

Keweenaw Cooperative, Inc.
Board of Directors — Director Agreement

1. Authorization

In accordance with the Keweenaw Co-op **Bylaws Section 5.3**, to be qualified to be nominated, elected, and serve as a Director an individual must execute a Director Agreement, including agreeing to comply with a Director code of conduct and other Co-op policies.

That agreement between Directors and the Board as a whole is hereby specified below, and includes the code of conduct. Each Director shall sign a copy of this Agreement to affirm acceptance of all terms and conditions.

2. Director Pledge

In my capacity as a Director of the Keweenaw Co-op, Inc., I commit myself to conduct that is lawful, professional, and ethical, as commonly understood within the fiduciary responsibilities of a Co-operative Business and the specific frameworks further defined here in this Agreement.

3. Director Intentions

In my capacity as a Director, I will always act in good faith, in a manner which I believe to be in the best interest of the Co-op, and with such care as any ordinarily prudent person would use under similar circumstances.

- a. I will demonstrate an unconflicted loyalty to the interests of the Owners of the Co-op, one that supersedes any conflicting loyalties that I may have to other advocacy or interest groups, my membership on other boards or staffs, and/or my personal interests acting as an individual owner or consumer. Aside from any conflicts of interest that are deemed to be in the best interests of the Co-op (by means of the Conflict of Interest Resolution Process described further below), I will not use my capacity as a Director to self-deal or conduct any private business or personal services with the Co-op.
- b. I accept that my authority to represent the interests of Owners is exercised in Board-level deliberations and decisions. I will not attempt to exercise any individual authority within the organization. When interacting with the General Manager or other employees, I will carefully and openly recognize my lack of individual authority. When interacting with the public, the press, or other external entities, I will recognize that same limitation and affirm my inability to speak for the Board as a whole aside from providing established Board decisions and policies.
- c. I will respect the confidentiality appropriate to issues of a sensitive nature and I will continue to maintain all such confidences after leaving Board service.
- d. I will uphold the legitimacy and authority of the Board's decision on all matters before it, irrespective of my personal positions.

4. Director Duties

To the extent of my current abilities and acquired training, I will perform the following duties within the frameworks and policies determined by the Board as a whole:

- a. Membership: I will maintain my Co-op Membership in good standing.

- b. Meetings: I will prepare for and reliably attend Membership meetings and events, monthly Board meetings, committee meetings, Board retreats and other work sessions, and all required Director education seminars. I will not be absent from more than two monthly Board meetings in a row, and I will not miss more than three monthly Board meetings per Board year (May through April).
- c. Members/Owners: I will actively engage with Co-op owners to faithfully represent their interests as the Board develops and monitors the organizational Ends of the Co-op, thereby working within the Board to set the direction for the future of the Co-op in alignment with what I believe to be in Owners' best interests.
- d. Co-op Outreach: I will actively develop my understanding of Co-op Owner benefits, Cooperative processes, and current retail programs, so as to knowledgeably and accurately represent them to Owners and throughout the community.
- e. Community and Grocery Business Environment: I will actively work to understand the role of the Co-op within the broader local community and the overall business environment in which it operates, so as to consider the role of such factors for the Co-op's long-term viability and in the Board's development and monitoring of the organizational Ends.
- f. Policy: I will actively engage with the rest of the Board to develop and monitor all policies, so as to assure sound and effective corporate functioning, Board processes, and operational performance.
- g. Finances: I will prudently monitor the finances of the Co-op to assure the long-term financial viability of the Co-op.
- h. Operations: I will actively engage with all General Manager monitoring reports to assure the operational performance necessary for the eventual achievement of the Co-op's Ends.
- i. Enforcement: I will read, understand, and actively uphold the Bylaws and all subsequent policies developed by the Board, and I will bring it to the Board's attention whenever I believe they are not being upheld by others.

5. Conflict of Interest* Resolution Process

I will disclose to the rest of the Board any real, potential, or perceived conflict of interest at the first available opportunity and respond fully and truthfully to any inquiries about any such conflict of interest of mine that I failed to recognize.

- a. When possible and in the best interests of the Co-op, I will take action to fully resolve the conflict of interest of my own accord.
- b. When the establishment or continuance of a conflict of interest may in fact be in the best interests of the Co-op, I will accept the Board's careful and full consideration of all other options and their final determination to accept the conflict or resolve it by other means. I will abstain from all discussion and the vote, and I accept if the Board decides to meet in closed session without my presence to come to their determination.

***Note: for a more detailed understanding of what might constitute a conflict of interest, please consult the "Managing Conflicts of Interest" portion of the Co-op Board of Directors Playbook.**

6. Enforcement and Adjudication

I accept that, in accordance with the Keweenaw Co-op **Bylaws Section 5.3**, if any Director breaches any material term of the Director Agreement, then they will be disqualified to serve as a Director and will be deemed to have tendered a resignation as a Director, *which resignation may be accepted or rejected by the Board*. In my capacity as a Director, I agree to the following process for adjudication of any material breach of agreement for which I may be held accountable.

- a. If I myself believe that I have breached a material term of this Agreement, I will formally volunteer my resignation to the rest of the Board, participate in any closed meeting discussion at their discretion, and accept their majority vote decision to either accept or reject my resignation. I will abstain from the vote myself.
- b. If three or more Directors propose a resolution to the Board that I should be deemed to have resigned due to a material breach of this Agreement, including the rationale and evidence thereof, I agree to the following process:
 - i. I will attend a special closed Board meeting in which I and the proposing Directors fully and truthfully disclose all aspects of my alleged breach, including opinions as to why it is/is not material and responding to all related questions and concerns from other Directors.
 - ii. I will accept the determination of a majority vote of the rest of the Board to either accept or reject my resignation, while abstaining from the vote myself.

With my signature, I accept and agree to all terms and conditions of this Director Agreement.

Director - Printed Name

Date

Director Signature

Accepted by:

Board Officer on behalf of the Board - Printed Name

Officer Position

Date

Board Officer Signature

Co-op Board Playbook Excerpt for Director Agreement & Managing Conflicts of Interest

Director Agreement

In accordance with Co-op Bylaw 5.3, for a person to be qualified for nomination, election, and service on the Board, they must execute a Director Agreement that governs their individual and collective work as a member of the Board.

The Director Agreement defines the collective values that our Board aspires to: how we define and commit ourselves to ethical, professional, and lawful conduct. It also includes information about expected good-faith intentions, duties, and resolutions of conflict of interest.

Potential Directors are required to read and sign the Director Agreement before nomination as a candidate. After elections, the agreements of the newly elected Directors are counter-signed by a Board representative and maintained in the Board's Drive for the duration of their service.

Managing Conflicts of Interest

Acknowledgement and open discussion of conflicts of interest is important because people have complex lives, play many roles in their work and society, and have a stake in other organizations or corporations — some of which may intersect with the interests of the Co-op. Sorting through those intersections can seem complicated, but at the heart of a conflict of interest is a simple concept: if there is any action before the Board or Management that could personally benefit you directly or indirectly, you just need to acknowledge it for discussion and management before decisions are made.

Director conflicts of interest are now easier to manage than they used to be. There was a time when co-op boards were actively involved in operational decisions, such as awarding contracts or determining the product mix on the shelves. Just the fact that Directors had their own personal desires as co-op shoppers needed to be acknowledged and understood, much less any personal connections to the co-op's business partners. Now, with Policy Governance, the Board focuses on larger issues, the General Manager makes all operational decisions, and most conflicts of interest for Directors can be mitigated or prevented by good management practices. Regardless, conflicts of interest still merit special attention. Let's consider a couple examples:

- **Conflict:** You own or work for a company that does snow plowing in the winter, and Co-op management has contracted with that company for some time now. You would have acknowledged that fact in your candidate materials, but after you are elected it should be discussed if that conflict of interest requires some attention, now that it is real.
Potential Resolutions: It may be determined that the General Manager has very good reasons to continue that contract, and the Board determines that the conflict of interest is actually beneficial for the Co-op and just needs to be revisited periodically. Or, it may be decided that the General Manager should now put that contract out for bids again to determine who can provide the best service and costs for the Co-op, which may or may not continue to be your company. The same could be true in the case of insurance, maintenance, or other professional services.
- **Conflict:** You are already on the Board and have decided to grow local produce; you are planning to participate in local farmers markets and want to include the Co-op in your retail network. Before you proceed, you should request a Board discussion as to how to understand and manage this potential new conflict of interest.

Potential Resolutions: It may be that participation in a farmers market is not deemed a conflict of interest but instead an asset because you would bring to the Board's work on Co-op "Ends" a direct understanding of the role of farmers markets in our local food economy. In terms of supplying the Co-op with product, any number of decisions could be made. It may be a matter of the Board reviewing how the General Manager/Produce Manager always makes decisions in the best interests of the Co-op rather than providing favorable treatment to any one supplier, and establishing an understanding with you that you will accept their choices without further discussion. It may be decided that you must designate somebody else to represent your produce to the Co-op and negotiate pricing on your behalf. Or, because just the perception of conflict of interest is deemed strong enough to disrupt Co-op relations with other local producers, you may be asked to choose between Board service or selling to the Co-op. Conversely, the conflict may be determined to be beneficial to the Co-op because management has provided a compelling reason why that disruption is very unlikely, such as the fact that you will be providing something that nobody else grows locally.

- **Conflict:** You own or have an indirect interest in a building that is one of three properties that the Co-op might want to buy (an indirect interest may mean that it is owned by your employer, a close friend, or a relative). Because the General Manager cannot buy or sell real estate, the Board has to make that decision.

Potential Resolution: You should disclose your interest as soon as you learn that the property is under consideration, and the Board would likely exclude you from all discussion and the decision.

The purpose of disclosure and discussion of conflicts of interest is to work through each particular circumstance and explicitly determine how the Board and Management should manage it. Again, because the Board fully delegates operational decisions to the General Manager rather than making those decisions itself, most conflicts of interest for Directors are now more easily managed. But if you want an easy way to recognize a potential or perceived conflict of interest, just apply the "surprise rule." *In light of you being a Co-op Director*, if you can imagine anyone registering a look of surprise when they find out *something else* about you, that "something else" may reflect a conflict of interest that should be disclosed, discussed, and managed.