



Corporate Governance Guidelines

(Approved by the Board of Directors on February 6, 2015)

The following corporate governance guidelines ("guidelines") have been adopted by the board of directors of Goodwill Industries of Southeastern Wisconsin, Inc. to assist the board in exercising its duties and responsibilities for Goodwill organizations ("Goodwill"). Together with the articles of incorporation, bylaws, charters of each board committee, and Goodwill code of ethics, they provide the framework for the governance of Goodwill. The board of directors has approved these guidelines, and reviews the guidelines and other aspects of Goodwill governance on a regular basis.

1. Role of Board and Management

The business of Goodwill is conducted by its employees, managers and officers, under the direction of the chief executive officer and the oversight of the board, to enable Goodwill to pursue its mission of providing training, employment and supportive services for people with disabilities or disadvantages who seek greater independence. The board is responsible for the overall corporate governance of Goodwill, including guiding its strategic direction, establishing goals for management, and monitoring the achievement of those goals. Directors are elected or appointed by the existing directors of Goodwill to oversee management and to see that the immediate needs and long-term interests of Goodwill are being served. The long-term interests of Goodwill are advanced by addressing the concerns of key interested parties, including current and prospective participants, employees, customers, government agencies and officials, funding sources, donors, suppliers, communities, and the public at large.

2. Functions of Board

The board of directors regularly reviews and discusses reports by management on the performance of Goodwill, its prospects, and immediate issues. Performance criteria include qualitative and quantitative measures of Goodwill's progress toward achieving its mission through three strategic themes:

- Maximize donation value and margin via effective donated goods business.
- Deliver an integrated portfolio of Workforce Development services.
- Adopt an efficient and cohesive operating model

In addition to its oversight responsibilities, the board, either directly or by delegation to the appropriate committee or management, performs the following specific functions:

- periodically reviews the mission of Goodwill to ensure alignment with program offerings and consistency with tax-exempt purposes and best practices;
- selects, evaluates and compensates the president/CEO and oversees succession planning;
- provides counsel and oversight on the selection, evaluation, development and compensation of senior management;
- periodically reviews programs and activities to ensure effectiveness;
- reviews financial performance;
- reviews, monitors, and where appropriate, approves fundamental strategies and major corporate actions;
- assesses major risks facing Goodwill and options for dealing with them; and
- ensures processes are in place for maintaining the integrity of Goodwill.

3. Board Composition

A. Method of Selection

The Nominating and Governance Committee is responsible for reviewing the skills and characteristics of directors in the context of prevailing business conditions and current composition of the board. The Nominating and Governance Committee proposes a slate of nominees each year for election or re-election by the board.

B. Number

The board determines the number of directors, subject to the provisions set forth in the articles and bylaws. The statutory minimum number of directors is three (3). The board has set the maximum number of directors at twenty seven (27). The number of directors is intended to reflect the breadth of activities at Goodwill, the interest in obtaining a diversity of board views, and the expectation that directors will play an active role in overseeing Goodwill matters.

C. Qualifications

Directors should possess the highest personal and professional integrity and values, should have a passion for the mission and work of Goodwill, and should be committed to representing the long-term interests of Goodwill. The board will be comprised of individuals who have a broad range of expertise and experience in policy-making levels in business, government, education, and social services, and in areas relevant to Goodwill's business activities. Directors should reflect diversity in experience, gender, race and age. Board members must have an inquisitive and objective perspective, practical wisdom and mature judgment. The board also seeks individuals who could qualify as financial experts for service on the Audit, Risk and Compliance Committee.

The chair will discuss with current and prospective directors the expectation for the amount of time directors should spend on Goodwill matters. Directors must be willing to devote sufficient time to carry out their duties and responsibilities effectively. Directors serve without compensation, other than the provision of meals and refreshments at board and committee meetings.

The board does not support term limits for directors; however, the board does not believe that directors should expect to be re-elected every year until they reach retirement age. In general, directors will not be nominated for re-election after their 75th birthday, although the board may nominate candidates who exceed this age under special circumstances.

D. Independence

Goodwill seeks to have a board of which one half (1/2) of the total directors will qualify as independent directors. In order for a director to be considered an independent director, the board must determine that:

- 1) the director is not a current or former employee of Goodwill or compensated as an officer;
- 2) the director has no substantial connection of a personal or financial nature to Goodwill or its management that could in fact, or in appearance, compromise the director's objectivity, including total compensation or other independent contractor payments exceeding \$10,000, other than reasonable reimbursement of expenses, and;
- 3) the director must not provide, or be affiliated with any organization that provides, goods or services to Goodwill if a reasonable, disinterested observer could consider the relationship substantial.
- 4) Conversely, the director must not receive, or be affiliated with any organization that receives, goods or services from Goodwill that could be considered substantial; and
- 5) neither the director, nor any family member was involved in a transaction with Goodwill (whether directly or indirectly through

affiliation with another organization) that is reportable on Form 990, Schedule L if required to be filed by the related organization.

- 6) A director does not lack independence merely because the director is a donor (regardless of the amount of the contribution), has taken a bona fide vow of poverty, or receives financial benefits solely in the capacity of being a member of the charitable class serviced by the organization in the exercise of its exempt function.

The board has determined that the following directors, who served during the fiscal year 2014, were independent:

- | | |
|-------------------------|-------------------------|
| 1. James D. Borris | 10. Timothy J. Mattke |
| 2. Jacqueline M. Bowles | 11. Richard A. Meeusen |
| 3. Juan M. Carrasquillo | 12. Arthur T. Phillips |
| 4. Mary J. Dowell | 13. Kenneth P. Riesch |
| 5. Karen G. Duffy | 14. Anthony D. Ross |
| 6. John Dziewa | 15. Mason G. Ross |
| 7. Laura H. Gough | 16. Irene S. Sudac |
| 8. Robert J. Klug | 17. Carl E. Vander Wilt |
| 9. Michelle I. Mason | 18. Charlie Wright Jr. |

The board has determined that the following directors, who served during fiscal year 2014, were not independent:

- | | |
|----------------------|-----------------------|
| 1. David Marcus | 3. Thomas V. Richtman |
| 2. Dennis J. McNally | 4. Thomas R. Savage |

The board will make and disclose its own independent determination for each director when the director is first elected to the board and annually thereafter. Determinations will be based on a director's relationships during the fiscal year immediately preceding the determination. Each year, directors are required to submit to Goodwill a signed independence / disclosure statement indicating they have reviewed and understand these guidelines and Goodwill's Conflicts of Interest Policy. In addition, in order to complete its independent analysis, directors will also be required to disclose certain personal information concerning their employment and other affiliations.

E. Compensation

Directors receive no compensation for their service on the board. Upon the approval of the treasurer, directors will be reimbursed for direct expenses relating to activities performed on behalf of Goodwill that go beyond regular attendance at board or committee meetings (for example, expenses relating to the attendance of or presentation at a Goodwill related out-of-town conference may be reimbursed).

4. Director Orientation

The president/CEO, along with the Nominating and Governance Committee chair as host, shall provide an orientation for new directors, and shall periodically thereafter provide materials or briefing sessions for all directors on subjects that would assist them in discharging their duties. Within six months of their initial election to the board, each director is expected to attend one half-day personal briefing by Goodwill senior management concerning Goodwill's programs and services, operations, financial statements, key policies and procedures. The president/CEO shall confirm to the committee chair and board chair that each new director has participated in the orientation.

5. Board Meetings

A. Number of Meetings

Generally regular board of directors' meetings occur four (4) times each year. The board considers its current meeting schedule sufficient, but may adjust the board meeting schedule if necessary to meet changing conditions. In addition to regular board meetings, special board meetings may be called periodically to address significant matters that may arise. A calendar of regular board and Executive Committee meetings will be established and circulated as far in advance as practicable. Directors are expected to attend all board and assigned committee meetings, barring special circumstances.

B. Agenda

The chair and president/CEO shall determine the nature and extent of items to be presented at regular board of directors and Executive Committee meetings. Standing agenda items include the president's report, mission and program outcomes, financial performance, strategic matters, reports by committee chairs, and reports on safety. To ensure the directors are adequately educated and informed, certain topics are addressed in at least one board meeting each year:

- Review of program and services outcomes, efforts and achievements
- Review and approval of the budget
- Review of Goodwill's strategic plan, including environmental factors affecting its business and prospects
- Review of executive compensation
- Review of risks and risk management, including the type and amount of insurance coverage maintained by Goodwill
- Review of the compliance program and any significant complaints made against Goodwill
- Review of governing documents

In general, background information and explanatory materials regarding agenda items should be provided to directors and committee members sufficiently in advance of the meetings to allow adequate preparation for a thorough discussion. Directors may suggest

additional agenda items or pre-meeting materials to the president/CEO, chair or appropriate committee chair at any time.

6. Board Committees

A. Committee Responsibilities

To assist the board in discharging its responsibilities, the board has established the following committees:

- 1) Audit, Risk and Compliance,
- 2) Executive,
- 3) Development and Mission Advancement,
- 4) Human Resources and Compensation, and
- 5) Nominating and Governance

The charters of each committee specify their purpose and responsibilities and are included as Appendix 1 to these corporate governance guidelines. The responsibilities of the Executive Committee are also specified in Goodwill's bylaws. The committee charters are reviewed on a regular basis. The board believes this group of committees to be sufficient to permit the board to carry out its responsibilities effectively.

Periodically, the board will review the allocation of responsibilities among the committees to determine if duties should be modified or new committees formed. The committee chairs are responsible for contemporaneously documenting the meeting minutes, reporting the highlights of their meetings to the full board or Executive Committee following each committee meeting, and presenting actions for board or Executive Committee consideration and approval.

B. Assignment and Rotation of Committee Members

The chair is responsible for reviewing and recommending to the board the assignment of directors to various committees. Directors' committee assignments may rotate periodically taking into account continuity and the expertise of the members. The board chair, upon management recommendation, may appoint a non-board member to serve on the committee, excluding the Executive and Human Resources and Compensation Committees, if the individual brings specific skills required by the committee. Committee members who are not members of the board of directors will be granted voting rights at the committee level only.

C. Independence of Committee Members

Specific committee assignments require that a director satisfy additional independence standards beyond those set forth in Section 3(D). No member of the Audit, Risk and Compliance Committee may, directly or indirectly, receive any consulting, advisory or other compensatory fee from Goodwill or any of its affiliates or be a partner, member or

principal of a law firm, accounting firm or investment banking firm that receives fees from Goodwill or any of its affiliates. Members of the Human Resources and Compensation Committee are subject to specific independence requirements set forth in the executive compensation standards below.

7. Conduct of Board and Committee Meetings

Board and committee meetings shall be conducted in accordance with Goodwill's bylaws and in a manner that facilitates open communication, meaningful participation, thorough consideration, and timely resolution of all presented matters. Directors shall be given sufficient time to consider scheduled agenda items, as well as all other matters and issues that may arise during board and committee meetings. Any director may request that the board meet in executive session without management present during any meeting.

8. Executive Compensation

The purpose of Goodwill's compensation and benefit programs is to attract, retain and motivate executive staff to achieve mission-related objectives and to produce measurable financial results that will ensure the long-term viability of the organization. At the same time, as a tax-exempt organization, Goodwill must take steps to ensure that the compensation it pays its managers is reasonable. In determining executive compensation, the Human Resources and Compensation Committee will ensure that approved compensation plans meet the rebuttable presumption test of Internal Revenue Code section 4958 and Treasury Regulation section 53.4958-6. The Human Resources and Compensation Committee regularly retains independent compensation consultants for the purpose of reviewing Goodwill's compensation programs to assure that they are both competitive and reasonable. These reviews include analyzing data from other organizations of comparable size and scope of operations in both the for-profit and nonprofit sectors. Each year, the board of directors reviews the compensation for the president as well as the process used to determine compensation for other key executives.

9. Access to Senior Management and Independent Advisors

The board of directors has the right of access to Goodwill's executives and to all relevant information. The board chair or president/CEO are encouraged to invite to board meetings senior managers who can provide additional insight into current business matters. Subject to prior consultation with the chair, the board and its committees have the right at any time to retain independent third party auditors, financial, legal or other advisers. Directors shall disclose any relationships with such outside advisors that may affect their independence or ability to provide full and impartial advice in the best interests of Goodwill. Goodwill shall provide appropriate funding, as determined by the board or committee, to compensate such independent third party auditors or advisors.

10. Self-Evaluation

The board will regularly perform a self-evaluation. Directors are requested to assess the effectiveness of the board and the committees on which they serve. Individual

assessments are organized and summarized by the chair of the Nominating and Governance Committee and discussed with the board of directors.

11. Ethics and Conflict of Interest

The board expects Goodwill directors, officers and employees, to act ethically at all times and to acknowledge their adherence to the principles and policies comprising Goodwill's code of ethics. Goodwill will not make any personal loans or extensions of credit to directors or executive officers. Directors are required to keep the board informed of all current memberships with other for-profit or nonprofit boards, organizations, governmental units and advisory groups. In addition, each director must review and agree to Goodwill's conflicts of interest policy attached as Appendix 2 to these guidelines. Each year, directors provide an independence / disclosure statement to Goodwill (1) indicating any changes in their employment, board memberships or community activities, and (2) re-affirming that they have reviewed and will continue to abide by Goodwill's code of ethics and conflicts of interest policy.

If an actual or potential conflict of interest arises for a director, the director shall promptly inform the president/CEO and the board chair. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. Any conflict of interest or ethical issue involving a director shall be resolved by the board chair. If the conflict involves the board chair, the issues shall be resolved by a subcommittee of the board convened by the first vice chair for this purpose. Any conflict of interest or ethical issue involving any officer of Goodwill other than the board chair shall be resolved by the president/CEO. Any conflict of interest or ethical issue involving the president/CEO shall be resolved by the board chair.

12. Reporting of Financial Concerns

Goodwill has established procedures to enable employees who have a concern about Goodwill's accounting, internal accounting controls or auditing methods, to communicate that concern. Such communications may be confidential or anonymous, and may be emailed, submitted in writing or reported by phone. Such communications shall be reviewed by the chief compliance officer within five days of receipt of the communication. Concerns relating to accounting, internal controls, auditing or officer conduct shall be reviewed by the board chair and the chair of the Audit, Risk and Compliance Committee. The status of outstanding concerns will be reported to the Audit, Risk and Compliance Committee on a regular basis. The board chair or the chair of the Audit, Risk and Compliance Committee may direct that certain matters be presented to the full Audit, Risk and Compliance Committee, the board or the Executive Committee and may direct special treatment, including the retention of outside advisors or counsel. Goodwill policy prohibits retaliation or any adverse action against an employee who raises or seeks to resolve an integrity concern.

Appendix 1

Committee Charters

The following five committee charters are attached:

- Audit, Risk and Compliance Committee
- Executive Committee
- Development and Mission Advancement Committee
- Human Resources and Compensation Committee
- Nominating and Governance Committee

**Committee Charter:**

Audit, Risk & Compliance

Committee Review: 12/03/2014

Approved / Reviewed

by Board of Directors:

02/06/2015

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N&G Committee Review: 01/21/2015

Committee Title:

This committee shall be called the **Audit, Risk and Compliance Committee** of the board of directors of Goodwill Industries of Southeastern Wisconsin, Inc.

Committee Purpose:

The committee shall assist the board of directors in fulfilling its fiduciary and compliance oversight responsibilities of the corporation by monitoring operational and financial risk, legal and regulatory compliance, financial reporting, and information technology. The Audit, Risk and Compliance Committee also oversees systems of internal controls regarding finance, accounting, regulatory compliance, and business ethics that management and the board of directors have established.

Committee Membership:

The chair of the board of directors shall appoint the committee. The chair of the Audit, Risk and Compliance Committee must be a member of the board of directors. The committee shall be composed of four to eight board members, who are not employed by Goodwill and who, in the opinion of the board of directors and in accordance with any applicable law or regulations, are free from any relationship that would interfere with the exercise of independent judgment. In addition, the committee members shall have financial experience and the chair shall have accounting or related financial management expertise.

The board chair may, upon management recommendation, appoint a non-board member to serve on the committee if the individual brings specific skills required by the committee. Committee members who are not members of the board of directors will be granted voting rights at the committee level only.

Meetings:

The committee shall meet at least semiannually and at such other times as determined by the chair of the committee. A quorum shall consist of at least fifty-one (51) percent of the total members of the committee for the transaction of business. The committee may invite such members of management to its meetings as it deems desirable or appropriate.

Reporting:

The committee shall prepare minutes of each meeting contemporaneously and submit to the board of directors or Executive Committee following the meeting. The minutes will contain recommendations for appropriate board actions as required.

**Duties and Responsibilities**

The committee is a standing committee of the board of directors. Its principal responsibilities are to see that Goodwill establishes and follows appropriate accounting policies and internal controls; that Goodwill issues financial statements and reports on time and in accordance with its regulatory obligations; and that Goodwill complies with all laws, regulations and internal policies relating to tax-exempt status, mission advancement, government contracting, data privacy, and business ethics.

Audit-Related Responsibilities

Actions where prior board approval is not required but where the committee will inform the board that it has acted in the best interests of the Corporation:

- Review and approve the scope of the annual external financial audits for Goodwill, affiliated entities, and employee benefit plans.
- Request the CEO to have the external auditors or internal staff studies a particular area of interest or concern.
- Initiate special audits and review and approve the areas targeted for special audit work.
- Review and approve the audit reports issued in conjunction with the special audit work, including management responses and plans to address those areas identified during the audits.
- Hire external financial auditors. The committee chair shall sign the auditor's annual engagement letter.
- Review and approve the annual financial statements and auditors' reports.
- Review management letters, including management responses and plans to address the resulting recommendations.
- Monitor Payment Card Industry (PCI) Data Security Standards and compliance.

Areas that the committee will review and study then provide summary reports to the board where appropriate:

- Review accounting changes or regulations proposed or adopted by bodies such as the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, and the Office of Management and Budget.
- Review tax policy changes from the Internal Revenue Service that may affect Goodwill's tax-exempt status, involve intermediate sanctions for

**Duties and Responsibilities**

private enurement, ensure promotion of public benefit, change its definition of tax-exempt activities, or change best practices or its reporting responsibilities.

- Interview Goodwill's external auditors, meeting separately without management, if necessary, concerning the strengths and weaknesses of Goodwill's financial staff, systems, internal controls, and other factors that pertain to the integrity of published financial reports.

Risk and Compliance-Related Responsibilities

- Review the adequacy and effectiveness of Goodwill's Risk Management Plan by gaining an understanding of management's risk identification, risk analysis, and risk mitigation activities.
- Gain an understanding of areas of significant compliance risk (financial or non-financial) and review these areas on an annual basis.
- Review and approve, as required, Goodwill's programs for compliance, and the status of compliance, with various laws and regulations regarding Payment Card Industry (PCI) Data Security standards, tax-exempt status, mission advancement, government contracting, business ethics, and any other laws affecting Goodwill's operations.

Independence-Related Responsibilities

- Review and approve all transactions or business relationships between Goodwill and any key employees or directors whose relationship with the Company may create (in perception or reality) a conflict of interest or otherwise affect the independence of such transactions.
- Each committee member shall be cognizant of any material relationship that such member (or any other member of the committee) may have with the independent auditors, such that any such relationship does not influence the selection of independent auditors.



Committee Charter: **Development and Mission Advancement**

Committee Review: Circulated
01/16/2015

Approved / Reviewed
by Board of Directors: **02/06/2015**

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N&G Committee Review: 01/21/2015

Committee Title:

This committee shall be called the **Development and Mission Advancement Committee** of the board of directors of Goodwill Industries of Southeastern Wisconsin, Inc.

Committee Purpose:

The committee shall assist the board of directors in fulfilling its oversight responsibilities in the field of philanthropy and mission advancement. The committee shall be responsible for the identification, cultivation, solicitation and stewardship of donors and donor prospects; and help identify business connections in professional networks which could benefit the programs and services of Workforce Development and Mission Operations.

Committee Membership:

The chair of the board of directors shall appoint the committee. The committee shall be composed of five to nine board members. The chair of the Development and Mission Advancement Committee must be a member of the board of directors.

The board chair may, upon management recommendation, appoint a non-board member to serve on the committee if the individual brings specific skills required by the committee. Committee members who are not members of the board of directors will be granted voting rights at the committee level only.

Meetings:

The committee shall meet at least semiannually and at such other times as determined by the chair of the committee. A quorum shall consist of at least fifty-one (51) percent of the total members of the committee for the transaction of business. The committee will work closely with management, specifically the president and CEO and the vice president of Development to carry out its duties and responsibilities.

Reporting:

The committee shall prepare minutes of each meeting contemporaneously and submit to the board of directors or Executive Committee following the meeting. The minutes will contain recommendations for appropriate board actions as required.



Committee Charter: Development and Mission Advancement

Committee Review: Circulated
01/16/2015

Approved / Reviewed
by Board of Directors:

02/06/2015

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N&G Committee Review: 01/21/2015

Duties and Responsibilities

The committee is a standing committee of the board of directors and has specific duties that include:

- Actively participate in building community and professional relationships with the intent to advance Goodwill's mission.
- Identify prospective donors to Goodwill, and assist in determining the appropriate dollar amount to request from specific donors.
- Assist with planning of and participate in the solicitation of individuals, foundations and corporations.
- Make a personal financial contribution to the Goodwill Annual Campaign and encourage all directors to do the same.
- Work with management and the full board of directors to identify new prospects as well as personal or business connections that could assist Workforce Development programs and Mission Operations in achieving their program and financial objectives.
- Upon request of the chair of the committee, assist in the recruitment of Development and Mission Advancement Committee members who can make significant financial contributions to the fundraising efforts of Goodwill.
- Exercise oversight and provide assistance with philanthropic and mission advancement activities of Goodwill through regular review of reports provided by the assigned vice president.

**Committee Title:**

This committee shall be called the **Executive Committee** of the board of directors of Goodwill Industries of Southeastern Wisconsin, Inc.

Committee Purpose:

The Executive Committee is empowered to exercise the powers of the full board with respect to any matter that, in the opinion of the board chair, should not be postponed until the next scheduled meeting of the board. Despite that grant of authority, the Executive Committee does not have the power or the authority of the board with respect to certain key activities such as (1) action with respect to the election of officers or the filling of vacancies on the board of directors or the Executive Committee; and (2) the purchase, encumbrance, sale or conveyance of real estate.

The committee shall assist the board of directors in fulfilling its oversight responsibilities in the area of mission, vision and strategic direction. Working with management, the committee reviews, approves or recommends to the full board of directors, as required, the long-term business goals and strategies of the organization, which may include strategic considerations in the allocation of corporate resources.

Committee Membership:

The chair of the board of directors shall be the chair of the Executive Committee. On an annual basis, the committee shall be appointed by the board chair and be composed of the officers of the corporation, the immediate past chair, the president (ex officio), and a maximum of four additional directors.

Meetings:

Regular meetings of the Executive Committee shall be held at least four times each year in months in which a regular or special meeting of the board of directors is not held. Special meetings of the Executive Committee may be called at any time by the chair, and shall be called by the chair or president upon the request in writing of any two members of the Executive Committee. Meetings of the Executive Committee shall be held at such time or day and at such location as the chair may designate. A quorum shall consist of at least fifty-one (51) percent of the total members of the committee for the transaction of business. The committee may invite such members of management to its meetings as it may deem desirable or appropriate.



Reporting:

Minutes shall be kept contemporaneously for all meetings, regular or special, of the Executive Committee. A copy shall be provided to the board of directors. The minutes shall contain recommendations for appropriate board actions, if required.

Duties and Responsibilities:

The committee is a standing committee of the board of directors and shall exercise the powers of the board of directors in managing the corporation's affairs when the board is not in session, except for (1) actions concerning the election or removal of officers and directors, and (2) the purchase, encumbrance, sale or conveyance of real estate.

Specific responsibilities include:

- Provide input in the development and evaluation of strategic priorities, themes, annual budgets and operating plans established by management.
- Review the allocation of corporate resources recommended by management, including the consistency of such activities and allocations with the long-term business objectives and strategies for Goodwill's mission.
- Receive, approve, and recommend to the full board of directors the approval of the annual budget and operating plan.
- Review, report, or recommend approval for the full board strategic decisions regarding exit from existing lines of business and entry into new lines of business, including acquisitions, joint ventures or disposition of business and capital assets and the financing of such transactions.
- Review, monitor and assess the organization's performance against strategic and business plans.
- Review special matters of policy not covered by other board committees and bring recommendations to the board of directors.
- Undertake from time to time such additional activities within the scope of the committee's primary function as it may deem appropriate and/or as assigned by the board of directors or the chairman of the board.
- Recommend to the board of directors policies concerning investment programs, security of real property and other financial matters of the organization.
- Transact routine administrative business required to be approved by the board of directors.

**Committee Charter:****Human Resources & Compensation**

Committee Review: 10/01/2014

Approved / Reviewed

N&G Committee Review: 10/15/2014

by Board of Directors:

02/06/2015

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Committee Title:

This committee shall be called the **Human Resources and Compensation Committee** of the board of directors of Goodwill Industries of Southeastern Wisconsin, Inc.

Committee Purpose

The committee shall assist the board of directors in fulfilling its oversight responsibilities in the field of human resources and compensation and affirmative action programs. The committee shall evaluate and determine executive compensation, and oversee significant employee benefits programs, policies and other plans relating to Goodwill executives and employees.

Committee Membership:

The chair of the board of directors shall appoint the committee. The committee shall be composed of four to eight board members who are not employed by Goodwill and who, in the opinion of the board of directors and in accordance with applicable law and regulations, are free from any relationship that would interfere with the exercise of independent judgment.

Meetings:

The committee shall meet at least semiannually and at such other times as determined by the chair of the committee. A quorum shall consist of at least fifty-one (51) percent of the total members of the committee for the transaction of business. The committee may invite such members of management to its meetings as it deems desirable or appropriate.

The company's CEO shall not attend any portion of any meeting where the CEO's performance or compensation is discussed, unless specifically invited by the committee to answer questions.

Any committee member (board or *ex officio*) with a conflict of interest as determined by IRS standards, must recuse himself/herself from a meeting and not be present during debate or voting on compensation determinations for the CEO, COO, CFO, or other key employees.

Reporting:

The committee shall prepare minutes of each meeting contemporaneously and submit them to the board of directors or Executive Committee following the meeting. The minutes will contain recommendations for appropriate board actions as required.

**Duties and Responsibilities**

The Committee is a standing committee of the board of directors and has specific responsibilities that include:

- In consultation with senior management, establish Goodwill's general compensation philosophy, and oversee the development and implementation of compensation programs.
- Evaluate the chief executive officer in light of Goodwill's goals and objectives; determine the chief executive officer's compensation level based on this evaluation; and prepare a written appraisal of his/her performance on an annual basis for delivery by the board chair to the CEO.
- Periodically review affirmative action programs and assist the CEO in developing long-term diversity goals for Goodwill.
- Review the performance of key executives; review the succession plan for key executives and the CEO; and make recommendations to the board of directors or Executive Committee regarding key executives.
- Review and approve all salary and bonus awards for key executives, and ensure the authorized body approving the compensation arrangement meets the rebuttable presumption test of Internal Revenue Code section 4958 and Treasury Regulation section 53.4958-6.
- Oversee generally the hiring and personnel policies of Goodwill so as to promote compliance with applicable laws and regulations.
- Advise and consult with management on other significant human resources matters as may be appropriate.
- In consultation with senior management, the Executive Committee, and other members of the board of directors with financial expertise, exercise oversight responsibility over Goodwill's long-term employee benefit plans, including pension plans, 403(b) plans, and 401(k) plans and Section 457(b) plans, with the following specific responsibilities:
 - a) Appoint trustee(s) for pension plan(s) as required.

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- b) Oversee management of the assets of Goodwill's pension plan(s) related to retirement benefits.
- c) Oversee the development of investment policies for plan assets consistent with the purposes and objectives of the plan(s).
- d) Review investment performance relative to investment policies for the plan(s).
- e) Review and approve any proposed substantive changes to or termination of an employee benefit plan, or the creation of any new plan which inures primarily to the benefit of executives or which creates a new financial obligation for Goodwill.
- f) Advise and consult with management or the board of directors on other significant pension matters as may be appropriate.
- Retain on a regular basis independent compensation consultants for the purpose of reviewing Goodwill's compensation programs to assure they are both competitive and reasonable.
- Perform any other duties expressly delegated to the committee by the board from time to time regarding Goodwill's human resources, compensation or employee benefit programs.

**Committee Charter:**

Nominating & Governance

Committee Review: 10/15/2014

Approved / Reviewed

N&G Committee Review: 10/15/2014

by Board of Directors:

02/06/2015

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Committee Title:

This committee shall be called **Nominating and Governance Committee** of the board of directors of Goodwill Industries of Southeastern Wisconsin, Inc.

Committee Purpose:

The committee shall assist the board of directors to ensure excellence in Goodwill's leadership by identifying and recruiting highly qualified board members, officers, and non-board committee members. The committee shall oversee organizational and affiliates governance documents and best governance practices.

Committee Membership:

The chair of the board of directors shall appoint the committee. The committee will be composed of four to eight board members. The chair of the Nominating and Governance Committee must be a member of the board of directors.

The board chair may, upon management recommendation, appoint a non-board member to serve on the committee if the individual brings specific skills required by the committee. Committee members who are not members of the board of directors will be granted voting rights at the committee level only.

Meetings:

The committee shall meet at least semiannually and at such other times as shall be determined by the committee chair. A quorum shall consist of at least fifty-one (51) percent of the total members of the committee for the transaction of business. The committee may invite such members of management to its meetings as it may deem desirable or appropriate.

Reporting:

The committee shall prepare minutes of each meeting contemporaneously and submit to the board of directors or Executive Committee following the meeting. The minutes will contain recommendations for appropriate board actions as required.

**Duties and Responsibilities**

The committee is a standing committee of the board of directors and has specific responsibilities that include:

- Identify and research potential candidates for the board of directors. In evaluating candidates, the committee shall take into account such factors as it considers appropriate. These may include, but not be limited to, such factors as the candidate's judgment, skill, independence, experience as an executive in the public or private sectors, impact on organizations with which the candidate has been involved, nonprofit activities, and civic involvement. Relevant factors may also include the corporation's needs, interplay between the candidate's experience and that of the existing board members, diversity, and the ability of the candidate to contribute to particular board committees.
- Nominate candidates for the board of directors, officer, and non-board committee positions.
- In consultation with management, provide orientation and training for new board members.
- Review Articles of Incorporation, by-laws, Corporate Governance Guidelines, and other key governing documents for the corporation and affiliated organizations to ensure alignment with best governance practices.
- Organize and summarize a regular self-evaluation to assess effectiveness of individual board members, committees on which they serve, and the board as a whole.
- Exercise oversight regarding governance and compliance responsibilities.

Appendix 2

POLICY #601-06
GOODWILL INDUSTRIES OF SOUTHEASTERN WISCONSIN, INC.
LAST REVIEW/REVISION: **October 2013**
APPROVAL: *Jackie Hallberg, President & CEO (7/14)*

CONFLICTS OF INTEREST

The purpose of the Conflicts of Interest policy is to protect the interests of Goodwill Industries of Southeastern Wisconsin, Inc., and its affiliated organizations ("Goodwill"), when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of Goodwill. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable corporations.

Definitions

- **Interested Person:** Any director, principal officer, or member of a Committee with Board-delegated powers who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any subsidiary of Goodwill, he or she is an interested person with respect to all of the entities controlled by Goodwill.
- **Financial Interest:** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family: (i) an ownership or investment interest in any entity with which Goodwill has a transaction or arrangement; (ii) a compensation arrangement with Goodwill or with any entity or individual with which Goodwill has a transaction or arrangement; or (iii) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Goodwill is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature. A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate Board or Committee decides that a conflict of interest exists.

Duty to Disclose

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the directors and members of committees with Board-delegated powers considering the proposed transaction or arrangement.

Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he or she shall leave the Board or Committee while the determination of a conflict of interest is discussed and voted upon. The remaining Board or Committee members shall decide if a conflict of interest exists.

Procedures for Addressing the Conflict of Interest

- An interested person may make a presentation at the Board or Committee meeting, but after such presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.
- The Chair of the Board or Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- After exercising due diligence, the Board or Committee shall determine whether Goodwill can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity without creating a conflict of interest.
- If a more advantageous transaction or arrangement is not reasonably attainable under the circumstances that would not create a conflict of interest, the Board or Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in Goodwill's best interest and for its own benefit and whether the transaction is fair and reasonable to Goodwill. The Board or Committee shall then decide whether to enter into the transaction or arrangement in conformity with such determination.

Violations of the Conflicts of Interest Policy

- If the Board or Committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board or Committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Records of Proceedings

The minutes of the Board and all Committees with Board-delegated powers shall contain:

- The names of the persons who disclosed or otherwise were found to have an actual or possible conflict of interest and the nature of the conflict of interest.
- The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any

alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

Compensation

- Any voting member of the Board of Directors who receives compensation, directly or indirectly, from Goodwill for services is precluded from voting on matters pertaining to that member's compensation.
- A voting member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from Goodwill for services is precluded from voting on matters pertaining to that member's compensations.

Annual Statements

Each director, principal officer, and Committee member with Board-delegated powers shall annually sign a statement which affirms that such person:

- Has received a copy of the Conflicts of Interest policy;
- Has read and understands that policy;
- Has agreed to comply with the policy, and;
- Understands that Goodwill is a charitable organization and that in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its exempt purposes.

Periodic Reviews

To ensure that Goodwill operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include whether compensation arrangements and benefits are reasonable and are the result of arm's length bargaining.

Use of Outside Experts

In conducting the periodic reviews, Goodwill may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.