



**Healthy Farms Healthy Food**

## **Policy Manual**

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## Introduction

This Policy Manual contains policies for FarmWorks Investment Co-operatives. It is updated from time to time by the Secretary of the Board following a policy review, or amendment by the full board.

The policies laid out in this document are consistent with the by-laws of the cooperative, and with the Acts and Regulations under which FW is incorporated. These should be consulted for further policy guidance. For further information on the individual responsibilities of Members, Directors and Officers of the Cooperative, conflict of interest guidelines, and confidentiality and legal obligations of directors see the Board Manual.

## Board of Directors Policies

### Independent Directors

#### Definition

The by-laws of the FarmWorks Investment Cooperative Ltd. Provide for a board of between nine (9) and fourteen (14) directors. Of these, two (2) must be independent directors who are neither an officer, employee, promoter or investor in the CEDIF and have no interest whether as an employee, director, shareholder and do not carry on business in any manner with an active business in which the CEDIF invests (*please see Appendix for further information*).

### Committees

#### Appointment of Committees

The Directors may appoint committees of the Board, approve mandates for these committees, and designate the person to chair such committees. Committees may be composed of Directors and non-Directors.

A majority of Directors appointed to a committee constitute a quorum at any meeting composed solely of Directors. The Directors may decide that FW members who are not directors may serve on particular committees.

## Executive Committee

The Chair, Vice-Chair, Secretary and Treasurer shall hold office for a term of two (2) years. Upon completion of his or her term, the Chair shall succeed to the position of Past Chair. Normally the Vice-Chair will become Chair when the incumbent Chair's term is completed. The Chair, Vice-Chair, Secretary, and Treasurer shall be elected by the board of directors at the first board meeting after the AGM. Founding members of FarmWorks serving on the Board shall also be members of the Executive Committee.

## Governance Standing Committee

To review and recommend amendments to policy and by-laws. Receives input and suggestions from other committees where discussions have led to possible policy changes.

The committee meets as required and reports to the board of directors

## Marketing and Promotions Standing Committee

To plan, and undertake marketing and promotion activities in cooperation with other board members and willing helpers. Activities may include planning presentations, arranging advertising, blogging, publishing an electronic newsletter and maintaining e-mail lists of shareholders and clients

The committee meets as required and reports to the board of directors

## Nominating Standing Committee

To recommend nominees to fill vacancies or expected vacancies on the board of directors and executive committee. The committee is active throughout the year but meets on an as-needed basis (for example to nominate candidates to fill director vacancies that may occur through the year). The nominating committee shall present a slate of candidates for the board not later than the March board meeting.

## Other Standing and ad-hoc Committees as required

Examples:

- Loans
- Finance
- Client, Shareholder Relations
- External Relations
- Communications (Internal among members and within Board)
- AGM organizing

## Expenses

FarmWorks will reimburse Directors and Advisors for travel to visit clients, attend external meetings and carry out FarmWorks business.

Travel costs (private vehicle) will be reimbursed at the rate of 10c per km unless travel is within 30 km of a Director's home in which case travel costs will not be reimbursed. Paid parking costs will be reimbursed on presentation of a receipt. Directors are expected to car share wherever possible or find other means to minimize costs

Accommodation costs will be paid for basic motel-style rooms if an overnight stay is essential. Directors will be expected to share accommodation wherever possible to limit costs

FarmWorks does not pay for meals and does not pay a per diem.

FarmWorks will reimburse directors for out-of-pocket expenses in securing criminal record checks or other certification that is required by the Nova Scotia Securities Commission for CEDIF or cooperative

Directors are not eligible for an honorarium or any other reimbursements

## Board Meetings

Board meetings shall normally be held monthly.

Notice of the date, time and place of each meeting of Directors will be given to each Director least fourteen days before the meeting is to be held.

Wherever possible electronic (audio or teleconferencing) will be provided to allow virtual attendance

In case of an emergency, any of the signing officers of the Cooperative is entitled to call a special meeting of Directors by giving each Director at least twelve hours notice by transmitted, electronic, or recorded communication.

## Orientation of New Directors

New directors are asked to familiarize themselves with the FW website information, the policy manual, the provincial acts and regulations respecting CEDIFs and co-operatives. New directors are encouraged to ask questions of existing board members who are also asked to share information and familiarize colleagues with operations and policy.

Whereas a core function of all directors is to assist with client reviews prior to granting loans, new directors will team up with colleagues for orientation to review procedures, and to participate as early as possible in a loan application review.

## **Removal of a Director**

If a member of the Board does not attend three consecutive meetings without sufficient cause accepted by the Board, the member shall be removed from the Board and a vacancy shall be declared.

The Board may, by a 2/3 majority vote of the total Board membership, remove any Board member for reason other than non-attendance, before the expiration of the period of office and appoint another person in their stead. The person so appointed shall serve out the remaining term of the Director who was removed.

## **Mail and Electronic Voting**

The board of directors may authorize mail and electronic voting on such issues as it deems appropriate including votes on loan approval. The board of directors shall establish terminal dates for mail and electronic votes to be counted unless specifically provided for in the bylaws

## **Secure Storage and Accessibility of Records**

TBD

## **Member Relations**

TBD

## **Medium and Long-Term Planning**

A capacity –building session (or retreat) at which all board members are expected to attend, shall take place once per year for the purpose of medium and long-term planning for the cooperative

## **Human Resources**

The Board is responsible for hiring and assessing performance of any person or persons hired to assist with the business of the cooperative

# Financial Management

## Loans Policy

### Applications for Loans

The applicant uses a standardized form (see Appendix 1) to be accompanied by a business plan, up-to-date financial statements, and a personal statement of financial affairs as outlined on the web site (<http://farmworks.ca/about/lending/>)

### Assessment and Decisions on Loan Applicants

All loans applications will be assessed by no less than 3 board members, or external advisors with particular subject matter knowledge, using a comprehensive evaluation form. (See Appendix 2). The three assessors will choose a 'lead' who will be responsible for coordinating contact with the applicant, correspondence, and summarizing the nature of the application, for presentation to the board, together with the results of the comprehensive reviews

### First Loans

Loans of any size may be made to businesses, but normally not less than \$5000 for a first loan

Loans may be made only to Nova Scotia businesses and for-profit cooperatives

For each new loan, the board will be provided with comprehensive information on the applicant and a summary of the financial, and business plans. The results of all reviews will be shared with all board members who will be expected to vote. A simple majority of directors voting in favor will constitute board approval.

### Subsequent Loans

At the discretion of the board, second and subsequent loans may be made to the same business provided that their record of repayment and business success is acceptable. A second loan shall not require a complete comprehensive review, but does require diligent examination by at least 3 directors who will be organized in a similar manner to that described under 'Assessment and Decisions .....'. The documented case will be made to the board. A simple majority vote of the board is required.

### Doubtful and Bad Loans

Loans for which no payment has been made for at least 60 days shall be considered doubtful and will be reported to the board at the next board meeting

Loans may be written off by a simple majority vote of the board. However, interest will continue to accumulate, and all efforts will be made to collect the unpaid amount. The board has discretion to re-structure loan and schedule payments to make collection feasible.

The board will discuss appropriate action on each loan in arrears including the need to write off loans that are deemed to be unlikely to be collected.

## Interest Rates

Interest rates are to be determined by vote of the board and can be amended at any regular or special board meeting

Interest rates will be set to ensure a reasonable profitability for the co-op while simultaneously recognizing that FarmWorks exists to facilitate profitability of our clients. Interest rates will be set to take into account the cooperatives overall exposure to doubtful loans, and other factors including capital adequacy, and liquidity

Interest rates shall be the same for all loans unless directed otherwise by the board

## Payments and Payment Deferrals

An interest, and payment-free period of 3 (three) months will be granted to all new loan recipients, at the discretion of the board.

The executive will have discretion to waive or defer payments (principal and/or interest) up to 3 months. Deferred payments beyond that time period must be approved by the board. Waived or deferred payments must be accompanied by appropriate documentation.

## Life and Disability Insurance on Loans

Insurance is not mandatory, but all loan recipients will be alerted to the benefits of such insurance on the application form, and again in the letter that accompanies the cheque.

## Loans to Cooperatives

Loans may be made to Nova Scotia Cooperatives In the case of cooperatives provided that:

- representatives of the FarmWorks board shall meet with representatives of the cooperative board at least annually
- Loans may not be made to board members or any officers of the cooperative

## **Board Financial Oversight**

### Signing Officers

The signing officers of the cooperative will be the Chair, Past Chair, Secretary and Treasurer. Two signatures are always required.

### Budget and Financial Review

The board reviews monthly financial reports presented by the Treasurer

The board reviews and approves the annual budget and the annual externally-reviewed financial statement which is submitted to the board by the Treasurer at the first meeting after the external review is complete

## **Risk Management**

### Board Insurance

Directors shall be covered by Board Insurance carried by FarmWorks Inc. at no charge to the Directors

Registration of FarmWorks as a creditor in instances of loan default

TBD

## **Share Offerings**

### Timing, objectives, and administration of Share Offerings

The board determines the timing and objectives of share offerings. The Treasurer prepares the offering document with assistance from the Finance Committee

## Appendix

FarmWorks recognizes that there is a misalignment between the Co-operative Act and the CEDIF Act with respect to Independent Directors on the advice of the Inspector of Co-operatives, Audrey Gay, the co-op sought advice from the NSCC, NSCC provided FarmWorks with a lawyer's opinion.

**From:** Dianne Kelderman  
**Sent:** Thursday, March 09, 2017 2:25 PM  
**To:** Leslie Brown  
**Subject:** FW: CEDIF independent director question

Leslie,  
Sorry for the delay. I had asked our legal counsel for his perspective on this and his answer is below. Hope it's helpful and worth the wait ☺.  
Dianne

**From:** White, George  
**Sent:** Thursday, March 09, 2017 2:20 PM  
**To:** Dianne Kelderman  
**Cc:** Upham, Jennifer  
**Subject:** CEDIF independent director question

Dianne:

This email is in reply to your question of how to reconcile the following section of the Offering Document for a CEDIF which is a cooperative with regulation 27 (a) of the under the Co-operative Associations Act which requires a director to be a member:

### Directors of the Issuer

37. (a) There are (#) directors of the Issuer, 6 of which come from the community, as required by the regulations made under the *Equity Tax Credit Act*.
- (b) At least 2 directors of the Issuer must be independent. The following are the names of the independent directors and a description of how they are independent:

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There is some guidance in instruments among the securities administrators regarding what is meant by the term "independent director" but it does not specifically address the coop question which you have raised. We suggest these two provisions can be reconciled by the independent directors having not being a promoter, and not being an officer, employee or investor in the CEDIF (other than the issuance of 1 nominal share as provided below) and having no interest whether as an employee, director, shareholder or carrying on business in any manner with any active business in which the CEDIF invests. The by laws of the CEDIF should provide that the outside directors are selected based on relevant criteria identified in the by laws such as applicable experience etc. Section 33 (5) of the Cooperative Associations Act provides two months for a director to be qualified. Therefore, the by laws could provide that upon election as an independent director the individual would be issued a nominal share without right to receive any patronage dividend and should provide that upon ceasing to be a director such individual would be required to withdraw from membership. The solution might be specific to each coop taking into account its share structure etc.

From the regulations:

### Officers and directors

- 9 (1) The promoters, officers, directors and sales agents of a CEDC must be individuals who are suitable to act as promoters, officers, directors and sales agents and whose past conduct does not afford reasonable grounds to believe that the business of the CEDC will not be conducted with integrity and in the best interests of the CEDC.
- (2) At least 2 directors of the CEDC must be independent.

From the Act:

- 2 (c) "association" means an association as defined in the Co-operative Associations Act;