




Equal Exchange Governance Matrix

(approved by the Board of Directors, October 12, 2005)

While Equal Exchange encourages participation on many issues at all levels of the company, this matrix describes the required roles in governance decisions. The matrix is maintained by the Governance Committee; material changes are ratified by the Board

Key:  **Decision Maker**, also responsible for decision making process
 **Ratifier**, must formally approve or reject the decision
 **Required Input**, decision maker must seek their input and counsel

Decision	Executive Director(s)	Board of Directors	Worker Owners	Mgmt Council	Recommend places / people where you can provide input.
FINANCIAL					
Create Annual Budget	D	R		I	Department Head
Change Budget > 7%	D	R		I	Department Head
Out of Budget Borrowing > \$15% of Equity	D	R			OED, Board Member
Allocate Annual Class A Patronage Rebate	I	D	I		W/O Coordinator, Board Member
Allocate Annual Class B Dividend	I	D			Investor Coord., OED, Board Member
PERSONNEL					
Set/Amend Personnel Policy	I	D			Personnel Committee, OED
Change Salary Max:Min Ratio	I	D	I		W/O Coordinator, Board Rep
Define Compensation Structure	D	R			Department Head, Board Member
Define Compensation Philosophy	I	D	I		
CORPORATE ORGANIZATION					
Amend Articles of Incorporation*		D	D		W/O meeting, Board Member
Amend By-Laws*		D	D		W/O meeting, Board Member
Elect Directors to the Board			D		W/O meeting
Elect Chair of the Board of Directors		D			Board Member
Hire Executive Director(s)		D	I		Board Member
Elect Company Officers		D			Board Member
Appoint Education Committee Chair			D		
Appoint Personnel Committee Chair		D			
Appoint Governance Committee Chair		D			
Approve Sale of Class A Stock (Membership)			D		W/O Meeting
Approve Sale of Class B Stock	I	D			
OPERATIONS					
Change Organization Location	D	I	R		W/O Meeting
Add New Service or Operation	D	I	R		W/O Meeting
Add/Remove Producer Groups	D				
Add Product Line	D	R		I	Product Mgmt Comm.

* By intent, either the Board, or the Worker-Owners may amend the Articles of Incorporation and By-laws.

Five Elements of Decision Making

When trying to understand a decision to be made, these are five questions you should ask.

1. What is decision to be made?
2. When will be made?
3. What are the forums for input and debate?
4. Who makes the decision?
5. What body, if any, ratifies the decision?

Nov. 2007 Addendum: on Feb. 8, 2007 the Board approved the following addition to the Matrix:

*Buy or assume or increase any ownership stake in another organization:
Proposal by OED, ratification by the Board of Directors*

Background to the New Governance Matrix

(from the Governance Committee, November, 2005)

Purpose of the Matrix

The purpose of the Governance Matrix is to identify decision-makers and illuminate the decision-making process for key governance decisions at Equal Exchange. There are three intended uses:

- To inform employees of the decision-making processes so that they can involve themselves appropriately and effectively;
- As an aid to decision-makers to help ensure that decisions are made correctly;
- To help unify the decision-making processes across the co-operative so that we can continue to make effective, inclusive decisions as we continue to grow.

Policy Authority of the Matrix

The Governance Matrix is intended to reflect the decision-making powers described in Equal Exchange's body of governance and policy documents. These include the Bylaws, Board Resolutions, Personnel Policy and all documents explicitly ratified by the Board or Worker-Owner body. Where there is conflict, the Matrix is subordinate to all other governance and policy documents. Where there are no explicit decision-making powers described in those documents, the Matrix is the formal policy of Equal Exchange; consequently the Governance Matrix is itself a policy document.

Contents of the Matrix

The decisions included in the Matrix were selected because they were considered broadly important, or because they were complex decisions involving multiple bodies. This update resulted in some topics being removed (e.g. approving a leave of absence) as they were not broadly important and were covered clearly elsewhere while some were added (e.g. electing the worker-owner coordinator). The position of "Ratifier" has also been added to reflect the actual process where one body may make the decision but another has ultimate oversight (e.g. the Office of Executive Director actually develops the annual budget but the Board has to ratify it).

In updating the Matrix and when describing decision-making powers not documented elsewhere, the Governance committee used both precedent and best practice to guide our work.

Management of the Matrix

The Governance Matrix is managed by the Governance Committee, and material changes are ratified by the Board. Material changes are those that create new policy. The Board need not ratify changes that clarify already documented decisions or changes that reflect changes in other policy documents.

What to Do in Case of Uncertainty

The policy and governance documents of Equal Exchange are many, while the Governance Matrix is just one page. Occasionally this level of distillation may produce confusion rather than clarification. If you find something in the Matrix to be unclear, please first go to your supervisor with your concern. If the issue remains unclear, please contact a member of the Governance Committee for clarification.

RIGHTS & RESPONSIBILITIES FOR EQUAL EXCHANGE WORKER-OWNERS

*Approved by the worker owners, February 2, 2006
West Bridgewater, Massachusetts*

RIGHTS

Rights pertaining to financial participation

- The right to a portion of the cooperative's profits, as detailed in our bylaws, specifically: Article IV 4.1.f, 4.1.g, and 4.2.2.1 (aka "The accounting net income", "the individual net income", and "Positive patronage allocations")

Rights pertaining to speech:

- The right to speak at worker-owner meetings
- The right to propose agenda items
- The right to publicly raise issues and express opinions in co-op forums and communication channels
- The right to contribute to co-worker annual evaluations

Rights pertaining to Education:

- The worker-owners have the right to educational opportunities sufficient to enable them to responsibly and effectively govern Equal Exchange.

Rights pertaining to voting:

- The right to participate in all pre-vote discussions and all votes held by the worker-owners, which includes at minimum the following:
 - votes on new co-op members
 - votes on Board candidates
 - the right to vote to add, delete or amend bylaws

Rights pertaining to Governance:

- The right to run for the Board of Directors
- The right to run for Worker-Owner coordinator
- The right to issue resolutions to the Board (a right for the co-op as a whole, not necessarily a right of individual co-op members)

Rights pertaining to access to information:

- The right to company financial information
- Access to the Strategic Plan
- Access to staff, board, and worker-owner meeting minutes.
- Access to all Bylaws, Board Resolutions, Personnel Policy and all documents explicitly ratified by the Board or Worker-Owner body.

RESPONSIBILITIES:

Obligations

Responsibilities pertaining to financial participation

- Buy 1 share of class A stock
- To bear a portion of the cooperative's net losses, as detailed in our bylaws, specifically: Article IV 4.1.m, 4.2.2.2 & 4.2.2.3 (aka "Negative patronage allocation", "Negative Patronage Allocations - general" & "Individual Capital Account statements")

Responsibilities in Principle

Responsibilities pertaining to participation

- To attend co-op meetings
- To participate in co-op votes
- To participate in co-op activities
- To mentor new staff

Responsibilities pertaining to conduct

- To act with civility and mutual respect toward fellow co-op members

Responsibilities pertaining to education

- To educate oneself about the governance & cooperative structure of Equal Exchange
- To educate oneself about the business & operations of Equal Exchange

BASIC STRUCTURE of EQUAL EXCHANGE

MISSION

Equal Exchange's mission is to build long-term trade partnerships that are economically just and environmentally sound, to foster mutually beneficial relations between farmers and consumers and to demonstrate, through our success, the viability of worker cooperatives and fair trade.

WORKER-OWNERS

*Elect Coordinator;
Elect Board of Directors;
Adopt & Amend By-laws;
Approve Co-op Membership;
Approve Change in Location;
Approve New Service or Operation*

GUIDING PRINCIPLES

- Trade directly with democratically organized small farmer cooperatives
- Provide producers with advance credit for crop production
- Pay producers a guaranteed minimum price that provides a stable source of income as well as improved social services
- Provide high quality food products
- Support sustainable farming practices
- Build a democratically-run cooperative workplace

ELECTS

BOARD OF DIRECTORS

*6 Worker-Owners, 3 Outside Members
Elect Chair of Board;
Amend Articles of Incorporation;
Amend By-Laws;
Set Measures of Success, Goals;
Appoint Committee Chairs;
Hire & Supervise Executive Director;
Approve Annual Budget;
Allocate Dividends;
Set Salary Range;
Approve New Positions;
Can Veto Firings;
Approve New Product Lines;
Approve Sale of Class B Stock*

BOARD

COMMITTEES

*Governance Committee
Education Committee
Personnel Committee*

MANAGEMENT COUNCIL

*Chair of the BOD, W/O Coordinator, Executive Director, Department Directors
Advisory body, meets at least monthly to discuss co-op operations and policies, conduct planning.*

EXECUTIVE DIRECTOR

*Manages Day-to-Day Operations of Company;
Submits Annual Budget to BOD;
Hires & Supervises Department Directors;
Approves Hires for Existing Positions;
Approves New Producer Groups;
Approves New Products*

ORGANIZING COMMITTEE

*Sales & Marketing
EDUCATIONAL TRIPS
Sales & Marketing
PRODUCT COMMITTEE
Sales, Marketing & Operations*

**CAPITAL,
PURCHASING,
PRODUCER RELATIONS**

HIRES

**SALES
DEPARTMENT**

DEPARTMENT DIRECTORS
*Implement Business Plan;
Develop Department Budgets;
Supervise Department Staff*

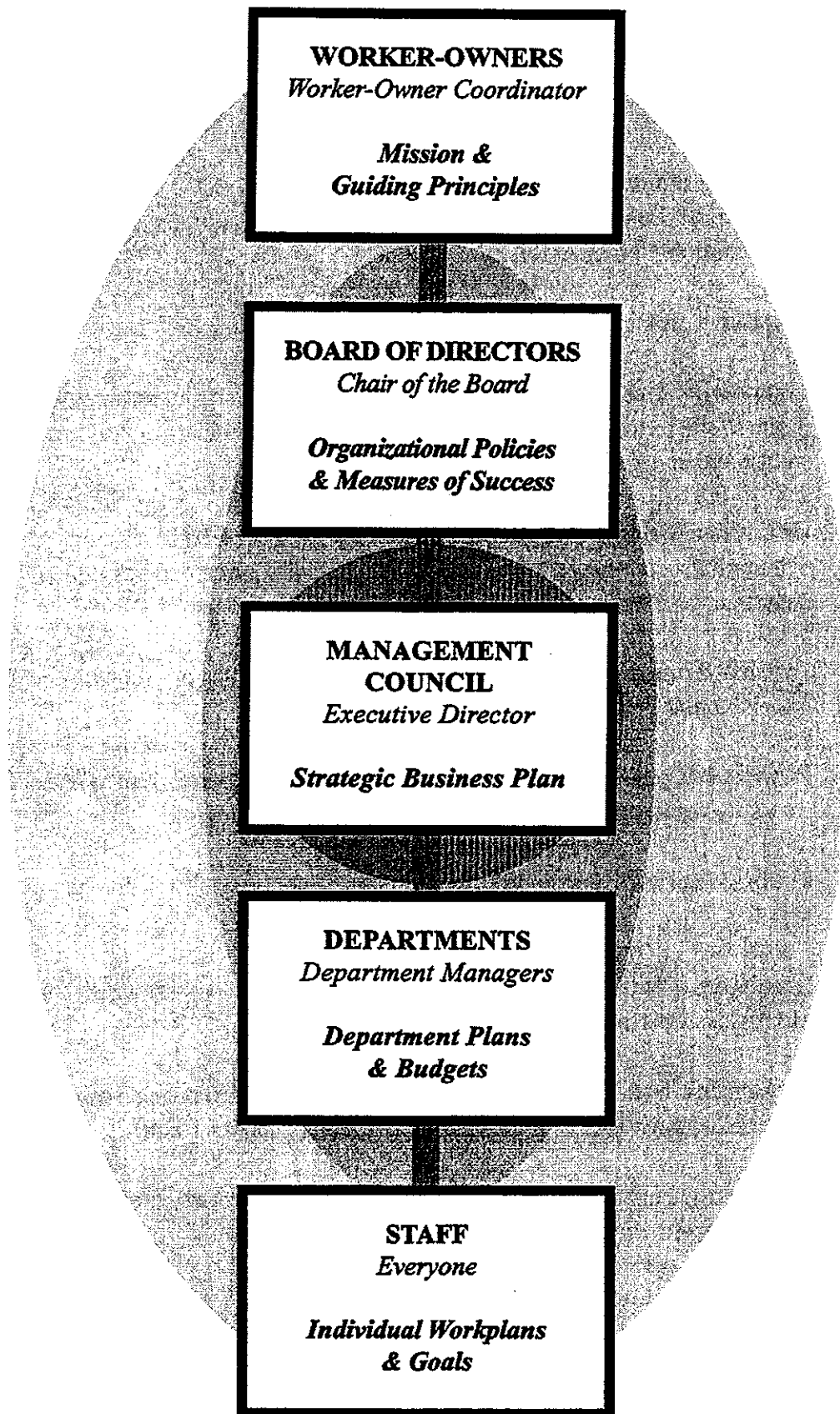
**FINANCE &
ADMINISTRATION**

**MARKETING
DEPARTMENT**

**OPERATIONS
DEPARTMENT**

Ervin Crowell, 8/99

CHARTING OUR COURSE



Ernie Crowell, 8/99

The Ten Arts of Democracy

By Frances Moore Lappé • The Center for Living Democracy

- 1. Active Listening.** Carry no hidden or fixed agenda. Ask probing questions. Take in more than just the words being said; see the world from another's perspective.
- 2. Creative Conflict.** Give constructive, honest feedback.
- 3. Negotiating Interests.** Focus on interests, not the means to achieve them. Work to narrow differences, searching for common ground or a solution that meets some interest of each party.
- 4. Mediation.** Have a neutral, non judgmental party facilitate among disputants, listening to bring differences to the surface and asking questions to discover common interests.
- 5. Political Imagination.** Reimagine the current reality more nearly matching the values and needs of participants.
- 6. Public Dialogue.** Facilitate public conversation on matters that affect us all, probing beneath issues to the underlying values.
- 7. Public Judgment.** Derive solutions interactively using discriminating reason.
- 8. Evaluation and Reflection.** Make both public and private assessments of the lessons learned.
- 9. Celebration and Appreciation.** Acknowledge the satisfaction and joy that comes with learning, as well as the achievements made.
- 10. Mentoring.** Demonstrate the arts of democracy to others, breaking learning down into doable steps.

Worker Owner Meeting Guidelines

Adopted at Worker-Owner Meeting • November 8, 1997

Everyone arrives on time

Everyone gets a chance to participate

Discussion of ideas is encouraged

All ideas have value

Build on other people's ideas, do not tear them down

Our goal is consensus

All members come prepared

No personal attacks

If we can't measure it, it won't get done

If we make a mistake, we will fix it

Consensus as a Process

