

Crown Agency Corporate Governance

A GOOD PRACTICES CHECKLIST



Crown Agencies Secretariat • Board Resourcing and Development Office



Canada's
Pacific Gateway



Introduction

Crown Agency Corporate Governance – A Good Practices Checklist is one of a series of guides developed by the Crown Agencies Secretariat (CAS) and the Board Resourcing and Development Office (BRDO) to support strong corporate governance and accountability in BC Crown Agencies. The Checklist incorporates good practices used in the public and private sectors, and is intended to provide guidance for British Columbia's Commercial and Service Delivery Crown Corporations, Health Authorities, Colleges, Universities and the Boards of Trustees for School Districts.

Where information provided here is not consistent with legislation, including the enabling legislation for a particular Crown Agency, the legislation prevails.



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Board Composition and Succession

- ▶ The Board is made up of individuals who, collectively, have the required competencies and personal attributes to effectively carry out their responsibilities.
- ▶ Board members are independent from management and have no material interest in the organization.
- ▶ The Board has a competency matrix that is updated annually and when vacancies arise. The competency matrix is used to identify competency “gaps” on the Board and to assist in the search for new candidates.
- ▶ The Board has a Governance Committee that develops director selection criteria.
- ▶ Board members are selected and appointed in compliance with the Province of BC Board Appointment Process (see www.lcs.gov.bc.ca/brdo/appoint/index.asp).
- ▶ The Board has a succession plan for the orderly turnover of directors.
- ▶ The Board publishes the name, appointment term and a comprehensive biography for each director on the organization’s web site.
- ▶ Unless otherwise required by legislation or directed by Cabinet, the appropriate Board size is 9 to 11 members, including the Chair.

Board Responsibilities

- The Board sets the tone for the Crown Agency through its operating style, ethical values, assignment of roles and responsibilities, and actions in response to wrongdoing.
- The Board publishes a Charter describing the Board's roles and responsibilities and the governance process used to fulfill Board duties.
- The Board develops an internal manual and by-laws outlining Board procedures and responsibilities, consistent with BRDO's **Best Practices Guidelines**.
- The Board fulfills its responsibilities to Government (see the **Shareholder's Expectations Manual for BC Crown Agencies** at http://www.gov.bc.ca/cas/attachments/shareholders_expectations_manual_2006.pdf), which include:
 - Establishing Board policies and procedures that are consistent with and meet Government's governance standards as set out in the **Best Practice Guidelines**.
 - Ensuring the Crown Agency's management is in compliance with statutory obligations and applicable legislation.
 - Approving the strategies, policies and plans necessary to fulfill Government's direction.
 - Hiring and dismissing the Crown Agency's Chief Executive Officer (CEO), unless otherwise specified in the Crown Agency's enabling legislation.
 - Ensuring the Crown Agency's adherence to financial and other reporting obligations to Government.





- Fulfilling any responsibilities under enabling legislation (e.g., statutory decision-making powers).
- Monitoring and reporting on the Crown Agency's progress in fulfilling Government direction, and informing the Minister Responsible of any significant variances from planned targets (reflecting either unexpected successes or shortfalls).
- Overseeing the development of and approving (based on the Minister Responsible's review) the annual Service Plans and Annual Reports for Commercial and Service Delivery Crown Corporations.
- Appearing as witnesses at Legislative Committees, as required.
- Responding to enquiries from Officers of the Legislative Assembly.
- Meeting the fiduciary obligation to act in the best interests of the Crown Agency.

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- The Board fulfills its responsibilities for a relationship with the Minister Responsible and Ministry staff (see **Framework for Government–Crown Agency Relationship – A Good Practices Checklist**).

Committees

- The Board has Committees that address the Audit, Governance, and Human Resources functions, as well as other committees relevant to Board operations as required. While the committee approach is good practice, organizations sometimes choose to have committee functions performed by the Board as a whole.
- Each Board Committee has Terms of Reference that set out its roles and responsibilities.
- Each Board Committee annually reviews its Terms of Reference outlining the Committee's composition and responsibilities, and assesses its effectiveness in meeting the needs of the Board.
- Each Committee keeps informed about emerging good practices in corporate governance and any new statements of Government expectations that are relevant to the Crown Agency's assigned functions.
- The membership and Terms of Reference for each Committee are publicly disclosed.
- Any Board task force or working group that is established to address specific Board requirements has a Terms of Reference outlining its composition, responsibilities, working procedures and termination date.
- The Terms of Reference, including the termination date, for all Board Committees, task forces and working groups are publically disclosed.

(For further details see **Crown Agency Audit Committees – A Good Practices Checklist**, **Crown Agency Governance Committees – A Good Practices Checklist**, and **Crown Agency Human Resources Committees - A Good Practices Checklist**)

Board Chair

- ▶ The positions of Chair and CEO are separate in the organization.
- ▶ The Board has a position description that sets out the roles and responsibilities of the Chair.
- ▶ The Chair and the Minister Responsible communicate regularly (at least quarterly) to develop and maintain a strong working relationship.



Individual Directors

- The Board develops a Charter of Expectations (or equivalent document) detailing the expectations for Board members.
- The Board develops minimum attendance expectations for directors and publically discloses the annual attendance records of the Chair and directors.
- As part of public sector transparency, the organization annually discloses the amount of compensation paid to the Chair and each director for the preceding year.

Board and Committee Meetings

- ▶ The Board and its Committees hold a sufficient number of meetings to fulfil their roles and responsibilities.
- ▶ The Board keeps adequate meeting minutes and supporting documentation.
- ▶ The Chair sets the agenda for Board meetings with input from other Board members and the CEO.



Chief Executive Officer or President

- The Board has a CEO position description that sets out roles and responsibilities.
- The Board establishes the annual performance expectations for the CEO.
- The Board annually assesses the CEO's performance against the position description and performance expectations.
- The Board (or its delegate, such as the Chair of the Audit Committee) reviews and approves the CEO's expenses.
- The organization has a documented process for undertaking Board meetings or portions of meetings without management present.
- The CEO is not a voting member of the Board.

Corporate Secretary

- ▶ The Board has a Corporate Secretary position description that sets out roles and responsibilities.
- ▶ The Corporate Secretary reports to the Chair of the Board, and may also report administratively to the CEO. The CEO is not the Corporate Secretary.



Code of Conduct and Ethical Standards

- The Board has adopted a Code of Conduct and Ethical Standards for directors, officers and employees that is consistent with the **Standards of Ethical Conduct for Public Sector Organizations** (see <http://www.lcs.gov.bc.ca/brdo/conduct/ethicalstandards.pdf>).
- The organization publically discloses its Code of Conduct and Ethical Standards, including a conflict of interest policy for Board members and staff.
- A process is in place whereby directors can disclose real or potential conflicts of interest, consistent with the standards and requirements established by BRDO.
- The Board has established a whistle-blower policy for officers and employees.
- If the organization's Code of Conduct and Ethical Standards allows the Board to grant waivers for any of its provisions, public disclosure of whether the Board granted any such waivers during the preceding year (and reasons for so doing) is required.

Orientation and Professional Development

- ▶ The Board has a comprehensive orientation program about the organization for new directors.
- ▶ The Board has a culture that encourages new directors to fully and effectively participate in Board activities.
- ▶ The Board provides ongoing educational opportunities for directors to learn about the organization, its sector and its corporate governance practices, and maintains a policy of encouraging directors to take advantage of these opportunities.
- ▶ The Board undertakes measures to orient new directors regarding:
 - the relationship and division of roles and responsibilities between the Board and Government;
 - the role and responsibilities of the Board, its Committees and directors; and,
 - the mandate and operations of the organization.

Board, Committee and Director Assessment

- The Board annually assesses its performance and the performance of each of its Committees against their respective Terms of Reference.
- The Board annually assesses the performance of the Chair against the Chair's position description.
- The Board annually assesses the performance of individual directors against the directors' Charter of Expectations.



Communications Strategy

- ▶ An appropriate communications strategy is in place that meets the needs of all stakeholders, employees and Government, and reflects a public sector organization's requirement for transparency and accountability. The Board approves and ensures compliance with the communications strategy.
- ▶ The Chair is the authorized spokesperson for the Board, and the CEO is the primary spokesperson for the organization.
- ▶ The organization's practice for reporting on financial and other affairs is publically disclosed.

Board Access to Information

- The Board ensures that it receives sufficient, appropriate information to allow it to fully assess organizational performance and compliance, and to support Board-level decision-making.
- Where additional information is required to make an assessment or upon which to base a decision, the Board requests such information from management and/or external sources and ensures that it is obtained on a timely basis. The Board defers decisions and/or judgement in cases where sufficient, appropriate information have not yet been received.
- The Board periodically looks critically at the quality and quantity of information they receive to ensure that it allows for the effective discharge of all of the roles and responsibilities of the Board.



For Further Information:

Visit our website at www.gov.bc.ca/cas or contact us for further copies of this pamphlet, or for any of our publications.

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