) of the Co-operative, and, if a violation of the Act or the bylaws (rules) becomes known to me, I will disclose it to the Co-operative.
3. I will give the highest priority to the interests of the Co-operative and declare any conflict that exists between my personal interests and those of the Co-operative.
4. I will patronize the business of the Co-operative to the best of my ability.
5. I will support the decisions of the Co-operative Board of Directors and recognize the confidentiality of the discussions that lead to those decisions.
6. I will collaborate with management while respecting the different roles and responsibilities accorded to both board and management.
7. I will facilitate communication among the members of the Co-operative by reporting to the Co-operative's members the decisions of the Board of Directors and communicating the viewpoint of those members to the Board of Directors.
8. I will assist the members of the Co-operative to understand and fulfil their responsibilities as members.
9. I will participate in educational opportunities to enhance my contribution as a member of the Board of Directors and as a co-operative leader.
10. In keeping with a director's legal obligations, I will exercise honesty, loyalty, care, diligence, skill and prudence in carrying out my duties as a board Member.
11. I will participate and support FCL and the CRS in promoting a united federation.

Dated: _____

Witness

Director

ORGANIZATION STRUCTURE

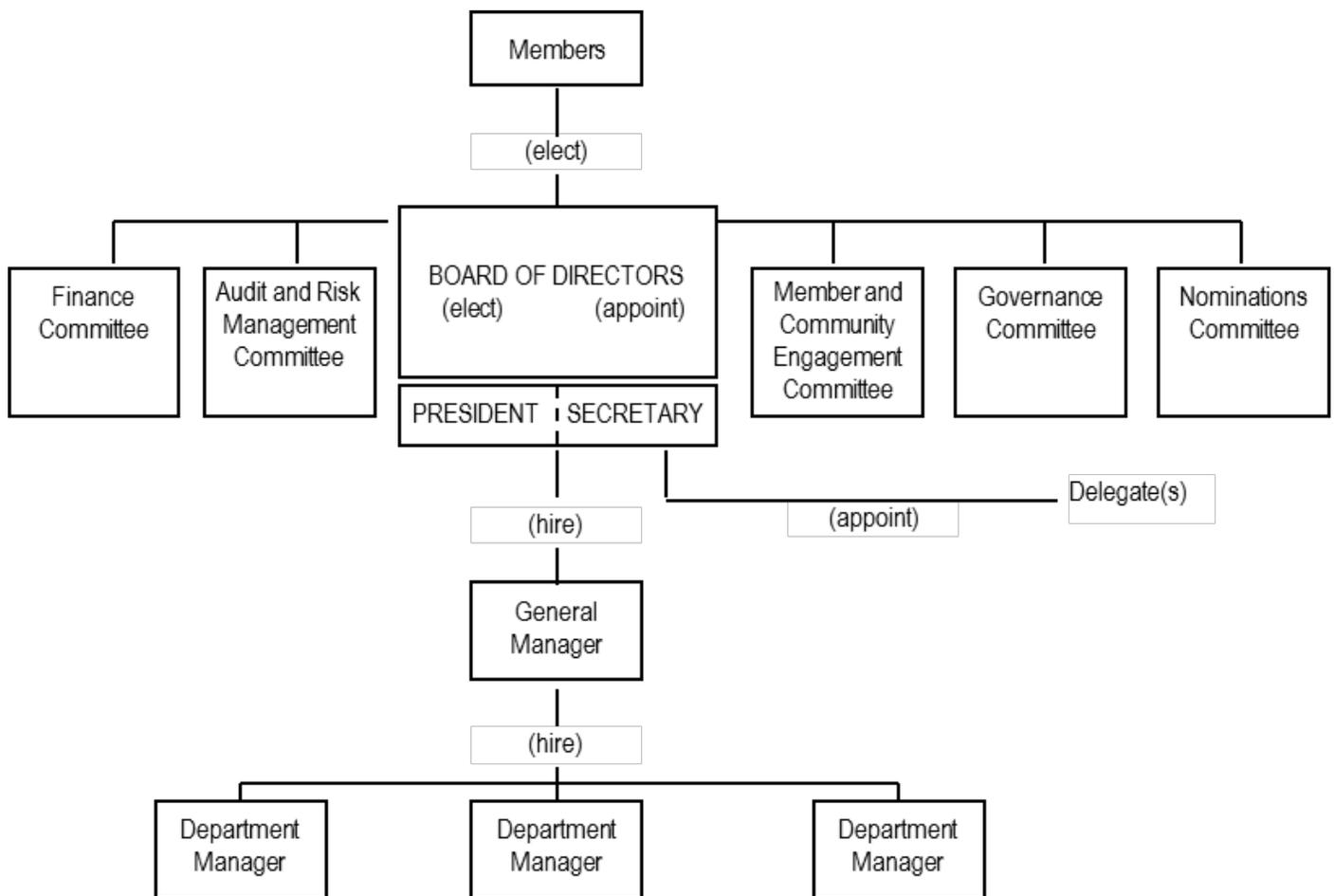
Each co-operative should be structured in a manner that is consistent with the framework of the *Act* and its own bylaws/rules. Establishing the structure helps to clarify and define accountabilities, roles and responsibilities, reporting relationships, and the authorities of each of the key stakeholders.

Tools that can help the board to both establish and communicate the structure are:

- the organization chart;
- position descriptions for each role on the board and for each committee.

A co-operative structure should reference the members, the Board of Directors that has been elected by the members, the three most common Officer positions of President/Chair, Vice-Chair and Secretary, the FCL delegate(s), board committees and the General Manager, to whom much of the day-to-day responsibilities are delegated.

Here is an example of an organization chart for a retail co-operative. It is the responsibility of the board to not only determine the structure but to also keep it updated to reflect any changes.



ROLES AND RESPONSIBILITIES OF OFFICERS

Below are suggested descriptions for three positions that are part of the democratic governance structure of a co-operative: President (or Chair), Vice-Chair and Secretary of the Board. The President is an elected position while the Vice-President and Secretary may be elected or appointed, depending on the policies set out by the co-operative. It is important that the Board of Directors discuss and adopt clear and accurate descriptions for each of the positions that are part of their respective structures.

POSITION DESCRIPTION – PRESIDENT

The President is elected by the directors soon after the Annual Meeting. The term of office is generally for one year. The role of the President requires knowledge of the co-operative model, the CRS and of the co-operative itself, knowledge of good governance practices, strong leadership and communication skills, the ability to build relationships and partnerships, promote teamwork, foster a culture of respectful discussion and debate among the directors, and a consistent focus on results.

Accountable To: The Board of Directors

Core Function: Provides strategic leadership to the Board of Directors in carrying out its role and responsibilities, coordinates its activities and guides it towards achieving excellence in co-operative governance.

Responsibilities:

1. In concert with the General Manager, develops and sets agendas for board meetings.
2. Chairs meetings of the board and of the Executive Committee (if one exists).
3. Calls special meetings as necessary.
4. Ensures that the directors are properly informed, to enable them to form appropriate judgements and make decisions.
5. Ensures that all of the directors are actively engaged and contributing to the work of the board and its committees.
6. Reports to the members on behalf of the Board of Directors.
7. Acts as an alternative spokesperson to the General Manager, for the co-operative, when this has not been otherwise delegated by the board.
8. Leads the annual process to evaluate the board's effectiveness.
9. Fosters a culture of ongoing training and development to support excellence in board governance.
10. Orients all new directors to the organization and to their role and responsibilities.
11. Maintains a good working relationship with the General Manager and provides strategic counsel, as necessary.
12. Is an *ex officio* member of all committees of the board.
13. Is a signing officer for the co-operative, as per the bylaw or by resolution of the board.

POSITION DESCRIPTION – VICE-CHAIR

The Vice-President fulfills the duties of the President of the Board in his/her absence or as delegated by the President of the Board.

Accountable To: The Board of Directors

- Responsibilities:**
1. Fulfills the responsibilities of the President of the Board in his/her absence.
 2. Performs other responsibilities as assigned by the President, which can include representing the co-operative at public and other meetings.

POSITION DESCRIPTION – SECRETARY

In general, the Secretary is an appointed position. It can be a director on the board or an employee of the co-operative. The General Manager should not assume this role. If the Secretary is someone other than a director (such as a Recording Secretary present to take minutes only), the person will need to be provided with a position description, which includes the requirement to respect confidentiality of all board discussions and decisions.

Accountable To: The Board of Directors

Core Function: Ensures that accurate, sufficient and appropriate documentation exists to meet legal requirements, and to enable authorized persons to determine when, how, and by whom the board's business was conducted.

- Responsibilities:**
1. Ensures that accurate minutes of board, committee, and membership meetings are taken and approved.
 2. Provides for proper notification of directors' and members' meetings as specified in the bylaws.
 3. Ensures that the records of the organization are maintained as required by law and that such records that may be requested (as set out in the *Act*) are made available when requested by authorized persons.
 4. Assures the safety and security of all board records and the seal of the co-operative.
 5. Is a signing officer for the co-operative, as per the bylaw or by resolution of the board.

POSITION DESCRIPTION – DELEGATE

The members of FCL are the locally-based co-operatives throughout Western Canada. FCL uses a system of representation whereby each member co-operative appoints a delegate (or delegates) to be part of FCL's decision-making body. Delegates are generally, but not exclusively, drawn from among the Directors of each FCL member. Delegates are either appointed or elected by their co-operative. The number of FCL delegates a co-operative has depends on the level of purchases it made from FCL in the previous fiscal year. The General Manager can provide more information on the number of FCL delegates that the co-operative is entitled to have.

Accountable To: The FCL Member they represent (the "Member")

Core Function: To represent the Member at FCL meetings and to act as a liaison between FCL and the Member.

Responsibilities:

1. Represent the Member in FCL's district, region, annual and special meetings; participate by asking relevant questions and engaging in discussions on identified topics and issues.
2. Report back to the Member on FCL meetings and other FCL activities attended by the delegate.
3. Consider, propose, debate and vote on resolutions and proposals at FCL annual and special meetings.
4. Represent the Member in the election of the FCL District Director and the District Resolution Committee member.
5. Participate in FCL training and learning opportunities to further develop competencies.
6. Support and promote the Co-operative Retailing System.

ESTABLISHING COMMITTEES OF THE BOARD

PURPOSE

Well-structured and effective board committees are the engines that power many of the core responsibilities of the board. By focusing on one particular area, committees enable the board to better fulfill its range of responsibilities. Committees can significantly improve a board's overall effectiveness by allowing it to expeditiously review and approve committee work, opening up more time for substantive discussions on the bigger picture and future-oriented issues at the full board meetings. By voting to adopt a committee's report, the board adopts its findings, conclusions and recommendations as if it had itself carried out all the work. As co-ops increase in both size and complexity, effective committee work becomes essential.

Committees can be used to undertake a number of tasks such as providing more in-depth oversight and analysis of performance versus goals in such areas as finance, or framing issues and options that will ultimately come to the full board when setting strategic directions. Committees may be tasked with recommending policies and processes for approval by the entire board. For ongoing, major activities, standing committees are put in place and are generally referenced in the co-operative's bylaws. Ad hoc committees can be struck for short-term activities and the committee ceases to exist when the work is completed.

TERMS OF REFERENCE

Whatever the purpose, when developing committees, the board needs to ensure that clear terms of reference are in place. The terms should include: the committee's purpose, a defined set of duties, responsibilities and authority, its size and composition, term limits (if any), and any procedures that the committee is expected to follow.

AUTHORITIES

All committee authority comes from the full board. Committees assist the board by bringing reports and recommendations for board action. The only final decisions a committee may make are those for which the full board has granted authority and decision-making guidelines in the bylaws or in a formal written policy.

SIZE

The ideal working size for a committee is the smallest range that balances the need for subject matter competence and effective group interaction. The size of committees is also a function of the size of the board. It is recommended that at least two board members serve on each committee and that directors are not overloaded with participation on too many committees. If the size of the board is relatively small, it may choose not to have committees but to deal with all matters at the board level. If so, it should choose to meet as a Committee of the Whole to allow for the necessary time to discuss and deliberate on matters normally delegated to a committee; otherwise, bringing all matters to board meetings can significantly extend the length of such meetings.

COMPOSITION

The composition of committees should make full use of board members' expertise, time and commitment, and ensure a diversity of opinions.

While inviting non-board members of the co-operative to attend board meetings other than to make a presentation or give a report is disallowed, inviting members to participate in committees can be a beneficial practice for several reasons:

- it can add expertise not present on the board;
- it can engage potential future board members and allow the board to check for cultural fit and competencies;
- it can broaden member input and increase the diversity of ideas; and,
- it can help smaller boards populate committees with a critical mass for a working group.

It should be noted that some provincial *Co-operative Acts* restrict committee membership to directors only. Check your respective *Act* before considering inclusion of non-board members.

Including non-board members in committees works best for those that deal with matters that are not of a confidential nature and for whom specific powers are not delegated. The bylaws and committee terms of reference should clarify whether non-board members may vote.

A staff member can also participate as a resource to the committee, bringing information to the table and answering any questions that relate to implementation, but staff members must not unduly seek to influence the committee's decisions. A committee may also request the engagement of experts for certain complex situations or deliberations.

Committee members should seek to appoint their own Chair amongst themselves and if that is not possible, the board President should ensure that the most appropriate board member is appointed to take on the duties and responsibilities of committee Chair. The board President is *ex officio* member of all committees but in most cases, should not assume the role of a committee chair.

NUMBER OF MEETINGS

The number of committee meetings in a year will vary in relation to the nature of the mandate and the issues that may arise. Meetings should be held between full board meetings, to allow sufficient time to complete any reports or recommendations back to the board. When a committee report is made, the Chair should report, as opposed to a staff member. A staff person can be present and ready to supplement the Chair's reports and answer questions, but it is the Chair that carries the torch of fiduciary duty. Minutes should be recorded for all committee meetings and appropriately filed for ease of reference.

ESTABLISHING ANNUAL COMMITTEE GOAL(S)

As part of good governance practice, each committee should also set out a limited number of annual goals specifying its principal work focus for the coming year along with a written plan that describes how the committee will achieve its goal(s). These can include what are called stretch goals that are meant to enhance or deepen the committee's knowledge or expertise on a given topic or issue. For example, a Finance Committee may decide it wants to review the profitability of a particular business line against industry benchmarks or increase its level of awareness and understanding of key financial ratios and how to interpret the data. Each committee then reports back to the full board on the achievement of its goal(s) and shares any relevant findings and recommendations that have resulted from its work.

TYPES OF COMMITTEES

The committees that a board requires or chooses to implement depend on a number of factors such as size of the co-operative, the degree of complexity of its operations, and its level of organizational maturity. In general, in order to carry out the role and the core responsibilities of retail co-operative boards, the standing committees that should be considered are:

- Finance;
- Audit and Risk Management;
- Member and Community Engagement;
- Nominations; and
- Governance.

Some boards combine the nominations and governance functions into one committee, but for retail boards that choose to include non-board members in a nominations committee, it would be necessary to keep the two functions separate. Governance committees have evolved over the last two decades beyond the nominations process. Today, governance committees are tasked with fine-tuning the board's own structures and operations – functions that affect the board's ability to deliver value to the membership. They can also take on additional responsibilities delegated to it by the board such as guiding long-term strategy development.

A WORD ON EXECUTIVE COMMITTEES

In Canada, the number of boards with Executive Committees has been in a steady decline over the last twenty years. Most of the retail boards that are part of FCL are generally small, with 5 to 9 directors; this therefore reduces, if not eliminates, the need for such a committee.

Executive committees should only be considered if board approvals are required between meetings, where the board is large and dispersed, or if the board wishes to attribute other specific functions to an Executive Committee. Like other committees, it should be clear in the terms of reference what authorities are delegated to it by the board. The full board should be briefed on decisions made and actions taken by the Executive at the earliest possible opportunity.

The following sections present suggested Terms of Reference for the committees most likely to be established by a co-operative. These are to be used as guidelines only for retail boards. It is up to each board to reflect on their particular requirements, their current context and the degree of complexity of their work, in order to determine what committees will be most useful and instrumental in helping the board carry out its role and responsibilities.

SUGGESTED TERMS OF REFERENCE – FINANCE COMMITTEE

PURPOSE

The Finance Committee ensures that the co-operative remains financially sound by regularly reviewing financial performance against goals. It also reviews and recommends financial policies that support and advance the co-operative's mission, vision and strategic goals.

ESTABLISHMENT AND COMPOSITION

The members of the committee are appointed annually by the Board of Directors at the board reorganization meeting following the Annual Meeting. The committee shall consist of the General Manager, Controller or Office Manager, and at least three board members. Where possible, the committee should seek directors with backgrounds in finance, accounting, business, and business ownership. The committee shall appoint a Chair from among the committee members.

AUTHORITY

The committee's authority is delegated to it by the Board of Directors to help fulfill its financial monitoring and oversight function. It reports back to the board on a regular basis. It has authority to make recommendations to the board, on all policies and significant transactions relating to financial matters,

DUTIES AND RESPONSIBILITIES

1. Review and recommend an annual operating budget and annual capital budget consistent with the long-range priorities, financial plan and financial policies.
2. Monitor financial performance against budget, industry and co-op benchmarks and review major differences with management.
3. Review and recommend authority limits for management on such items as fixed asset purchases, major repairs and interest write offs.
4. Review and recommend changes to credit, fixed asset (request for expenditures), accounts receivable and equity management policies.
5. Review and approve recommended account write-offs.
6. Review year end financial results and recommend patronage allocation rates.
7. Review and recommend general cash repayment.
8. Review and recommend pay-out of equities in accordance with the co-operative's policy.
9. Review, recommend and approve sale and purchase of fixed assets outside of management authority limits.
10. Consider and recommend any other financial policies that maintain and improve the financial health of the co-operative.
11. Review the financial aspects of major proposed transactions and new services as well as proposals to discontinue services and make recommendations to the board.

REPORTS

The committee will receive the following reports:

- Quarterly and annual financial statements;
- Accounts receivable reports;
- Key financial ratios;
- Investment reports; and
- Other financial reports, as deemed appropriate and necessary by the committee.

SUGGESTED TERMS OF REFERENCE – AUDIT AND RISK MANAGEMENT COMMITTEE

PURPOSE

The Audit and Risk Management Committee assists the board in fulfilling its oversight responsibilities for the integrity of the co-operative's consolidated financial statements; compliance with legal and regulatory requirements; assessing the qualifications, independence and performance of the external auditor; and the performance of the internal audit function.

ESTABLISHMENT AND COMPOSITION

The committee shall be appointed on an annual basis at the board reorganization meeting following the Annual Meeting. The committee will be comprised of a minimum of three members of the board. Where possible, the committee should seek directors with backgrounds in finance, accounting, business, and business ownership. The internal auditor or other staff member as designated by the General Manager will serve as secretary to the committee. The committee shall appoint a Chair from among the committee members.

AUTHORITY

The committee's authority is delegated to it by the Board of Directors to help fulfill its monitoring and oversight function. It reports back to the board on a regular basis. It has authority to make recommendations to the board on all financial matters pertaining to the audit function and to risk management and mitigation.

DUTIES AND RESPONSIBILITIES

Internal Controls and Risk Management

- Assess the effectiveness of the risk management process in the identification, prioritization, management and monitoring of risks.
- Assess the effectiveness of controls to mitigate risks including the safeguarding of assets and compliance with laws and regulations.
- Discuss with management, external and internal auditors the risk of fraud and how the risk is mitigated.
- Inquire as to whether any ethics hotline or whistle blower concerns were raised by staff or others and the resolution of such concerns.

Internal Audit

- Oversee the internal audit function.
- Ensure the internal auditor has direct access to the board President and the audit committee and is accountable to the audit committee.
- Receive the report of the results of the internal auditor's work.

- Meet with the internal auditor a minimum of once a year.
- Review and assess management's responsiveness to the internal auditor's findings and recommendations.
- Monitor and assess the role and effectiveness of the internal audit function in the overall context of the co-operative's risk management system.
- Review the internal audit charter, plans, activities, staffing and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations on the functioning of the internal audit department.

External Audit

- Annually consider and make recommendation to the board on the appointment, reappointment or removal of the external auditor, so that the board can then bring a recommendation to the membership at the Annual Meeting.
- Review the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided, and recommend approval to the board.
- Discuss with the external auditor, before the audit commences, the nature and scope of the audit.
- Receive from the auditor any queries and investigate these and related matters as deemed necessary.
- Review, with the external auditor, the findings of its work, including any major issues that arose during the course of the audit.
- Recommend approval of the consolidated financial statements to the board, once the review is complete. The board then makes its recommendation to the membership.

Consolidated Financial Statement

- Review the annual consolidated financial statements and recommends their approval to the Board. This review includes consideration of:
 - Complex accounting estimates and judgements made by management.
 - New accounting principles or regulations.
 - The external auditor's views on management's selection of accounting principles, accounting adjustments arising from their audits, disagreements or difficulties encountered in working with management.

REPORTS

The committee will receive the following reports:

- Internal auditor's annual report;
- External auditor's report;
- The committee shall have access to any and all books and records of the co-operative required for the execution of its responsibilities and, as such, shall discuss with the internal auditors, such records and other relevant matters.

SUGGESTED TERMS OF REFERENCE – MEMBER AND COMMUNITY ENGAGEMENT COMMITTEE

PURPOSE

The Member and Community Engagement Committee assists the board to increase membership and member awareness and engagement in the co-operative, and to enhance the co-operative's presence, image and reputation in the community.

ESTABLISHMENT AND COMPOSITION

The committee shall be appointed on an annual basis, at the reorganization meeting that follows the co-operative's Annual Meeting. The committee will be comprised of a minimum of two members of the board and may include individuals from among the general membership. It shall appoint a chair from among the committee members who are directors. A staff member responsible for member relations or communications and marketing could also be included in this committee.

The board should actively seek committee members with some or all of the following competencies: good networking skills, knowledge and/or experience in communications or marketing, knowledge or a professed interest in corporate social responsibility (CSR), and an appetite for innovative thinking.

AUTHORITY

The committee's authority is delegated to it by the Board of Directors, to help it fulfill its core responsibility of fostering effective communications and relations with the members and with the broader community. It may delegate authority to this committee to carry out programs and make expenditures insofar as they are pre-approved by the board.

DUTIES AND RESPONSIBILITIES

Increase and Engage Membership

- Gather information and analyze the composition and characteristics of the membership and membership trends as well as demographic information in the community/catchment area served.
- Based on analysis, propose an annual plan with targets and measurable goals for increasing membership; monitor implementation of the plan and assess outcomes at year-end.
- Identify and ensure implementation of strategies for regularly monitoring member needs and review results.
- Support the development of Annual Meeting agendas so that they are designed to both inform and engage the membership.

Raise Awareness about the Co-operative Model among Members and in the Community

- Periodically evaluate the content and process for orienting and educating new members.
- Make strategic use of social media to raise awareness about the co-op and the brand values (locally invested, community-minded, lifetime membership benefits).
- Identify and act on all opportunities for raising awareness about co-ops in the community. Ensure the value proposition for co-op membership is clearly and consistently communicated.

Engage with the Community

- Develop and propose to the board an annual plan that demonstrates how the co-operative is community-minded.
- Develop and regularly review the co-operative's grants and donations policy; consider alignment with FCL's community investment strategy to leverage contributions.
- Ensure that the co-operative participates and/or contributes in significant community events.

SUGGESTED TERMS OF REFERENCE – NOMINATIONS COMMITTEE

PURPOSE

The Nominations Committee assumes the primary responsibility for matters pertaining to the board's recruitment and nominations function, in accordance with established policies and practices approved by the board. It analyzes the existing gaps in competencies and characteristics at the board table and plays a pro-active role in identifying suitable candidates that will enrich the capacity and overall effectiveness of the board.

ESTABLISHMENT AND COMPOSITION

The committee shall be appointed by the board at least six months prior to the Annual Meeting of the co-operative. The committee shall consist of at least two members of the board who are not eligible for election. It is good practice to invite two or three non-board members of the co-operative, who do not plan to let their name stand for election, to participate in this committee as well. The committee's work comes to an end after it has followed up with both successful and unsuccessful candidates.

DUTIES AND RESPONSIBILITIES

Oversee the entire process of board recruitment, which includes publicizing vacancies, soliciting eligible nominees, assessing their competencies, and ensuring members have the knowledge to make informed decisions when voting for board directors at the annual meeting.

SUGGESTED PROCESS

1. Determine the number of vacancies to be filled and the terms involved.
2. Analyze the competencies and characteristics of directors in office to identify any competency and representation gaps (such as gender, age, diversity, urban/rural representation. (For more information on director competencies, see the Appendix).
3. Lead a brainstorming process with the board and management to identify potential board members, based on the required competencies and characteristics; prioritize a list of potential candidates.
4. Ensure a kit is prepared or information is posted on the co-operative's website about the role and responsibilities of the Board of Directors, expectations for directors (such as the number of board meetings, time commitment required), level of remuneration, the Commitment to Office form, and any other relevant information about the position.
5. Develop a recruitment "pitch" that provides a value proposition for becoming a director of the co-operative. Advertise the vacant position(s) and the competencies and characteristics that are being sought through a variety of channels within the co-operative, including social media.
6. Make personal initial contact with all potential candidates on the list and those that have expressed interest as a result of advertising, Provide the information kit to all who are interested. Follow-up with a second contact to answer any questions and confirm their willingness to let their name stand.
7. Confirm eligibility of each candidate within requirements of the *Act*, regulations and bylaws/rules governing the co-operative.
8. Advise the board of the list of candidates that are eligible and have agreed to let their names stand.
9. Advise all candidates of the date for the Annual Meeting and next steps in process.
10. Publicize to the membership the names of the candidates along with their biographical information.
11. Let names stand at the AGM. (Alternatively, elections can be held prior to the AGM with the results announced at the meeting. Online voting is also an option to consider in order to engage a greater number of members in the democratic process.)
12. Follow up with both successful and unsuccessful candidates. Ensure that the successful candidates are aware of the orientation process for new directors.

SUGGESTED TERMS OF REFERENCE – GOVERNANCE COMMITTEE

PURPOSE

The Governance Committee takes a leadership role to build and enhance the board's effectiveness and continuous improvement.

ESTABLISHMENT AND COMPOSITION

The committee shall be appointed on an annual basis, at the reorganization meeting that follows the co-operative's Annual Meeting. It shall be comprised of a minimum of three members of the board and should include the Board Chair/President. The General Manager generally participates as the staff resource to the Governance Committee.

AUTHORITY

The committee's authority is delegated to it by the Board of Directors to help fulfill its responsibility for effective board operations and to undertake any other related responsibilities, as determined. It reports back to the board on a regular basis. It has authority to make recommendations to the board as to the size, composition, structure, operations, performance and effectiveness of the board, and to make recommendations on all other matters for which it has designated authority.

DUTIES AND RESPONSIBILITIES

- Regularly review the board's self-governance policies and procedures and recommend any changes or new policies and procedures;
- Ensure a succession planning process is in place for the Chair of the board and the committee chairs;
- Conduct an annual evaluation of the overall effectiveness of the board and the committees of the board; ensure evaluation results are shared and performance plans are in place to address competency gaps of the board; and,
- Oversee the development and implementation of an effective orientation program for new members of the board.

Other additional duties of a Governance Committee may include but are not limited to:

- Working with the General Manager to consider how best to engage the board in the process of setting the co-operative's long-term strategy and monitoring progress towards results;
- Acting as a sounding board for the President when dealing with delicate or complicated matters of governance and director performance;
- Acting as a sounding board for the General Manager before complex issues are put to the whole board.

CONDUCTING EFFECTIVE BOARD MEETINGS

A retail board's primary role is to plan and oversee the business of the co-operative so that it achieves its strategic priorities. This requires the board to focus on the bigger picture, longer-term issues to ensure the co-operative's sustainability and growth as opposed to drilling down into day-to-day operations, which rightfully belong to management. Board meeting agendas should therefore reflect attention to strategic governance issues and not operational issues.

SETTING THE AGENDA

An agenda is essential to keep the directors, especially the President, on track during the meeting. It is the responsibility of the President and the General Manager to prepare an agenda together well in advance of the board meeting. The General Manager then distributes the agenda to the board members, along with all supporting documents, reports and handouts.

It is each director's responsibility to review the agenda ahead of time to determine if any changes are needed. If so, proposals for modifications should be made to the President at least two days before the meeting. All supplementary materials should also be read well in advance to ensure robust discussion and informed decision-making.

CONSENT ITEMS

Consent items are reports on items for which the board has delegated its authority to the General Manager as well as general items of information or correspondence being received by the board and requiring no action. These can be grouped together on the agenda. When dealing with consent items, the President asks for a motion to receive the consent items as listed in the agenda and to approve all recommendations contained therein. Prior to approving the motion, any director may request that a consent item be removed and placed in the regular agenda for discussion.

NUMBER AND LENGTH OF BOARD MEETINGS

The time of directors is valuable and many do not have the desire to attend long meetings that are mired in operations or unproductive discussions. Retail co-ops have traditionally had monthly meetings, but there is no compelling reason for that degree of frequency nor is there any particular evidence that monthly board meetings necessarily lead to better organizational outcomes.

Boards should ensure that the number of meetings in a year is sufficient to carry out their duties, that each meeting is well organized to maximize both effectiveness and efficiency, and that meeting agendas are focused on strategic rather than operational matters. Board Presidents play an important role in developing well-structured agendas that make optimal use of the directors' time and competencies. Board Presidents also play a role in keeping the directors focused on the agenda items for each and every meeting.

Current best practice for boards is to review financial statements on a quarterly basis, based on the report of the Finance Committee. Quarterly reporting provides an accurate picture of any emerging trends, while allowing sufficient time to take corrective action if necessary.

IN-CAMERA SESSIONS

An in-camera session of a board meeting provides an opportunity for Directors to share information or raise issues of a sensitive nature, without management in attendance. It is governance best practice for in-camera sessions to be included on all meeting agendas, even if there is nothing to discuss at every meeting. They need not be long. The General Manager should be informed that in-camera sessions are part of good governance practice and that any issues that relate to the management function will be forwarded to their attention shortly after the meeting. The President needs to ensure that in-camera sessions are not used as opportunities to take action without the General Manager present or having the views of the management known. Examples of items for in-camera sessions include: internal board issues and factions, board objectives and performance, board and management succession planning, review of the General Manager's performance, compensation and employment status, etc.

Motions may be passed in in-camera sessions, but they should be limited to exceptional circumstances only. If minutes of in-camera sessions are taken, they should be kept separate and stored with the Secretary's copy of the board meeting minutes. Both sets of minutes will need to be adopted and signed by the President and Secretary at the next board meeting.

SAMPLE BOARD MEETING AGENDA

Below is a sample board meeting agenda. Note that additional items are generally added to the agenda to carry out the board's responsibilities as per the Annual Calendar of Board Activities listed in the next section. The board must also ensure that the co-operative carries out its activities in relation to its membership in FCL, as per the Annual Calendar of FCL activities and events.

Sample Board Meeting Agenda		
Date:		
Time:		
Place:		
<u>Item</u>	<u>Who</u>	<u>Time Allotted</u>
1. Call To Order		
2. Adoption of Agenda		
3. Adoption of Minutes of Last Meeting		
4. Business Arising from the Minutes		
5. Consent Items (if applicable)		
6. General Manager's Report		
7. Committee Reports		
8. New Business		
9. Adjournment		

ANNUAL CALENDAR OF BOARD AND FCL ACTIVITIES AND EVENTS

ANNUAL CALENDAR OF BOARD ACTIVITIES

Over the course of a year, retail boards must also carry out specific or time-bound activities that correspond to their core responsibilities. The following is a list of activities that should be scheduled and carried out on an annual basis:

- Establishing performance goals for the General Manager as per the corporate performance management framework and conducting the GM's performance assessment;
- Planning the Annual Meeting of Members;
- Establishing the learning and development program for the Board of Directors;
- Reviewing bylaws/rules and board policies (can be done every 2 or 3 years);
- Establishment/review of long-term strategic priorities and plans;
- Monitoring of progress towards achieving long-term strategic priorities and plans;
- Review and approval of the annual business plan and budget;
- Review of audited financial statements and meeting with the external auditor;
- Review of the member and community engagement plan;
- Presentation/discussion of industry trends and issues that link to the co-operative's business lines.

ANNUAL CALENDAR OF FCL ACTIVITIES AND EVENTS

As a member-owner, the retail co-operative also participates in a series of meetings and events organized by FCL on an annual basis. Each board is responsible for ensuring that the co-operative is represented at these events, that its views and opinions are brought forward and that directors take advantage of the learning and development opportunities provided by FCL during these events.

<u>Month</u>	<u>Activity/Event</u>
February	Review resolutions submitted for FCL Annual Meeting
March	Delegates Seminars FCL Annual Meeting Report from delegate(s) on FCL Annual Meeting
April	Complete the FCL needs analysis for director training/development
May	Discuss any items for delegate(s) to take to the June District Meetings
June	FCL District Meetings and report from delegates shortly thereafter
August/September	Consider any potential proposals/resolutions to bring forward to FCL (to end of September) Selection of delegates to attend the Region Fall Conference Registration for learning and development seminars
October	Proposals/resolutions to be submitted by October 1 Review proposed resolutions prior to Region Fall Conference
November	Region Fall Conference/learning and development seminars Report from delegate(s) on Region Fall Conference

BOARD POLICIES

A policy is an expression of the will or intent of the board. It is:

- a governing principle;
- a framework for carrying out the work;
- a way for the board to delegate authority;
- a definition of what is to be done.

Policies may further define the application of the co-operative's bylaws but they should not duplicate the content.

There are essentially three types of policies that govern a co-operative's actions:

- **Framework policies:** these policies clarify the organization's mission, vision, values or principles. They also include policies that relate to long-range planning, member and community relations and engagement, relationships with FCL and with other co-operatives, and the relationship and responsibilities of the board vis-à-vis the General Manager.
- **Board self-governance policies:** these state how the board will govern itself. They set out the governing style that the board has adopted, and the roles, responsibilities, and functions of the membership, the board, individual directors and board committees.
- **Operational policies:** these are essentially the operating rules for the business of the co-operative. The General Manager is responsible for implementing these policies. The number and complexity of operational policies depends on the size and complexity of the co-operative, its lines of business and its stage of development.

The Board of Directors concerns itself with the framework policies as well as those policies that govern its own behaviour and actions (self-governance policies). Directors need not create the operational policies that guide the day-to-day functioning of the co-operative; policy implementation in this area is the responsibility of the General Manager and FCL provides assistance. They should nevertheless be familiar with the operational policies, ensure they are consistent with relevant legislation and regulations, and that they are reviewed and updated on a regular basis.

In addition to having policies that describe how the board organizes itself (i.e. number of board meetings per year, how the officers are chosen, terms of reference for committees, use of in-camera sessions, appointment of FCL delegates, etc.), here are examples of other **self-governance policies** that retail boards should consider:

Conflict of Interest: It is important to have a clear policy that deals with real, perceived or potential conflicts of interest where directors could potentially benefit from decisions made or information obtained from their position on the board.

Directors' and Officers' Liability Insurance: Appropriate liability insurance should be obtained to cover all sitting members of the board to protect them from potential claims or lawsuits. The boards of larger co-ops may want to consider putting in place Indemnification Agreements to supplement the protections typically afforded to their directors and officers by director and officer liability insurance.

Confidentiality: A Board of Directors normally functions with a high-level of confidentiality and policies must be in place to ensure that no sensitive information is disclosed.

Board Remuneration and Expenses: Each province's *Act* has different rules on director remuneration. Ensure you know what is required and whether your bylaws speak to this topic. There is also a need for clear policies involving board member remuneration and expenses while in office. This may include the amount of the remuneration and the type of expenses reimbursed, as well as whether remuneration and expenses require approval by the membership at the Annual Meeting.

Director Development: Policies should address the continuing education of directors to ensure that they are properly trained and informed to better exercise their role and responsibilities and how the costs of training will be reimbursed.

Boards that require further guidance in developing policies can get assistance from their General Manager and/or their Retail Advisor. A support document outlining [The Stages of Policy Development](#) can be found in the Appendix to help frame the content for new or existing policies.

ASSESSING BOARD PERFORMANCE

Boards of Directors are entrusted with the stewardship of resources on behalf of the membership. They have a legal obligation to act in the best interests of the co-operative and to use resources effectively. This obligation goes well beyond "approving" financial statements. Boards need to be able to demonstrate accountability for the co-operative as a whole. Is it achieving what it ought to achieve? Has it set long-term goals that will ensure the needs of members are met and that the co-operative remains a sustainable and profitable business enterprise well into the future?

The board works with retail management to set the strategic directions for the co-operative. The board then carefully monitors performance and results, engages with the membership and community, and ensures it follows best practices in how it governs the co-operative. If the board is not doing its job effectively, the whole organization suffers. The board is responsible for its own development, job design, self-discipline and performance. Assessing board performance is not a responsibility that can be delegated to the General Manager.

The purpose of board self-evaluation is not to evaluate individual board members, but the performance of the board as a whole. A good board self-evaluation should be:

- Positive – all directors should come away with a sense of what the board's strengths are;
- Constructive – specific changes that need to be made to board practice or behaviours to improve performance should be identified; and,
- Educational – the board should be able to identify what they still need to learn about and make plans to learn it.

Section C of this manual describes the role and five core responsibilities of the Boards of Directors of retail co-operatives within the CRS. A board self-assessment tool relevant to this 'job description' will be posted on the Retail Directors website. This tool will allow retail boards to identify their areas of strength as well as areas of improvement related to their defined responsibilities.

In order to maximize the benefits of any assessment process, there must be time for the board, as a whole, to digest the results and then agree on follow-up steps or changes that are most likely to enhance its effectiveness. Based on the results of this assessment, boards can then develop a plan to improve their performance in selected areas (such as financial oversight, strategic planning, member engagement, etc.) or for specific competencies (such as teamwork, conflict resolution, etc.).

Once the board has identified the job function or competency that needs to be enhanced, a performance plan could include the following:

- Collective participation of the full board in a related training module that is part of FCL's Director Development Program.
- Investigating best practices of other co-operatives that have demonstrated success in the functional area in which the board is deemed to be weak (ex. effective recruitment strategies for attracting qualified directors).
- Getting coaching services from the FCL Retail Advisor or some other qualified individual from within the FCL management team.
- Receiving support from a recognized expert in the field or a current or former board member with the requisite experience, knowledge or expertise within the CRS.
- Identifying articles or videos on the particular performance 'gap', collectively discussing the concepts or knowledge transmitted through these materials and how these can be applied in the boardroom to make changes to board operations. A section of the new website for retail directors will include a collection of articles and videos that boards will be able to access for this purpose.
- Having a mix of presentations on emerging issues and trends by FCL employees and outside experts, so that directors can benefit from a variety of perspectives on key matters. This is particularly helpful in strengthening capacity in long-range strategic planning.

Performance plans should be carried out over a reasonable time frame, to ensure that the board has the necessary time to learn the new concepts or gain new knowledge, put that knowledge into practice in the course of their meetings, and then assess whether any change in behaviours or practices have occurred.

LEARNING AND ONGOING DEVELOPMENT OF RETAIL DIRECTORS

In addition to identifying and addressing the performance gaps of boards as a whole, providing proper support to individual directors to enhance their knowledge and skills as effective board members is critical to good governance and to help boards manoeuvre through the increasingly complex issues that are before them.

SUPPORTING INDIVIDUAL DIRECTORS THROUGH THE DDP

The Director Development Program is designed to reinforce the competencies required of directors to be effective leaders, decision-makers and stewards on behalf of the membership of the co-operative enterprise. All directors, new and old, have a responsibility to keep themselves informed of the training and learning opportunities available to them through the FCL Director Development Program. They can do this most effectively by going to the Retail Directors website. The board should also have policies in place that facilitate and encourage the ongoing learning of directors.

FOSTERING A CULTURE OF ONGOING LEARNING

The board President/Chair assumes leadership in fostering a culture of ongoing learning in the boardroom. This can be done by inserting time in the agenda for board discussions on specific governance topics, asking directors to share knowledge or concepts learned through participation in a recent learning event, or initiating meetings with other co-op boards in the district or region that have demonstrated success or excellence in a particular board function or competency. Short videos will also be made available to boards that are part of the CRS on a range of governance topics, as a way to elicit director discussions about enhancing board practices.

DIRECTOR SUCCESSION PLANNING

In the last few years, there has been increased focus on succession planning for both management and boards. Until recently, though, many governing boards have approached the nomination process without a great deal of precision or planning. Boards filled vacancies based on whoever was interested in the job, without paying much attention to the qualifications and competencies required to be an effective director. Without question, many visionary, dedicated and accomplished individuals have joined boards through this pathway over the years. However, as expectations for governance accountability and effectiveness increase and the co-operative is faced with more complex issues, the limits of traditional, informal board recruitment are becoming apparent. Diversity – or rather the lack of it – has also been a problem. In all types of boards across the sectors (public, private, co-operative, non-profit), existing networks plentifully produce ‘older white males’ but have a harder time unearthing mid-career individuals, women, and ethnic minorities. All co-operatives should be seeking to attract new members and in doing so, the diversity of the membership is likely to increase, particularly in larger urban centres. The composition of co-op boards should reflect this diversity of membership and the changing demographics of the broader community.

COMPETENCY-BASED SUCCESSION PLANNING

An explicit competency-based succession planning process is the best guarantee a board has for recruiting and developing directors who have a range of needed skills, knowledge and experience. As part of the revitalization of the Director Development Program undertaken in 2013, directors in the CRS identified a set of core competencies required to effectively carry out the role and responsibilities of retail Boards of Directors (see list of competencies in the Appendix).

Here are eight elements that contribute to effective succession planning:

1. Responsibility for succession planning is delegated to a particular group such as **the Nominations Committee**.
2. **Board competencies** are used as the basis for recruiting and electing board members.
3. The Nominations Committee identifies the short- and long-term recruitment needs by developing **a matrix that displays the required competencies**, the current members who fill each competency and ‘gaps’ based on anticipated vacancies and emerging needs. In addition to considering the board's current needs, the board must ask itself how it will be composed in the next five or ten years, which should be driven by expectations as to what the co-operative will look like in that timeframe.
4. **A running list of prospective board members** and their background information should be maintained at all times. Board members and the General Manager should be invited to submit suggestions and should always be on the lookout for co-op members who could be qualified candidates.
5. **Directors** who are eligible for election to an additional term **should not be automatically reappointed**. The Nominations Committee should confirm their interest in re-election and review the director's attendance record, participation in education and co-operative events, and contributions to the board. Part of an effective board evaluation and succession planning processes involves **helping a director realize when it might be time to leave the board**. The reasons vary, from a lack of interest or time, to physical incapacity or a situation that impairs the director's ability to add value at a given time. The President/Chair of the board must assume a leadership role in helping Directors transition out of their roles if necessary.
6. The committee should also ensure there is **a line of succession for future board chairs and committee chairs**.
7. **Reasonable term limits**, such as a maximum of three or four consecutive three-year terms, keeps the talent pipeline fuelled with prospective new board members and board leaders. Although terms limits may force the retirement of some very effective directors, this practice has the advantage of encouraging a continuing flow of fresh thinking, objectivity and new perspectives from the membership.
8. Like all governance practices, **the succession planning process itself should be reviewed** on a regular basis to ensure it remains relevant and effective.

ORIENTING NEW DIRECTORS

A comprehensive orientation process provides new directors with a solid framework to begin adding value to board deliberations as soon as possible after their election.

The orientation process is comprised of three parts – information, social integration and support and mentoring. It is the responsibility of the President/Chair of the board to ensure the effective orientation of all new directors. The General Manager also plays a role by transmitting information for some of the topic areas listed below.

Information

Much of the information that directors need is included in the Board of Directors Manual, which is searchable and available in the Retail Directors section of the FCL website. Two short, online modules are currently available to new directors on this site as well: *New Director Orientation* and *Understanding Co-ops*.

At a minimum, all new directors should be provided with information on the following overarching topics:

- Board of Directors role and responsibilities (see Section C);
- The co-operative model and principles, provincial laws and regulations governing co-operatives, and the co-operative's by-laws and policies;
- Federated Co-operatives Limited and the Co-operative Retailing System: history of FCL and the services provided in the regions; FCL's democratic structure.

The new directors should also be provided with information about the co-operative:

- The history of the co-operative;
- The organization chart;
- Long-term strategic priorities and plan;
- Annual business plan and budget;
- Current financial statements;
- Current issues and trends affecting the co-operative.

Integration into the Team

Integrating the new director into the social fibre of the board is an equally important aspect of the orientation process. Informal interactions will be important in building social bonds and conveying board culture and expectations. New directors will also want to meet with the General Manager and the rest of the management team as soon as possible.

Support and Mentoring

Beyond the information transfer stage, the new director should be supported and mentored, at least over the course of the first year of his or her mandate. The President/Chair is responsible for ensuring that this part of the orientation process occurs. He or she may act as a mentor or the new Director can be paired with another experienced Director that will be able to answer questions and provide ongoing advice and feedback. It is also advisable for the President to work with the new Director in identifying both his or her existing competencies and the competency gaps that require attention. Those gaps may be addressed by specific modules that are part of the FCL Director Development Program.

SECTION D: SETTING LONG-TERM STRATEGIC DIRECTION

Boards are ultimately responsible for the long-term success of their organizations. This means that strategy cannot be neglected; it must be one of the central elements of the retail board's activities. It is important to distinguish the difference between setting long-term strategic direction and developing a strategic plan. Long-range planning is the process by which leaders of the co-operative determine where they want to be in five to seven years. A strategic plan is then developed by the General Manager, which defines the activities, timelines and responsibilities.

Setting long-term strategic direction includes the activities described in the following sections.

GATHERING INFORMATION

In order to make informed decisions about the future of the co-operative, management should be asked to collect data and evidence-based information on such elements as:

- The current and future economic environment;
- Community demographics;
- Member needs;
- The co-operative's current strengths and weaknesses;
- Opportunities for expansion;
- Future threats to the viability and sustainability of the co-operative;
- Possibilities afforded by new partnerships, strategic alliances, mergers or shared services;
- Competitors and market share; and,
- Industry trends.

Development of the long-term strategic direction is also informed by FCL's corporate plan entitled *Focus Forward*. It sets out its rolling five-year plan) and describes its vision, mission, values, long-term strategic intents as well as corporate goals and strategic priorities. Not only does it provide a good example of what a strategic orientations document looks like, retailers should consider how their longer-term strategies align with FCL's plans to create a sustainable, strong and profitable system of consumer co-operatives across Western Canada.

CREATING VISION AND MISSION STATEMENTS

A vision statement is an aspirational description of what an organization would like to achieve or accomplish in the long-term future. It is intended to serve as a clear guide for choosing current and future courses of action.

For example, FCL's vision is *to set the world standard in consumer co-operative excellence*.

A mission statement is a written declaration of an organization's core purpose and focus that remains unchanged over time.

FCL's mission is *to provide responsible, innovative leadership and support to the Co-operative Retailing System for the benefit of members, employees and Canadian communities*.

A mission is different from a vision in that the former is the cause and the latter is the effect; a mission is something to be accomplished while a vision is something to be pursued.

SETTING LONG-TERM GOALS

After the information-gathering process is complete and the vision and mission are established, the board affirms the strategic options and the key issues and risks associated with each. Board and management work together to articulate and agree on a limited number of goals that the co-operative plans to achieve over the next five to seven years.

The following is an example of one of FCL's corporate goals:

"Our safe, sustainable, efficient operations contribute to results that enhance CRS profitability over the long term."

IDENTIFYING THE STRATEGIC PRIORITIES

Strategic priorities identify the specific actions that will be taken over the course of the next year, and that will move the organization closer to achieving its longer-term goals.

The following is a strategic priority for 2014 for the FCL corporate goal described above:

"Identify opportunities and implement strategies to continually improve retail operational efficiency, profitability and long-term viability."

There should be a limited number of priorities for each of the identified goals and these should be incorporated into the annual operating plan developed by the General Manager.

MONITORING FOR LONGER-TERM RESULTS

Setting long-term strategic directions may be the easier part; execution and delivery of that strategy is more difficult. It is the responsibility of the board to ensure that the document does not get put on a shelf nor does it get forgotten when there is a change in management leadership. Boards need to regularly discuss the status of progress towards achieving the stated goals within the context of their board meetings. They also need to see the strategic priorities (defined actions) reflected in the annual business plans each and every year. Goals and strategies may need to be modified due to changing circumstances and events.

ROLE OF THE BOARD AND ROLE OF THE GENERAL MANAGER

Both board members and the General Manager play important roles in setting strategic direction. The board provides advice and perspective, enriching strategy with their views as members of the co-operative, their deep knowledge of community and their ideas about emerging opportunities as well as the co-operative's future challenges. Boards should be meaningfully engaged in shaping and ultimately approving the long-term goals and strategic priorities, but the development of the specific plans and actions belongs to management.

SECTION E: ORGANIZATIONAL PERFORMANCE

BOARD/GENERAL MANAGER RELATIONSHIP

The primary way by which the Board of Directors ensures optimal performance of the co-operative is through the General Manager. The General Manager is the Board of Director's only employee and as such this position is responsible for managing all aspects of the co-operative's operations, in accordance with its bylaws and established operational policies.

The relationship between the board and the General Manager is a very important one. It is developed over time by working collaboratively to ensure the sustainability and advancement of the co-operative as well as addressing and resolving issues in an atmosphere of mutual respect. The General Manager must view the board as an essential and important ally in setting strategic direction, providing advice and ensuring the perspectives of the membership are taken into account. The board needs to have confidence in the General Manager's ability to guide the co-operative in achieving results and effectively managing it on a day-to-day basis.

SHARED RELATIONSHIP RESPONSIBILITIES OF THE BOARD AND GENERAL MANAGER

The board and the General Manager should:

- Commit to act in the best interests of the co-op at all times.
- Work to build robust professional relationships while ensuring that these relationships demonstrate the independence required for the General Manager to do his/her job and for the board to maintain objectivity in reviewing the General Manager's recommendations and performance.
- Set distinct expectations for themselves and for each other. Both parties establish clear objectives and both parties keep their promises.
- Maintain clearly defined and communicated roles and responsibilities. Each is knowledgeable about the responsibilities of the board and the responsibilities of the General Manager.
- Be self-aware of their respective strengths, weaknesses and limitations. Both parties should be comfortable with having their ideas rigorously challenged.
- Work to establish relationships characterized by the highest standards of honesty, trustworthiness, respect and transparency. Both parties are fully transparent regarding their opinions, plans and underlying motivations.
- Commit to supporting the federation through participation and support for FCL programs.

There are four key areas in which the board and the General Manager have joint and separate responsibilities:

Accountability

The general accountability role of the board is to ensure that the organization is serving the needs of the membership. It must also be aware of all legal and regulatory requirements under the *Co-operatives Acts* as well as ensuring that the co-operative is respecting all compliance measures in relation to its various lines of business.

The General Manager position is accountable to the board. He or she reports to the board and keeps the board informed of the activities of the co-operative. However, the General Manager must be diligent in determining how much detail is given when reporting. If the General Manager is providing too much information in the reporting process the board may get mired in operational detail and be hampered in asking the right strategic questions about operations. Too little information and the board may not have enough to make the best decisions.

Decision-making

There are distinct decision-making roles in the General Manager/board relationship. The board, working closely with the General Manager, is responsible for setting goals and strategy designed to translate the co-op's mission into measurable objectives. The board also sets discretionary financial and related operating limits for management, and regularly assesses the performance of the co-op against the mission statement and goals, as well as the annual business plan and budget. The board must not forget that it is ultimately responsible for making decisions on all matters that have the potential to have a material impact on the financial stability and the reputation of the co-operative.

The General Manager is responsible for carrying out and implementing the direction, goals and operational policies and reporting on outcomes. It is also the responsibility of the General Manager to ensure that all employees in the organization are aware of the agreed-upon strategic directions, goals and policies so that all are heading in the same direction.

Policies

The board holds responsibility for developing policies in relation to its own work: this includes both the self-governance and the framework policies. When it comes to operational policies, many of these are set or influenced by being part of the CRS. The General Manager is best positioned to bring forward policies related to day-to-day operations. The board is responsible for ensuring that operational policies are in place, are adhered to and are reviewed on a regular basis.

Financial Reports

The General Manager is required to prepare annual budgets and regular financial reports for presentation to the board for review and approval. Budgets need to be supported by the operational plans that in turn support the long-term strategic priorities. The General Manager also has an opportunity to offer ideas and strategies on how performance can be improved. The role of the board is to review, analyse and monitor the information presented by the General Manager as well as ask the appropriate questions to gain all the necessary information. The board is ultimately responsible for the financial health of the organization, and therefore requires the cooperation of the General Manager in order to ensure that it is fully informed.

POSITION DESCRIPTION – GENERAL MANAGER

Title	General Manager
Accountable To	The Board of Directors
Core Function	To manage the operations of the co-operative in accordance with the guidelines established by the board.
Responsibilities	<ol style="list-style-type: none">1. Advise and assist the board in establishing a mission, objectives, policies and goals for the co-operative.2. Maintain a continuing study of trends and provide the board with information required for planning.3. Develop short- and long-term plans and programs with supporting budget estimates and other goals for submission to the board of Directors.4. Interpret and administer policies established by the board and issue procedures to assure uniform interpretation.5. Appoint and supervise immediate subordinates.6. Maintain an effective organization structure, with appropriate resourcing plans and staff development plans.7. Ensure that finances, facilities and other property of the co-operative are properly safeguarded, insured and administered.8. Direct action to achieve goals in all aspects of the operation.9. Keep the board informed of progress and results compared to goals in all areas.10. Maintain effective relations with members and the general public.11. Maintain effective co-ordination with other co-operatives in the community.12. Plan for personal development as required to manage the co-operative.13. Maintain liaison with the President.14. Support the federation where applicable.

RECRUITMENT OF A GENERAL MANAGER

The decision of who to hire as General Manager is probably the most important decision that is made by the Board of Directors. Through its HR services, Federated Co-operatives Limited provides significant expertise, knowledge and guidance to Boards of Directors in effectively carrying out this key responsibility.

When a General Manager vacancy occurs at a retail, the board President should begin the process of recruitment by contacting their FCL Retail Advisor (RA).

The first decision point is to determine if it is in the best interests for the retail to proceed with recruiting another General Manager, or to investigate other options. Depending on the context and the circumstances of the co-operative, these could include sharing the services of a General Manager with another co-operative in the area, or having another retail manage their facilities through a management agreement.

If the decision is to hire a General Manager, the RA would direct the President to the Region HR Manager who will support the board through the entire process. It generally consists of the following steps:

1. Initial Meeting with the Board, the RA and the Region HR Manager

This first meeting serves to confirm the competencies of the General Manager candidates and outline any particular or unique challenges that may affect the selection of candidates. A decision is made as to how the position will be advertised – internally, externally or both. Timelines are established and a check-in process agreed upon, along with an initial discussion about the interview process.

2. Posting the Position, Identifying and Screening Candidates

The HR Manager posts the position and can also develop a potential candidate list by reviewing the CRS talent pool. The HR Manager then screens the candidates and gets any additional information required to ensure suitability. Candidate profiles are created and the Region HR Manager meets with the board to present candidates' profiles and their resumes. Based on the requirements identified in the initial meeting, the board chooses the top candidates they wish to interview.

3. Interviewing the Candidates

The HR Manager prepares the board by reviewing the process and interview guide which includes a series of questions, identifying roles and assigning respective board members to ask the interview questions. The President provides opening remarks and informs the candidate of the overall process. The HR Manager and RA attend the interview but their role is one of support to the board only. They are there to assist if questions are asked that the board may not be able to answer and to ensure that the process unfolds appropriately so that the board gets all the information needed in order to make a final decision.

4. Making the Decision

The HR Manager facilitates the rating discussion of the board after the interviews are completed. The HR Manager conducts reference checks if further information is required.

5. Hiring and Follow-up

The HR Manager creates a letter of offer and coaches the President in making the offer of employment, if necessary. All of the required paperwork is done and an announcement regarding the hiring of the successful candidate is made. Unsuccessful candidates are notified. The HR Manager and RA can continue to provide ongoing support to the board to ensure that the new General Manager is properly oriented, that job responsibilities are made clear and that performance plans are established.

PERFORMANCE PLANNING WITH THE GENERAL MANAGER

Performance planning is an integral part of an approach to management, which the Co-operative Retailing System has adopted to improve the effectiveness of the System's operations.

This is a cyclical process that begins with the adoption of a performance plan between the General Manager and the board. It is followed by periodic reviews throughout the year and culminates in a final review at the end of the year. At the same time this happens, a new performance plan is developed for the next year.

A performance plan can greatly assist the board in doing an appraisal of the results achieved by its General Manager, as well as have the General Manager direct attention to areas that are of mutual concern.

The performance plan for General Managers currently consists of two parts – key performance areas (KPA's) and standards. KPA's are those that are monitored to determine if the employee is performing. For General Managers, they are identified and listed on the appraisal form. Standards clarify or define expectations as to how the work is to be done. The relative weight or priority of each KPA is determined by assigning it points based on a scale outlined on the appraisal form. A generic performance plan for General Managers has been developed for use by boards and General Managers (see next page). Performance plans should be developed by the board and General Manager at the beginning of the period.

A new performance planning process and assessment tools for General Managers will be implemented as part of FCL's new Corporate Performance Management System. In the interim, boards are encouraged to contact their Retail Advisors if they need support in the process of developing performance plans and conducting assessments of their General Managers.

PERFORMANCE PLAN FOR GENERAL MANAGERS

(This is a suggested format that can be amended as required)

Key Performance Areas (Points Possible)	Standards
<p><u>Section A – Operating Results</u> (110 to 140 points)</p>	<ul style="list-style-type: none"> - The budget, as approved by the Board, is the standard for all key performance areas.
<p><u>Section B – Other Key Performance Areas</u> (30 to 70 points)</p>	
<p>Merchandising</p>	<ul style="list-style-type: none"> - Regular walk-throughs by the General Manager will be conducted to ensure all departments consistently meet the Co-operative Retailing System (CRS) merchandise presentation requirements as set out in the applicable Retail Operations Manual (ROM) bulletins or local written standards. - The co-operative policies in place for staff shopping, shoplifting and security must be followed with no exceptions. An annual security check of all premises will be conducted with the assistance of the Retail Advisor and reported to the Board by _____, 20____.
<p>Marketing</p>	<ul style="list-style-type: none"> - The TEAM BOOK must be completed by _____, 20____. - All advertising and promotional activity shall follow the CRS guidelines as set out in the applicable ROM bulletins in series 169 and 175 and the co-operative code of ethics. - All departments must have an accepted business/marketing plan in place by _____, 20____.
<p>Customer Relations</p>	<ul style="list-style-type: none"> - The “Hassle-Free Guarantee” of the CRS shall be followed at all times, along with the “5 Rules of Customer Service”. - All member complaints must be dealt with within _____ days of receipt and resolved to the satisfaction of the member. - All staff must consistently present a clean, neat and professional appearance and wear the appropriate uniform where required.
<p>Image/Fixed Assets</p>	<ul style="list-style-type: none"> - Annually, the General Manager shall evaluate the co-operative using the image checklist. All items must be rated acceptable or have an action plan prepared to get there. - Maintenance schedules and policies must be in place for all buildings, equipment and rolling stock and be followed at all times. - The acquisition and disposal of fixed assets shall consistently follow the ROM.
<p>Planning/Financial Forecasting</p>	<ul style="list-style-type: none"> - Annually, a business plan will be prepared with the Board by _____, 20____. Reviews to occur at least quarterly. - The annual budget shall be presented to the Board for consideration by _____, 20____.
<p>Equity Management</p>	<ul style="list-style-type: none"> - Equity policy to be reviewed annually with recommendations submitted to Board on distribution of retained savings for approval by _____, 20____. - All repayment requests to be brought to Board for decision monthly.
<p>Board/Member Relations</p>	<ul style="list-style-type: none"> - The Board shall receive, a minimum of _____ days prior to each meeting, a written General Manager’s report in the agreed-upon format. - Annually, the Board and General Manager shall prepare and follow a calendar of member relations activities by _____, 20____. This will include the publication of a newsletter.

Key Performance Areas (Points Possible)	Standards
Contribution to CRS	<ul style="list-style-type: none"> - Consistently supports CRS programs and products. - Attends all major CRS conferences/meetings and participates in a constructive manner.
<u>Section C – Human Resources</u> (10 to 50 Points)	
Recruitment	<ul style="list-style-type: none"> - Annually by _____, 20____ shall prepare a resourcing plan or Board approval and provide quarterly updates. It will: <ul style="list-style-type: none"> - identify flow-through positions; - set high standards for recruitment procedures and selection criteria; - ensure all staff are aware of career opportunities in CRS; - provide for an internal succession planning process.
Performance Management	<ul style="list-style-type: none"> - All staff will have a written performance plan in place within two weeks of starting on a new job and within four weeks after year end. - A formal review (appraisal) of the performance plan must be completed at minimum annually. - Continuous feedback must be provided to staff through meetings and one-to-one.
Staff Training	<ul style="list-style-type: none"> - As part of the planning, budgeting process, a training plan will be prepared and followed. Included will be an orientation program for all new employees. - All employees, within two days of returning from a seminar, will submit a brief written summary of the seminar including an action plan on implementing the concepts learned.
Self Development	<ul style="list-style-type: none"> - Annually, the Board and General Manager shall agree on a development plan for the General Manager, focusing on competencies in Section F requiring development. - The General Manager shall prepare a brief report to the Board on all training and development activities they participated in. The report shall include how the co-operative will benefit from the activity.

SECTION F: MONITORING AND OVERSIGHT

Introduction

Oversight is one of the five core functions of the board, which includes monitoring progress towards clearly identified results. It is the board's chief tool for ensuring the General Manager's and the cooperative's performance. Thorough and systematic monitoring assures the board that present activities are in order without need for any over-the-shoulder interference with management. Board concentration and time is then available for actively considering and determining the co-op's future.

When exercising oversight, co-operative boards focus on the following areas:

- Strict observance of the requirements of the provincial *Co-operatives Act* and regulations;
- Application of the co-operative's bylaw and policies;
- Implementation of budgets and plans;
- Identification and mitigation of risks;
- Protection of assets; and,
- Effective management of all aspects of the co-operative.

The board exercises oversight for the following reasons:

- To protect the interests of the members;
- To assess performance against short and long-term plans;
- To hold management accountable for results; and,
- To detect and prevent abuse or illegal conduct.

To carry out the monitoring and oversight function, the Board of Directors should:

1) Engage in a review of short and long-term performance of the co-operative in accordance with approved plans.

Once annual business plans and long-term strategic plans are established as part of the Corporate Performance Management System, the board is responsible for reviewing progress on the long-term strategic plan on an annual basis and reviewing the annual business plan regularly throughout the year. The annual business plan should describe the activities for each strategic priority, activities relating to general, ongoing operations along with resource allocations, timelines for completion and the people that are responsible for execution.

Major plans and programs should be clearly identified within these documents and boards must have a clear understanding as to how any new plans or programs will contribute to achieving the co-operative's strategic priorities. Review and approval of capital and operating budgets are also required as part of the process of establishing the annual business plan.

As part of its fiduciary duties, boards must regularly monitor financial performance against budget, and against industry benchmarks and the performance of other co-operatives. The Finance Committee of the board is generally responsible for reviewing detailed financial statements and presenting regular reports to the board.

2) Periodically review the significant risks affecting the Co-operative and its business and oversee the actions, systems and controls in place to manage and monitor risks.

Boards need to be aware of the various kinds of risks that the co-operative may face. This includes being aware of the laws and regulations that govern operations and ensuring that the co-operative operates in a manner that is compliant with municipal and provincial laws. FCL has mechanisms in place to communicate legal and regulatory requirements and to regularly update retails about any changes that occur.

Management works with the board to identify all potential risks to the co-operative. They can include but are not limited to the following kinds of risks:

- Operational
- Financial
- Compliance
- Environmental
- Reputational

When all possible risks are identified, management has tools to assess the probability and severity of those risks. Strategies are then developed to manage and mitigate the risks most likely to occur and a risk management plan is implemented. The board is responsible for monitoring the risk management plan, which includes ensuring that appropriate systems and controls are in place. For example, as part of its oversight role, the board may proceed with a site inspection on an annual basis, or a review of organizational workplace practices to ensure the safety and security of all employees.

3) Ensure that internal and external audits are carried out.

Audits are a useful and necessary tool for the board to conduct its oversight role. They provide directors with reasonable assurance that risks are appropriately mitigated. Internal auditors and external auditors each play an important role in the governance of an organization. Both have mutual interests regarding the effectiveness of internal financial controls. Additionally, both types of auditors operate independently of the activities they audit, and they're expected to have knowledge about the business, industry, and strategic risks faced by the organization they serve. But internal auditing and external auditing are two distinct functions that have numerous differences.

Internal auditing is best described as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. External auditing provides an independent opinion of the co-operative's financial statements and fair presentation. This type of auditing encompasses whether the statements conform with Generally Accepted Accounting Principles, whether they fairly present the financial position of the organization, whether the results of operations for a given period of time are represented accurately, and whether the financial statements have been affected materially.

SECTION G: MEMBER RELATIONS AND COMMUNICATIONS

Since co-operatives are formed to enhance members' wellbeing and respond to identified needs, building and sustaining member commitment is an important responsibility for Boards of Directors. Communications can influence members' commitment to the co-operative but the messages need to be tailored to the different types of members. This means knowing your membership well.

The Member and Community Engagement Committee (see Section C of the Manual) assists the board to increase membership, foster greater engagement in the co-operative, and enhance the co-operative's presence, image and reputation in the community.

Annual Meeting

The co-operative's annual meeting of members remains the primary way by which the board communicates with the membership and demonstrates its accountability for results. Requirements and specifications for annual meetings are set out in the provincial *Co-operatives Acts* as well as in the co-operative's bylaws. Boards should ensure that all provisions in the *Act*, the regulations and the bylaws are respected when organizing the annual meeting of members.

Agenda items generally include:

- Reports from the board, from management and from delegates to other organizations;
- The Auditor's report and financial statements;
- Future business plans and priorities;
- Members' proposals/resolutions and amendments to the bylaws;
- Election of directors;
- Remuneration of directors;
- Appointment of auditors.

Annual Meetings need to be interactive with good member participation. This requires appropriate planning well in advance of the meeting date and consideration as to how to engage the membership in relevant discussions, not only about financial results but also about future plans. Meetings should be planned so that:

- Members are informed of the vision, mission and strategic goals and priorities of the co-operative;
- Members have an opportunity to discuss their present and future needs and how they want their co-operative to meet them;
- The election of directors allows members to choose from among a list of candidates that have the requisite competencies;
- Reports are short and unnecessary formalities and procedures are avoided.

New Member Orientation

Co-operatives now face higher competition from other retailers like never before. The increased mobility of consumers, the market presence of more high-volume wholesalers and retailers, and online shopping present more options for consumers in many communities, both large and small.

Co-operatives need to distinguish themselves from other businesses, not only by offering competitive pricing and high-quality services, but by communicating and marketing the unique features of co-operative membership.

Federated Co-operatives Limited has developed a brand strategy that is designed to strengthen both member and employee affiliation by presenting the advantages of being an active part of the co-operative. The positioning line is "*You're at Home Here*", supported by three core brand values – *locally invested, community-minded, and lifetime membership benefits*. These need to be clearly and consistently communicated to new and existing members alike. New and creative strategies need to be developed at the local level to communicate with new members that profess to have little time and are not likely to attend orientation meetings or even annual meetings.

There are different ways by which new members can be educated about the co-op model and the advantages of being a member. For example:

- New members should be given a written information package, information on a USB stick, or they can be provided with a link to the co-op's website and/or FCL's website at the time of registration.
- The FCL video entitled Understanding Co-operatives should be made readily available online and incentives (such as a gift card) offered to new members that can demonstrate they have viewed the video.

Ongoing Communications with the Membership

In addition to ensuring that new members are made aware of the unique advantages of being part of a co-operative, boards need to support ongoing communication with existing members to deepen their knowledge of the co-op model, maintain customer loyalty and solicit their input and ideas.

Technology now provides new opportunities and tools that can be used to communicate with members. The following list provides a few examples:

- Ensuring that co-op members are aware of the FCL app , which provides information about in-store specials and sales;
- Sending out regular emails to members in lieu of or in addition to newsletters, provided the members have consented to receiving emails;
- Hosting focus groups to solicit member ideas on pre-determined topics;
- Having video monitors at check-outs that scroll information describing the co-op advantage and the three brand values as well as other pertinent information about co-operatives;
- Conducting in-store surveys and/or sending out short email surveys to solicit member opinions on products and services.

Engagement in Board Committees

As indicated in Section C, the board can engage members by inviting them to be part of a board committee, where the provincial *Act* permits. While this may not be of interest to all, there are likely some members that have the time, the competencies and the interest to contribute in this way. As a rule, people respond more readily to specific requests for help than they do to a general call for members. A personalized approach by board members is therefore more likely to be successful.

Co-operative Engagement with Community

Co-operatives have a long and storied history of supporting the communities they serve. In addition to providing a range of services and products and creating local jobs, they give back by supporting local initiatives and charities. For many co-operatives, giving and investing in community has been a core and defining value.

Co-operatives have also traditionally played a role in providing training and education to build leadership skills for youth and adults. The development of strong leaders has not only benefitted the co-operative and the CRS, it has also contributed to ensuring a pool of strong and effective leaders in communities, both large and small.

But co-operatives are no longer the only game in town. Businesses, large and small, understand the value of community philanthropy and, especially, of communicating and marketing their support for various causes. The number of charities and non-profits has also proliferated over the years and the demand for donations, sponsorships and other forms of giving have multiplied.

Co-operatives boards need to carefully consider how they can best support their communities in the face of increasing demands for support. And support need not only be limited to financial contributions. Contributing the time of the expertise of employees and members may be of equal or greater value. Co-operatives should also look at opportunities for collaborations or sustained partnerships with local initiatives or charities. There are multiple ways by which co-operatives can demonstrate their engagement to community and a sound, well-researched and thoughtful policy serves as the foundation for effective decision-making in this regard.

FCL's Commitment to Social Responsibility in Western Canada

Community engagement can go beyond dollars and cents support to local initiatives and charities. With the support of its members, FCL is committed to doing business in a sustainable, socially-responsible way that protects its investments, while ensuring a sustainable approach to people, the environment and communities across Western Canada. It has identified five key elements in its Social Responsibility approach:

- Fiscal responsibility;
- Environmental sustainability;
- Co-operative leadership;
- Community investment;
- Employee engagement.

Retail co-operatives are encouraged to familiarize themselves with the concept of social responsibility and to consider adopting this broader framework, which integrates fiscal, social and environmental responsibility and accountability to the communities they serve, as a way to build greater engagement.

APPENDIX

UNDERSTANDING CO-OPERATIVES AND THE CO-OPERATIVE DIFFERENCE

CO-OPERATIVE IDENTITY, VALUES AND PRINCIPLES (ICA)

Co-operatives exist across the globe, with millions of members. In Canada alone, it is estimated that there are more than 18 million co-operative members from over 9,000 co-operatives.

Established in 1895, the International Co-operative Alliance (ICA) is the apex structure for co-operatives worldwide. It defines a co-operative as “*an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise*”. Simply put, a co-operative is a business that is owned and controlled by its membership.

The values identified by the ICA include: self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members also believe in the ethical values of honesty, openness, social responsibility and caring for others.

Seven principles have been proposed by the ICA as guidelines by which co-operatives put their values into practice:

1) Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2) Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3) Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4) Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5) Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

6) Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7) Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

For more information about the International Co-operative Alliance [click here](#). For more information on Canadian co-operatives, go to Co-operatives and Mutuals Canada [click here](#).

Co-operatives and Businesses: What is the Difference?

Co-operatives are a form of business model as are privately held and publically traded companies and corporations. What makes a co-operative different is their adherence to the co-operative principles as outlined above.

Co-operatives are local community-based organizations that care not only about the bottom lines of their businesses, but also about the needs of their members and the quality of life in their communities. The process of being an active member brings its own rewards, allowing member-owners to solidify social and economic links in the community and build personal confidence and skills.

Co-operative organizations differ from other businesses in three key ways:

A Different Purpose.

- The main purpose of a co-op is to provide benefits to members.
- The main purpose of a private or public business is to maximize returns for shareholders.

A Different Control Structure.

- In a private or public business one or a few shareholders can own all or a majority of shares and may override the wishes of smaller shareholders. This cannot happen in a co-op because each member has only one share and one vote. This helps co-ops to serve common interests and to ensure that people, not capital, control the organization.
- Co-ops are accountable and accessible. Co-ops publish local financial reports and hold local annual meetings to report on operations and answer questions. All co-op personnel, right up to the General Manager and President of the Board of Directors, are accessible to the customers.

A Different Distribution of Earnings.

- In a co-op earnings are distributed to members based on their purchases during the year. In private business earnings are paid to shareholders based on the number of shares held. Co-operatives share their success with their members. During the years 2009-2013, FCL has provided a patronage allocation of \$2.2 billion to its member retail Co-ops across Western Canada. The \$2.2 billion contributes to the success of retail Co-ops and enhances and the quality of life in their communities through local reinvestment.
- Local retail Co-ops also share their success with their members. During the years 2009-2013, Co-ops have returned almost \$1.2 billion to their members in recognition of their purchasing and support throughout the year.
- In private business all or most of the earnings can end up with one or a few shareholders.

Co-operatives also demonstrate a commitment to education and training of members, a commitment to working with other co-operatives and a commitment to the sustainable development of communities.

STAGES IN POLICY DEVELOPMENT

The following steps summarize the key stages involved in developing policies:

1. Identify need

Policies can be developed:

- In anticipation of need (e.g. more and more community-based organizations are coming to the co-operative to ask for donations); and,
- In response to need (e.g. a policy on adhering to FCL brand and approach after they have set out their standards).

The co-operative needs to regularly assess its activities, responsibilities and the external environment in order to identify the need for policies and procedures.

2. Identify who will take lead responsibility

Delegate responsibility to an individual director, committee, or the General Manager, according to the expertise required.

3. Gather information

Do you have any legal responsibilities in this area? Is your understanding accurate and up to date? Have other co-operatives tackled the same issue? Are there existing templates or examples that you could draw on? Where will you go for guidance?

4. Draft policy

Ensure that the wording, length and complexity of the policy are appropriate to those who will be expected to implement it.

5. Consult with appropriate stakeholders

Policies are most effective if those affected are consulted, are supportive and have the opportunity to consider and discuss the potential implications of the policy. Depending on whether you are developing internal or external policies, you may wish to consult, for example: other board members; co-operative members; staff; the FCL Retail Advisor.

6. Finalize/approve policy

While operational policies can be developed and are implemented by the General Manager, the Board of Directors is ultimately responsible for all policies and procedures within the organization.

7. Consider whether procedures are required

Procedures are more likely to be required to support internal policies. Consider whether there is a need for clear guidance regarding how the policy will be implemented and by whom (e.g. a policy regarding receiving complaints will require a set of procedures detailing how complaints will be handled). Who will be responsible for developing these procedures? When will this be done? What will be the processes for consultation, approval and implementation?

8. Implement

How will the policy be communicated and to whom? Is training required (for operational policies)? Should the organization produce a press release (for certain framework policies or those that deal with community matters)? How are members to be advised of new policies?

9. Monitor, review, revise

What monitoring and reporting systems are in place to ensure that the policy is implemented and to assess usage and responses? On what basis and when will the policy be reviewed and revised (if necessary)?

CORE COMPETENCIES OF RETAIL BOARDS OF DIRECTORS

- **Independent thinking:** Maintains convictions despite undue influence, opposition or threat.
- **Teamwork:** Recognizes the importance of a thorough consideration and discussion of issues before reaching a consensus and making decisions and/or taking actions. Respects the decisions of the group and the confidentiality of those decisions.
- **Effective communication:** Is able to carefully listen to others to understand and to convey key ideas in a comprehensive and succinct manner.
- **Knowledge of the co-operative model and the CRS:** Understands the history of co-operatives, co-operative principles and values, the co-operative business model, and the Co-operative Retailing System in Western Canada.
- **Knowledge of the business:** Has sufficient knowledge of the business lines in which the co-operative is engaged or may be engaged in the future in order to carry out the board's monitoring and oversight role.
- **Strategic thinking:** Applies creativity, a big picture view and relevant knowledge of the business environment (both opportunities and challenges) to develop long-term, strategic goals and priorities.
- **Financial literacy and planning:** Reads and interprets budgets, financial statements and reports, and links these reports to the co-operative's strategic goals and plans.
- **Risk oversight:** understands the various risks of the co-operative enterprise and ensures systems and processes are in place to mitigate those risks.
- **Performance assessment:** Effectively monitors and assesses the General Manager's performance and productivity in relation to certain pre-established criteria and business objectives.
- **Conflict resolution:** Ensures that conflict is resolved with justice, fairness and respect in order to maintain healthy relationships.
- **Adaptability to change:** Able to recognize the changes occurring in the broader economic, social and internal business environment to make informed decisions about how the co-operative may need to adapt as a result.
- **Analytical and critical thinking:** Able to synthesize large quantities of information from a variety of sources and to evaluate that information in order to make sound strategic long-term decisions; able to question management constructively on direction to ensure the co-operative's best interests.

ACRONYMS

A/P	Accounts Payable
A/R	Accounts Receivable
AVP	Associate Vice President
BU	Business Unit
CEO	Chief Executive Officer
CCRL	Consumer Co-operative Refineries Limited
CCA	Canadian Co-operative Association
CDF	Canadian Development Foundation
CMC	Co-operatives and Mutuals Canada (apex organization)
CRC	Co-op Refinery Complex
CRS	Co-operative Retailing System
CSS	Co-op Superannuation Society
DDP	Director Development Program
EVP	Executive Vice President
FCL	Federated Co-operatives Limited
GAAP	Generally Accepted Accounting Principles
GC	Governance Committee
GM	General Manager
GST	Federal Sales Tax
HST	Harmonized Sales Tax (both federal and provincial)
HR	Human Resources
IFRS	International Financial Reporting Standards
IPCO	Interprovincial Co-operatives Limited
PST	Provincial Sales Tax
RC	Resolution Committee
TGP	The Grocery People
TPP	The Produce People
VP	Vice President