

## **B. Executive Limitations Policies**

### **B-Global Executive Restraint**

The General Manager must not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles.

### **B1-Financial Conditions and Activities**

With respect to the actual, ongoing financial conditions and activities, the General Manager must not cause or allow the Cooperative to be unprepared for future opportunities, the development of fiscal jeopardy, key operational indicators to be below average for our industry, or material deviation from the Board's Ends policies.

The GM must not:

1. Allow sales growth to be inadequate.
2. Allow operations to generate an inadequate net income.
3. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.
4. Allow solvency (the relationship of debt to equity) to be insufficient.
5. Allow growth in ownership and owner paid-in equity to be insufficient.
6. Default on any terms that are part of the Cooperative's loans.
7. Allow late payment of contracts, payroll, loans, or other financial obligations.
8. Incur debt (other than trade payables or other reasonable or customary liabilities incurred in the ordinary course of doing business) or acquire or dispose of real estate without performing due diligence, demonstrating to the Board that the transaction is accounted for in the existing or revised plan/budget, and demonstrating that the transaction will not result in conditions outside of this Financial Condition policy.
9. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
10. Use restricted funds for any purpose other than that required by the restriction.
11. Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).

amended 02/20/2023

### **B2-Planning and Budgeting**

Planning, including social, environmental, financial, and succession planning, shall not risk fiscal jeopardy, fail to be derived from a multi-year plan or fail to be consistent with achievement under Ends policies and other Executive Limitations policies.

Further, without limiting the scope of the foregoing by the following, the General Manager shall not:

1. Risk incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."

## *WSM Board Policies*

2. Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
3. Fail to address business system improvements or to test for feasibility.
4. Fail to provide for Board prerogatives during the year as set forth in the Board budget.
5. Fail to include a development plan to prepare internal candidates for key management positions, including the GM position.

### B3-Asset Protection

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

The GM must not:

1. Allow equipment and facilities to be inadequately maintained, insured or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.
2. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
3. Allow deposits or investments to be unreasonably risked.
4. Allow inadequate security of premises and property.
5. Allow data, intellectual property, or files to be unprotected from loss, theft, or significant damage.
  - a. Allow improper usage of owners' and customers' personal information.
6. Allow purchasing that is uncontrolled or subject to conflicts of interest.
7. Allow lack of due diligence in contracts.
8. Allow damage to the Cooperative's public image.

### B4-Ownership Rights and Responsibilities

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

The GM must not:

1. Create or implement an owner equity system without the following qualities:
  - a. The required owner equity, or fair share, is determined by the Board.
  - b. Owners are informed and acknowledge that equity investments are a) at risk, and b) generally refundable, though the Board retains the right to withhold refunds when necessary to protect the Cooperative's financial viability.
  - c. Equity will not be refunded if such refunds would lead to a net decrease in total owner paid-in equity, or would risk, cause, or exacerbate non-compliance with any Financial Condition policy.
  - d. New owners meet the requirements of the bylaws.

## *WSM Board Policies*

2. Implement a patronage dividend system that does not
  - a. Comply with IRS regulations and bylaws.
  - b. Allow the Board to examine a range of options and implications, so the Board can make a timely determination each year concerning how much, if any, of the Cooperative's net profit will be allocated and distributed to members as dividends and interest on retained dividends.

### B5-Treatment of Consumers

With respect to interactions with consumers, the general manager shall not cause or allow conditions, procedures, or decisions which are discriminatory, disrespectful, or unsafe.

The GM must not:

1. Be unresponsive to customer needs or operate without a system for soliciting and considering customer opinion.
2. Allow an unsafe experience for our customers.
3. Fail to inform consumers of how information that is gathered may be used.

### B6 – Staff Treatment and Compensation

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

The GM must not:

1. Operate without written personnel policies that:
  - a. Clarify rules for staff ;
  - b. Provide for fair and thorough handling of grievances;
  - c. Permit staff from grieving to the Board when (a) internal grievance procedures have been exhausted and (b) the employee alleges that board policy has been violated to his or her detriment.
  - d. Are accessible to all staff.
2. Be unresponsive to employee needs or operate without a transparent system for communicating information and for soliciting and considering worker opinion and concerns.
3. Cause or allow personnel policies to be inconsistently applied.
4. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
5. Discriminate against any staff member for expressing an ethical dissent.
6. Establish compensation and benefits that are internally or externally inequitable.
7. Change the GM's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

### B7-Communication to the Board

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

## *WSM Board Policies*

The GM must not:

1. Submit monitoring reports that are untimely or inaccurate.
2. Report in an untimely manner any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance and a proposed schedule regarding follow-up reporting.
3. Allow the Board to be unaware of relevant legal actions, media coverage, trends, public events of the Cooperative, or material internal and external changes, particularly changes in the assumptions upon which any Board policy has previously been established.
4. Withhold his/her opinion if the GM believes the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the GM.
5. Deal with the Board in a way that favors or privileges certain directors over others except when responding to officers or committees duly charged by the Board.
6. Fail to supply for the Board's consent agenda all decisions delegated to the GM yet required by law, regulation, or contract to be Board-approved.

### B8-Board Logistical Support

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

The GM must not:

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

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### B9-Emergency and Interim GM Succession

To protect the Board from sudden loss of GM services, the GM must not have less than two other managers sufficiently familiar with Board and GM issues and processes to enable either of them to take over with reasonable proficiency. One as an interim successor and one as an alternate interim successor.