National Energy Systems Technology Incubator (NEST) Governance and Management Policy

NEST has adopted this policy to clarify the role of the board of directors relative to governance and management of the organization, as well as to establish a Code of Ethics for board members, volunteers, and staff.

Governance Philosophy

The board of directors recognizes its responsibility for *Governance* relative to the mission of NEST. Governance is concerned with leadership, setting strategy, introducing programs, fundraising, creating policies, ensuring the financial health of the organization, and ensuring that the needs and desires of the organization's partners and stakeholders are being addressed and met.

In governing, it is the duty of the board of directors to represent the perspectives of partners and stakeholders and to meet their needs. In instances when a few influential or vocal individuals or groups may seek action by the board to promote a specific perspective or program, the board shall make its best effort to consider and represent the views of the partners and stakeholders as a whole in deciding the course of action or perspective that shall be adopted.

Management Philosophy

While the board's duties center on *Governance,* the Chief Executive Officer (also called President/CEO) is responsible for *Management* of the organization. Management involves directing staff and ensuring the fulfillment of operational duties and programs established by the board. While individual board members may volunteer on committees or around the office or at events to help fulfill board programs, individual board members should not become involved in the day-to-day management of staff. In fact, the board's philosophy is that it has just one employee—the CEO. All other employees and their daily activities are the responsibility of the CEO. Keeping governance and management separate helps to ensure a healthy organization and clarify expectations of the board and CEO.

The Board's Group Role

Board governance is possible only when the board of directors speaks with a unified voice and acts through majority vote or consensus. No individual board member has the authority to speak on behalf of the board, to direct or instruct the activities of CEO, to direct or instruct staff, to terminate staff or the CEO, or otherwise take action without approval from the board.

Role of the Chairperson

Notwithstanding the duties of the Chairperson outlined in our bylaws, the Chairperson, similar to the CEO, serves at the pleasure of the full board. The Chairperson is primarily responsible for serving as spokesperson for the board, communicating on a frequent basis with the CEO, and for ensuring the integrity of board governance. The board Chairperson has no unique authority to direct

the CEO or to individually set policy or create new programs or have influence any greater than that of other individual board members. While many organizations sometimes move in new strategic directions based on the perspectives and experience of a given Chairperson, the authority of the Chairperson to set strategy and create new programs is limited to that of an individual board member. It is the duty of the board as a whole to counsel and potentially remove any Chairperson (or other officer or board member) who misrepresents the view of the board, violates board policies, or is detrimental to the Board-CEO relationship or to the health of the organization.

Board-CEO Relationship

To assist the CEO in accomplishing his or her duties and responsibilities, thus enhancing the success of NEST, the board of directors and the CEO must foster a relationship built on mutual respect, trust, and partnership. Though the CEO reports to the board, the board recognizes that successful organizations have strong and effective CEOs, and that a CEO with authority is able to more quickly create value for an organization than one who must constantly seek approval before acting on behalf of the organization. To this end, the board recognizes the value of clear communication with the CEO relative to expectations, philosophy, goals and objectives, and vision for the organization.

Similarly, the CEO must gain and maintain the respect of the board and is expected to perform in a professional manner to enhance the success of the organization.

While individual board members may, from time to time, share with the CEO their individual views or suggestions about issues or how the organization should operate, such discussions are considered advice only and have no instructive affect. The CEO reports to the board as a whole, not to individual board members.

Director Standard of Care

The standard of care that a director must meet to an organization is contained in California Corporations Code Section 5231, which provides that a director shall perform his or her duties (i) in good faith, (ii) in a manner such director believes to be in the best interests of the corporation, and (iii) with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. Stated another way, a director must act with the care that an ordinarily prudent person would exercise in a similar position, put the interests of the organization first, and act in accordance with the organization's mission.

Conflicts of Interest

NEST's board and staff are expected to use common sense and discretion to ensure that their private business and personal activities do not conflict with the

interest of NEST or its partners and stakeholders. Please refer to the organization's separate Conflict of Interest Policy for details.

Code of Ethics

NEST is committed to the highest standards of ethical conduct. The following is our Code of Ethics, and relates to both staff and directors:

Responsibilities:

1. To promote and protect the best interest and reputation of NEST.

2. To make and carry out decisions with full regard for the interest of the partners and stakeholders of NEST.

3. To provide the highest level of service in a professional manner and to treat all individuals fairly without regard to race, creed, national origin, gender, religion, physical abilities, social or economic level.

4. To provide partners and stakeholders with timely and accurate information about the organization and its services and benefits.

5. To abide by the letter, spirit and intent of state and federal laws and regulations.

6. To support and participate in programs that advance the mission of NEST.

7. To observe the highest standards of personal conduct at all times.

8. To uphold the laws, bylaws, rules, policies and regulations relating to our operations.

9. To guard against the use of NEST staff or board position for inappropriate personal or financial advantage or special privilege, and to avoid conflict of interest with its policies and operations.

10. To carry out the duties and responsibilities as an employee or director to the best of one's abilities and to seek out and participate in opportunities to increase that knowledge and skill.