



CORPORATE GOVERNANCE FRAMEWORK FOR PUBLIC BODIES IN JAMAICA

SEPTEMBER, 2011

PREFACE

Context

The Government of Jamaica aims to improve accountability, probity and transparency among Public Bodies in order to achieve a more compliant, responsive, efficient and effective Public Service. In essence, its ultimate aim is to bring Jamaican Public Bodies, especially the operation and effectiveness of corporate boards in line with international corporate governance best practices and emerging trends. In keeping with these objectives, the Cabinet has given approval for the Corporate Governance Framework for Public Bodies in Jamaica and the implementation of the recommendations.

In Jamaica, Public Bodies collectively **191** active ones, represent an important subset of the public sector. They are integral to the development and implementation of a number of key policy objectives. These entities are held accountable in relation to various statutory requirements. However, they often come into question for breaches including those of procurement guidelines and incidents of fraud or negligence on the part of their fiduciaries □ chairpersons, directors, corporate secretaries and committee members.

Purpose of the Corporate Governance Framework

Public Bodies across the Government of Jamaica (GoJ) operate in a dynamic and financially-charged environment. They are further challenged by the need to be fully compliant within the development and regulatory requirements of a transforming economy. In this regard, the GoJ has sought to clarify the governance framework within which Public Bodies must operate, taking into account lessons learnt from successful regional and international models.

Monitoring and Oversight

The Framework provides for the establishment of an effective monitoring arrangement for the operations of Public Bodies by their parent Ministries. The proposed arrangement will facilitate the transparent, efficient and effective use of resources, and make critical linkages to the existing monitoring system in the Ministry of Finance (MOF). It is believed that clarification of the monitoring role of the parent Ministries will help to enhance the level of

compliance by Public Bodies with the required statutory mandates. Consequent on the acceptance of the governance principles and to ensure effective implementation, the legislative framework will require strengthening. Additionally, there will need to be increased sensitisation on the role and importance of strategic oversight functions undertaken by key institutions such as the Office of the Contractor General, Auditor General and the Ministry of Finance.

Implementation of the Corporate Governance Framework

The Ministry of Finance, with the support of the Office of the Cabinet, shall develop appropriate action plans which will outline the mechanisms by which the policy goals and objectives will be achieved, detailing the strategies, roles and responsibilities and timeframe. The Ministry of Finance shall be responsible for the institutionalisation of the Framework, including implementation oversight of the agreed action plans, and subsequent evaluation and revision of the Framework. A progress report and related analysis with respect to the impact of the Framework, as implemented, will be submitted to Cabinet every year after its approval.

Consultation

In order to ensure that the development of the Corporate Governance Framework benefitted from the input and views of a wide stakeholder base, consultation sessions were held and included an in-depth review of the social science literature; an internet administered survey among corporate governance experts; focus group studies; and in-depth face-to-face interviews and informal discussions. A list of consultations held, and the feedback received is provided in a separate report.

LIST OF ACRONYMS

| | | |
|---------|---|---|
| AGD | - | Auditor's General Department |
| CEO | - | Chief Executive Officer |
| CG | - | Corporate Governance |
| CIA | - | Chief Internal Auditor |
| CO | - | Cabinet Office |
| CS | - | Company (or Corporate) Secretary |
| CSR | - | Corporate Social Responsibility |
| ERM | - | Enterprise Risk Management |
| FAA Act | - | Financial Administration and Audit Act |
| IA | - | Internal Auditor |
| MOF | - | Ministry of Finance |
| MCIA | - | Ministry's Chief Internal Auditor |
| MIND | - | Management Institute for National Development |
| NED | - | Non-Executive Director |
| OCG | - | Office of the Contractor General |
| OECD | - | Organization for Economic Corporation and Development |
| PB | - | Public Body |
| PBMA | - | Public Management and Accountability Act 2001 |
| PED | - | Public Enterprise Division |
| PEX | - | Public Expenditure Division |
| PS | - | Permanent Secretary |

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GLOSSARY OF TERMS AND INTERPRETATION

“Accountability” implies a relationship, a hierarchy and the duty of a body to explain and justify its conduct to another body. In the systems which are based on the Westminster Model of Parliamentary Democracy (and this is an element which has been retained by the Jamaican Constitution), ministerial responsibility is the cornerstone of accountability... it is based on departmental hierarchy and lines of responsibility culminating in the Ministers. Ministers are traditionally accountable for the policy direction of their Ministries and agencies- they are accountable for the policy that underlies their budgets whereas Accounting Officers account for expending the budget. Therefore, accountability is a responsibility of individuals in as much as it is for the body corporate.

“Board” refers to the Board of Directors of the Public Body as prescribed in law or constitution.

“Board Invitee” refers to (excluding ex officio indicated below) persons to whom an invitation is extended to attend board meetings by virtue of their expertise. This excludes ex-officio officers as indicated below. However, where the Public Body is a subsidiary of a parent company, the Directors of the parent company may not be deemed board invitees. They would be ex-officio officers as in fact, the Directors of the subsidiary Public Body would be in essence, shadowing for them. Hence, parent Company Directors where they are appointed ex-officio may be entitled to vote, while board invitees are not entitled to vote.

“Board processes” denotes all the activities and practices that add up to enhance effective boardroom deliberations and successful outcomes. They include the preparation for, attendance and participation in board meetings, the agenda items, frequency and duration of meetings and board leadership.

“Board composition” refers to the number of Directors and their diversity—skills, qualifications, experience and ages, gender balancing considerations.

“Corporate Governance” here refers to the laws, regulations, voluntary codes, principles, guidelines, management practices and leadership styles that independently or collectively serve to advance shareholders’ wealth and stakeholders’ welfare. It represents both the long-term survival and the effective and efficient survival of the Public Body.

“Corporate Governance Report” refers to the articulation of the principles and acceptable behaviours of fiduciaries, Board processes or ethical conduct being practiced by the Board in order to fulfill its mandate. This report should form part of the Annual Report.

“Executive Director” refers to an individual who is employed in a full-time capacity whether permanently or contractually and at the same is a legal Director of the Public Body.

“Ex-Officio Officer” "ex-officio" is a Latin term meaning "by virtue of office or position." Ex-officio members of boards and committees, therefore, are persons who are members by virtue of some other office or position that they hold. For example, if the by-laws of an organization provide for a committee on finance consisting of the treasurer and three other members appointed by the president, the treasurer is said to be an ex-officio member of the finance committee, since he or she is automatically a member of that committee by virtue of the fact that he or she holds the office of treasurer. Without exception, ex-officio members of boards and committees have exactly the same rights and privileges as all other members, including, of course, the right to vote.

“Financial Literacy” refers to the embodiment of those characteristics that will enable an Audit Committee to help the Board understand, approve and oversee the actions of the Public Body. It is the application of knowledge and skills to understand fundamental financial statements including a Public Body's balance sheet, income statement and cash flow statement and make informed judgement and effective decisions about the use and management of money.

“Government” means the Government of Jamaica and may be otherwise construed for Government of other countries depending on the context of usage.

“Independent Non-Executive Director” means a director who: has not been employed by the public body in any executive capacity for the preceding three financial years; in relationship to the Public Body, is not a significant supplier or customer; has no significant contractual relationship; and is not a professional advisor, other than in his or her capacity as a director.

“Non-Executive Director” refers to a Director who is not an executive of the Public Body.

“Public Body” refers to wholly-owned or partially-owned and controlled Limited Liability Companies (State-Owned Enterprises), Statutory Bodies, Authorities, Commissions and their subsidiaries -in which the Government has a controlling interest, with each having its own Board of Directors.

“Responsible Minister” denotes the Minister in charge of the ministry under whose portfolio responsibility the Public Body falls.

“Senior Executives” refer to senior managers as distinct from the board. By virtue of their material influence on the integrity, strategy, operation and financial performance, they are held with strict fiduciary responsibilities as Directors and referred to quite often in many Statutes as “Officers.”

“Shareholder” means the Accountant General, unless otherwise referring to shareholders in Stock Market Listed Companies.

“Stakeholder Representative” refers to the Permanent Secretary, Accountant General, the Chief Executive Officer (in the case of an Executive Agency) or the Minister.

“Voluntary Code” is a formal body of corporate governance Best Practices which is issued by various authorities (Government, international donor agencies, multinational institutions such as the OECD, World Bank and Commonwealth Secretariat) that require voluntary compliance. Such Codes are also referred to as the “soft laws” or volunteered governance. Examples are the Combined Code, 2003 (UK) and the King III Report, 2009 (South Africa).

INTRODUCTION

Public Bodies such as statutory bodies, authorities and government-owned limited liability companies have been in the forefront of their respective countries development for many decades. Research by McKinsey International highlights the importance of sound governance and leadership of organizations in developing countries to promote Foreign Direct Investment. Public Bodies play an integral role through their contribution to the economy and the overall competitiveness of a country. Public Bodies also have significant impact on the economy as they are producers, service providers and capital market constituents. They also account for a significant percentage of the Government's operating expenditure.

Public Bodies, collectively 191 active ones, represent an important subset of the public sector and have a wide scope of coverage which includes government companies, regulatory agencies, commissions, and statutory bodies. The Public Bodies differ in terms of size, public policy, purposes and demands for financial support. These Public Bodies are dependent to varying degrees on government funding, ranging from those financially self-sustaining to those fully funded through annual appropriations from the budget process. They are integral to the development and implementation of a number of key policy and commercial objectives. They are held accountable regarding several statutory requirements and are required to be compliant with various regulatory frameworks. They however, often come into question for breaches, including those related to procurement guidelines, keeping finances in good order, or negligence on the part of their key fiduciaries such as Chairpersons and Committee members.

The leadership and strategic management of Public Bodies present a distinct experience from private enterprises given their unique environment and objectives. They are unique in that the "owners" are the government, i.e. the publics - the voters. Private enterprises have a very clear profit motive and active shareholder participation in adjudicating

and monitoring governance and leadership. While such checks and balances among Public Bodies are often well-defined, they are either developed on a piecemeal basis or not efficiently enforced. Public-sector organizations sometimes find it hard to comply because they are insulated from the competition that fuels innovation in the private sector. They must therefore organize themselves in ways that stimulate performance from within.

In response to the preceding, the Government of Jamaica has for the past several years been pursuing a comprehensive programme of Public Sector Modernization. The broad goal is to achieve greater efficiency, effectiveness and economy in resource utilization, service delivery, and critically, to address perennial concerns of poor performance and management, financial irresponsibility, and weak mechanisms for monitoring accountability in Government.

Vision

Effective, efficient and customer focused Public Bodies that are guided by a policy framework which provides for their effective oversight in order to ensure that they operate at the highest level of competence, transparency and governance for optimum performance across the Public Sector.

Purpose of the Policy Framework

The Corporate Governance Framework will seek to promote effective systems of control and accountability and, responsible attitude on the part of those handling Government resources. It will seek to strengthen the governance accountability systems of Public Bodies in order to facilitate greater probity, transparency and efficiency in the functions of government. The Government of Jamaica has recognized that the major legislation which addresses the matter of corporate governance, transparency and accountability in public bodies, the Public Bodies Management and Accountability Act (PBMA), as well as the various enabling legislations of Public Bodies are unspecific about certain issues such as the roles and responsibilities of the Board and Management, procedures for the conduct of the Board and the relationship between Ministers, Boards and Management.

Rationale for the Policy Framework

This policy framework arises out of a necessity to:

1. Clarify the corporate governance framework for Public Bodies by clearly defining the reporting relationships between the Minister, Boards and Executive Management,
2. Strengthen the Public Bodies accountability regimes in order to make their activities and operations more transparent;
3. Provide Boards of Public Bodies with the necessary guidelines to enhance their effectiveness and;
4. Define the monitoring arrangements for the operations of Public Bodies within their parent Ministries and the Ministry of Finance.

Definition and Scope of Corporate Governance

Corporate Governance embodies processes and systems by which corporate entities are directed, controlled, managed and held to account. Corporate Governance influences how objectives are set and achieved; how risk is monitored and assessed; and how performance is optimized. It encompasses authority, accountability, stewardship, leadership and direction of an organization. Corporate Governance therefore involves the totality of the systems and frameworks that ensure that a culture of accountability permeates the organization, so that individuals know what their responsibilities are and are equipped with the appropriate tools and skills to exercise them.

The Government of Jamaica in seeking to clarify the Governance Framework for Public Bodies has taken into account lessons learnt from successful models regionally and internationally. These are namely;

- Roles and responsibilities for the board and its directors;
- Principles, standards and procedures to ensure an effective and enforceable accountability framework;
- Procedures for appointing board of directors;

- Criteria for the selection of board members;
- Procedures for the conduct of the Board and its members;
- Definition of the relationships between management, its boards, shareholders and other stakeholders;
- Board composition and performance;
- Board orientation, sensitisation and professional development;
- Roles and responsibilities of the board and key fiduciaries chairpersons, directors, committees, corporate secretaries;
- Independence and powers of Board in decision making;
- Board information management and disclosure;
- Role and independence of the internal controls including internal audit;
- Treatment, value and limits of co-opted board members, invitees, and ex-officio officers;
- Code of ethics for directors and officers.

All of these elements have been validated through stakeholder consultation (survey, focus groups and interviews) vis-à-vis their relevance to the Jamaican context. Empowering and improving the effectiveness of boards of Public Bodies is a fundamental step in strengthening their Corporate Governance. It is important that Public Bodies have strong Boards that can act in the interest of the company and effectively monitor management. To this end, it will be necessary to ensure the competency of PBs, enhance their independence and improve the way they function. It is also necessary to allow them clear and full responsibility for their functions and ensure that they act with integrity.

Existing Legislative Framework

The Public Bodies Management and Accountability (PBMA) Act sets the corporate governance framework for Public Bodies in Jamaica. Regulations to govern aspects of board management and oversight are being developed in relations to the PBMA. These bodies are also held accountable to statutory requirements in the Financial Administration and Audit Act (FAA), the Companies Act and their individual enabling legislation.

Linkages with other Policies

The Corporate Governance Framework for Public Bodies is complementary and supportive of the commitments of the National Development Plan - Vision 2030 Jamaica, the Modernization Vision and Strategy Paper Medium Term Action Plan 2008-2012, and the Accountability Framework for Senior Executive Officers.

SUMMARY OF ELEMENTS AND PRINCIPLES OF THE CORPORATE GOVERNANCE FRAMEWORK FOR PUBLIC BODIES

Table 1 summarizes the elements and principles of the corporate governance framework for public bodies. The principles highlight several related governance issues which are indicative of the need to, inter alia, clarify the governance structure of boards, including their reporting relationships with Ministers, Permanent Secretaries, CEOs and stakeholders; define the roles and responsibilities of boards; ensure that systems are in place to provide feedback on the performance of boards; and strengthen the provision of oversight mechanisms for public bodies by the portfolio Ministries and the Ministry of Finance.

Table 1: Summary of the Elements and Principles of the Corporate Governance Framework for Public Bodies

| ELEMENTS | PRINCIPLES |
|--|---|
| <p>1. Governance of Boards The Board of a Public Body requires a governance structure that allows it to fulfil its role and is sufficiently codified in statutes.</p> | <p>Every Public Body should be headed by an effective Board which is collectively responsible for management and oversight, serves as the focal point for Corporate Governance and is accountable to the Responsible Minister and shareholder representatives as determined by law.</p> |
| <p>2. Roles & Responsibilities of the Board The Board's roles and responsibilities have not been sufficiently codified in statutes or the appropriate governing documents that regulate Public Bodies. This has led to inappropriate interferences in the day-to-day operations of Public Bodies by Board members, and some Ministry officials.</p> | <p>The Board should be established as the primary decision making authority of the Public Body and its roles and responsibilities vis-à-vis executive management should be clearly documented to avoid any misunderstanding between the Board's role and that of executive management.</p> <p>The Board should hire, appoint, evaluate and determine the tenure of the CEO.</p> |
| <p>3. Role of the Chairperson The Chairperson is the leader of the Board and is always recognized in law. It is necessary that he/she sets the tone at the top and articulates his/her vision and style and lead by example.</p> | <p>The Chairperson should be appointed by the Minister from among the membership of the Board. The Chairperson should be an independent outsider and hold no executive position or material connection with the Public Body.</p> |
| <p>4. Role of the Chief Executive Officer (CEO) The CEO's role is to manage the day to day affairs of the Public Body and report directly to</p> | <p>The CEO reports to the Board through the Chairperson. The Board should hire, appoint, evaluate and determine the tenure of the CEO, whose role should be to manage the day to day</p> |

| ELEMENTS | PRINCIPLES |
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| the Chairperson of the Board. | operation of the business. The CEO should be held accountable by the Board for performance of the organization and the implementation of the Board's strategy and policy in accordance with mutually agreeable and written performance objectives which are outlined in the Corporate Plan. |
| <p>5. Role of the Corporate Secretary The appointment of a Corporate Secretary is already a requirement under Jamaican Company law where the organization is a limited liability company irrespective of ownership.</p> | Every board of a public body should appoint a Corporate Secretary to execute critical administrative and governance functions regarding effective board operations which normally require a high degree of meticulousness, diligence, competence and involve a swathe of regulatory, personnel and administrative issues. This position is distinct from that of a Recording Secretary. |
| <p>6. Role and Authority of Board Invitees Board invitees can play an important role in deliberations of boards, however there are guiding principles which prescribe the behavior and participation of such persons.</p> | There should be formal procedures and guidelines established by the Ministry of Finance for recruiting board invitees (co-opted members), setting out their powers and limitations. |
| <p>7. Role and Authority of Ex-Officio Officers The role of Ex-Officio officers needs to be codified within the framework of the roles and responsibilities of the Board and its Committees.</p> | There should be formal procedures and guidelines established by the Ministry of Finance for the treatment of Ex-Officio officers, setting out their roles and responsibilities in a Code of Conduct. |
| <p>8. Board Composition Many Boards do not have the right mix of skills, qualifications and experience among its appointed Directors and as such failed to perform its duties effectively.</p> <p>Careful attention should be given to the composition and governance of subsidiary boards to ensure they do not suffer from the undue influence of parent bodies.</p> | <p>The Board should be composed of a diversity of skills, qualifications and experience to add optimal value to the Public Body. The skills, knowledge and experience of Directors should be ideally, consistent with the mandate and business operations of the Public Body.</p> <p>The responsible Minister should ensure that there is less than a quorum of members from the main board who serve on subsidiary boards. They should best be composed of independent unconnected outsiders.</p> |
| <p>9. Board Diversity & Equality Issues Individuals from all sections of society have much to offer a public body by virtue of their diverse experience and background. In Jamaica only 33% per cent of women occupy board seats in the public sector of Jamaica, although being signatory to the United Nations Convention on the <u>Elimination of all Forms of Discrimination Against Women</u>, and its Article 7, in particular, the argument to increase female participation and representation at the highest level of</p> | In the selection and nomination of members of boards, due consideration should be given to the promotion of diversity and equality of opportunity which can redound to the benefit of public bodies. Consideration should be given to include youth representation which would also contribute to appropriate board succession planning. |

| ELEMENTS | PRINCIPLES |
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| <p>decision making in public life is of critical importance and should be considered in an open, fair and transparent manner.</p> | |
| <p>10. Board Selection & Appointment There is the need to for guidelines to be established to govern the process for selection and appointment of board members in Jamaica to ensure that only the most qualified and competent Directors are selected. In many other jurisdictions there exist formal and elaborate processes and such processes are codified.</p> | <p>A transparent and clearly articulated and documented selection process should be developed to ensure that the most qualified Directors are selected and that a Board is in place and functional at all times.</p> |
| <p>11. Board Orientation, Sensitisation & Professional Development Most board directors lack adequate preparation for the task of directing and do not understand the rudiments of their responsibilities and hence fail to perform to acceptable standards</p> | <p>There should be a formal process of orientation and sensitization for new directors on their role, duties, responsibilities, obligations and on Board procedures. The process should be facilitated by the provision of operating procedures and a Code of Conduct for Boards. All directors should seek to avail themselves of professional development programmes in areas such as legal reform, public sector development, corporate governance, the changing corporate environment, internal control systems, business/commercial risks and other issues that may be of interest in the execution of their role.</p> |
| <p>12. Board Performance Evaluation Board performance evaluations are an important tool for providing valuable feedback to the Minister, and for keeping directors on their toes. In other jurisdictions, it is used as a measure to determine the renewal or termination of tenure for boards and for remuneration purposes. This practice is however, almost non-existent among public bodies in Jamaica.</p> | <p>Each board of a public body should be subject to a formal, objective and rigorous annual appraisal of its performance and that of its committees and individual directors. The evaluation should address whether the objectives of the board or committee are being met in an efficient and effective manner and would be linked to the implementation of the organisation's operational plans.</p> |
| <p>13. Role & Independence of Audit & Internal Control Functions Many public bodies do not have functioning Audit Committees, while others are without sufficiently qualified members. Also, many internal auditors still report directly to the CEO rather than the Audit Committee of the board, which goes against established best practice.</p> <p>A significant number of boards do not have an effectively operating Procurement Committee, the existence of which is necessary for ensuring integrity and transparency of the procurement process,</p> | <p>The board of every public body should have an effectively functioning Audit Committee the membership of which should be independent of any material relationship with the entity and include a qualified Accountant. The Internal Auditor should report directly to the Chairperson of the Audit Committee.</p> <p>The board should ensure the establishment of a Procurement Committee with members who have undergone continuous training in order to be kept abreast of the latest developments as they relate to the GOJ's Procurement Guidelines</p> |
| <p>14. Role of the Board in Enterprise Risk</p> | <p>Every Board should put in place a formal</p> |

| ELEMENTS | PRINCIPLES |
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| <p>Management Enterprise Risk Management ensures a continual examination of all aspects of the public agency to reduce the incidence of losses, reduce waste, improve effectiveness, and better manage resources. It includes and employs the identification, ranking, prioritizing, classification, measurement and employment of different methodologies to minimize, prevent, and if possible, eliminate the possibility of events that may tarnish corporate reputation, erode profits, affect service and product quality, to name a few.</p> | <p>mechanism to manage risk across all functional areas and business units of the public body. Training in Risk Management should be part of the ongoing training and development programme for directors.</p> |
| <p>15. Monitoring Arrangements of Ministries There is some uncertainty on the role Ministries should play in the monitoring of Public Bodies within the portfolio Ministry, in particular the self-financing public bodies.</p> | <p>A Memorandum of Understanding or Framework Document should be developed between Ministries and public bodies, outlining their respective roles and responsibilities. The monitoring roles should be clearly defined and the reporting relationships established in legislation.</p> |
| <p>16. Role of the Ministry of Finance The Ministry's role in leading, guiding and monitoring the overarching governance framework for public bodies needs to be more explicitly defined to ensure that they operate in such a way to bring sustainable economic and social benefits to the country.</p> | <p>The Ministry should provide leadership in the implementation of the governance framework for Public Bodies. Their role should be clearly defined in legislation, regulations and guidance documents. The Ministry should provide the advice, information and support necessary to promote good governance, continuous improvement and accountability within the Public Body.</p> |
| <p>17. Board Information Management & Disclosure Most Public Bodies are not governed by a policy for managing Board information, and therefore have no clear and consistent means of determining the quantity, nature and quality of information that should be disclosed.</p> | <p>The Board should establish a policy of corporate disclosure that seeks to engage its stakeholders, provide risk assurance for Board information, and one that affirms the integrity of Directors and Senior Executives.</p> <p>Boards should only seek exemption if deemed necessary under the Access to Information Act of Jamaica 2002 where issues of a sensitive nature are involved in sensitivity surrounding some board deliberations.</p> |
| <p>18. Managing Stakeholder Relations The Public Body has a two-fold duty of loyalty to its internal stakeholders (Responsible Minister, Government and shareholder members) and externally to the public at large. Therefore, a web of internal and external relationships must be constantly nurtured.</p> | <p>Every Board should ensure that its Public Body has a procedure and strategy for responding to stakeholders' concerns on a continual basis and such communication should be proactive and transparent. As such, it is also recommended that the PB develop a methodology of identifying its key stakeholders.</p> |
| <p>19. Code of Ethics A comprehensively written and enforceable 'code of ethics' is not common among Boards of</p> | <p>There should be an overarching Code issued by Ministry of Finance for all Boards of Public Bodies. In adopting the Code as part of its</p> |

| ELEMENTS | PRINCIPLES |
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| Public Bodies in Jamaica. | Corporate Governance regime, each board may enhance particular aspects, based on its operations. |
| <p>20. Corporate Social Responsibility There has been increasing interest by local and international publics, including governments, in sustainable business practices--the triple bottom-line approach--economic, social and environmental considerations.</p> | Every Board of a Public Body should devise measures and ensure that a policy is in place to take into account the socio-cultural and environmental dimensions of the Public Body's business practices. |

ELEMENTS AND PRINCIPLES OF THE CORPORATE GOVERNANCE FRAMEWORK FOR PUBLIC BODIES

GOVERNANCE OF BOARDS

Principle: Every Public Body should be headed by an effective Board which is collectively responsible for strategic management and oversight, serves as the focal point for Corporate Governance and is accountable to the Responsible Minister and shareholder representatives as determined by law.

Recommended Practices:

1. In keeping with Government's policy framework, the Board should decide on the Public Body's values and strategy and provide the necessary leadership to secure human, physical and financial resources required for the organization to meet its objectives.
2. Consistent with its respective statutes, constitution, governing codes, and Government guidelines, the Board of the Public Body should apply leadership styles which are consistent with good practice in the conduct of its affairs.
3. The Board should be organized in order to perform its tasks efficiently.
4. There should be a clear separation of the responsibilities at the very top leadership of the Public Body where the Chairperson is responsible for leading the Board in the development of the policies and strategies of the organization, while the Chief Executive Officer is responsible for the day to day management of the Public Body.
5. The decisions taken by the Board must be based on the objectivity of each director taken in the interest of the Public Body.

ROLES AND RESPONSIBILITIES OF THE BOARD

***Principle:** The Board is the primary decision making authority of the Public Body and constitutes the fundamental base for corporate governance for the organization. All Boards should establish and disclose their roles and responsibilities to avoid any misunderstanding between the Board's role and that of executive management.*

Recommended Practices:

1. Each Board must have a Charter which defines the roles and responsibilities of the Board including its responsibilities for corporate governance and its code of ethics.
2. The Board should be responsible for the strategic direction of the Public Body ensuring alignment with the policy direction of government.
3. The Minister may from time to time provide the Board with specific policy directives to guide the formulation of strategy.
4. The Board should provide leadership oversight within a framework of prudent and effective controls that enable risks to be assessed and managed. This framework must specify the parameters within which the CEO is provided with delegated authority.
5. The Board should appoint the Chief Executive Officer, decide on his/her compensation in accordance with relevant guidelines, establish performance standards and evaluate his/her performance annually.
6. The Board should lead the recruitment and performance evaluation processes for the Chief Internal Auditor (CIA) and the Corporate Secretary (CS) where the Corporate Secretary is not also vested with the position of legal counsel.
7. The Board should retain full and effective control over the Public Body while allowing the CEO to take full responsibility for its day to day operations.
8. The Board should set the Public Body's values and ethical standards, and ensure that its obligations to stakeholders are understood and met.

9. The Board should take responsibility for the performance of the Public Body by monitoring CEO performance, ratifying strategic decisions and approving expenditure within stipulated limits.

ROLE OF THE CHAIRPERSON

Principle: The Minister appoints the Chairperson as head of the Board, who in turn is directly responsible to the Minister on the policy and strategy of the organization. The Chairperson should be an independent outsider and hold no executive position or material connection with the Public Body. The position of Chairperson should at all times be separated from that of CEO, consistent with the GOJ Accountability Framework. The Chairperson should preferably be selected from an industry not related to or conflicting with the nature of business of the Public Body. Where regulation, constitution of the organisation or other governing documents do not provide, the Board may nominate a Vice Chairperson from among its members. The Vice Chairperson should meet the same requirements and qualifications as the Chairperson.

Recommended Practices:

There should be clear and easily understood Terms of Reference for the Chairperson of the Public Body which should guide his/her responsibilities and expectations of the role which include;

1. Chairing the meetings of the Board, maintaining the orderly conduct of meetings, affording participants a reasonable opportunity to speak and that minutes of meetings accurately record decisions taken;
2. Engaging all Board members and ensuring that they are fully informed of any business issue on which a decision has to be taken;
3. Exercising impartial judgment, acting objectively and ensuring all relevant matters are placed on the agenda and prioritized properly;
4. Providing direction to the Corporate Secretary;
5. Leading the Board in reviewing the performance of the CEO on an annual basis through an objective process as provided for under the GOJ Accountability Framework;

6. Determining the Committees of the Board that need to be established, appointing Chairpersons, and conducting evaluations of their performance. ;
7. Authorising and overseeing the execution of the annual, performance evaluation of the entire Board, and individual members.
8. Establishing and maintaining communication protocols with the Minister, Permanent Secretary and other stakeholders;
9. Establishing and maintaining operational a formal process for orientation, sensitization and ongoing professional development to improve the competency and level of performance of Board members.

ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)

Principle: The CEO reports to the Board through the Chairperson. The CEO's role should be to run the day-to-day operation of the Public Body in accordance with mutually agreeable and written performance objectives. The CEO's contract should be void of any ambiguity whatsoever with the clear definition of roles and responsibility for management inclusive of the authority delegated from the Board.

Recommended Practices:

1. The CEO's management style in the organization should be carried out within satisfactory ethical and business norms as established by the Board;
2. The CEO should determine which strategic activities are delegated to team members in order to get the business of the Public Body done effectively, efficiently and in accordance with the strategic direction of the Board.
3. The CEO will operate as the chief spokesperson for the Public Body on behalf of the Board, and will communicate with shareholders and stakeholders (such as the media) frequently, periodically and as prescribed by law, through monthly and quarterly reporting.
4. The CEO is responsible for the performance appraisal of all his/her team members.
5. A healthy and open relationship should exist between a Permanent Secretary and the CEO of a Public Body under his/her Ministry. This should be guided by a formal Memorandum of Understanding or Framework Document. However, the CEO is ultimately responsible to the Chairperson of the Board.
6. The role, responsibility and accountability of the CEO should be set out in regulations.
7. The reporting relationship of the CEO to the Chairperson should be set out in regulations.

ROLE OF THE CORPORATE SECRETARY (CS)

***Principle:** Every Board should appoint a Corporate Secretary (CS) to execute critical administrative and governance functions which demand a high degree of compliance and ethical conduct. The appointment of a CS is a requirement under Jamaican business law where the organization is a limited liability company irrespective of ownership. In addition, many PB statutes and Corporate Governance guidelines set out clear and comprehensive roles and responsibilities for the CS, which ought not to be delegated elsewhere under any circumstances.*

Recommended Practices:

1. The CS should report to the Board directly. The position of legal counsel reports directly to the CEO.
2. To prevent problems which may be associated with a dual reporting position, the position of CS (which reports to the Board) should not be held jointly with that of legal counsel (which reports to the CEO) However for small to medium size Public Bodies a merger of both positions may be accommodated where the operations of the organization lack complexity and the potential for conflict of interest in the provision of legal and corporate governance advice to the Chairperson and the CEO is limited.
3. The CS should act as a central source of guidance to the entire Board on all matters related to Corporate Governance, effective operations of the Board, regulatory compliance and ethical standards.
4. The CS is appointed by the Board and should be subjected to similar requirements of fit-and-proper tests of any new director.
5. The CS should assist the Chairperson in developing the annual board work plan.
6. The CS should prepare and circulate Board papers and coordinate the recording Secretariat in the preparation and circulation of Board and Committee minutes.

7. The CS should work with the Chairperson to coordinate the evaluation of the Board, its Committees and individual members.

ROLE AND AUTHORITY OF BOARD INVITEES

***Principle:** There should be a formal and documented procedure for recruiting Board invitees (co-opted members). This should be established in a Code of Conduct for Boards of Public Bodies.*

Recommended Practices:

1. Board invitees **should not** be allowed to vote at Board meetings or Board committee meetings as they are not members of a Board and are usually invited to provide specialist advice not readily available on the Board.
2. Board invitees should not constitute a quorum of an officially convened meeting of the Board or its committees.
3. Board invitees other than executives of the Public Body, or from elsewhere in government, may be paid a fee for their services, within Government guidelines.
4. The Ministry of Finance should establish a within the Code of Conduct the formal procedures and rules of engagement for Board Invitees.

ROLE AND AUTHORITY OF EX-OFFICIO OFFICERS

Principle: *There should be a formal and documented procedure for the treatment of Ex-Officio Officers. This should be established in a Code of Conduct for Boards of Public Bodies.*

Recommended Practices:

1. Ex-Officio officers should have the same duties, responsibilities, rights and privileges as do all appointed Board members, including the right to vote. The Ex-Officio officer should not be expected to commit the Government in respect of matters which are required to be referred to a higher level of authority.
2. The Ex-Officio officer should not endorse any action of the Board which will conflict with the legal and ethical obligations of a Public Officer and the position he/she holds, and should advise against and vote against such action, or ensure that the opposition is clearly recorded if no formal vote is taken.
3. The Permanent Secretary who has a constitutional role as Supervisor for Departments and Subjects within the portfolio of his/her ministry should not be appointed as a member of the Board, due to the inherent conflict of interest this would present.
4. The Ministry of Finance should establish a Code of Conduct which should outline the formal procedures indicating the rules of engagement for Ex Officio Officers.

BOARD COMPOSITION

***Principle:** Every business is unique and should likewise be matched with the appropriate set of skills and competencies to enable it to carry out its functions effectively, efficiently and productively. Under no circumstance should the responsible Minister operate as the Board Chairperson or member of the Board.*

Recommended Practices:

1. The Minister, Permanent Secretary and Chairperson should be included in the development of a competency profile for each Board which identifies the knowledge, experience, discipline and personal attributes required for the effective oversight of the Public Body.
2. Key competencies such as auditing, financial, accounting and for some, legal skills are required to meet specific Government regulations and guidelines.
3. There should be a periodic review of the existing skills and competencies of Board members against the competencies required for the effective operation of the Public Body.
4. Every Board should establish appropriately constituted committees as it sees fit to which it should delegate specialized functions such as Finance, Audit, Human Resources, Project Management, Risk Management, Procurement and Corporate Governance.
5. A Terms of Reference should be developed for each Board Committee. The chairperson of the Board Committee is expected to have the specialized skills, expertise, qualifications and experience in areas covered by the Terms of Reference.
6. The Board Committees should analyse specific issues, and advise the Board on those issues. The final decision always remains within the collective responsibility of the Board.
7. The Chairperson and directors should be given fixed term appointments with the outcome of the annual reviews of their performance providing guidance to Ministers in determining the termination or renewal of their appointment.

8. The Minister is responsible for ensuring that a Board is always in place to oversee the management of the Public Body. Until a new Board is duly appointed, existing Boards should continue to operate during periods of transition, (such as change in Ministers or government). The regulations should indicate a maximum timeframe of **sixty days** within which a new Board must be appointed.
9. For some Public Bodies the expiration of the term of office of directors should as far as possible be staggered to ensure that a quorum of the Board exists to facilitate continuity in the conduct of the affairs of the Public Body.
10. The size of the Board and the quorum required should be prescribed in statutes, and its constituting documents.
11. The number of Board members of a Public Body sitting on the Board of a subsidiary entity should be less than the quorum.
12. The Chairperson of the subsidiary Board should not be employed to the subsidiary entity, or the parent Public Body, nor should he/she be a Board member of the parent Public Body.

BOARD DIVERSITY AND EQUALITY ISSUES

***Principle:** The Board should be composed of a diversity of skills, knowledge, qualifications, experience, gender and age to assist the Public Body in achieving its objectives and perform its functions to add optimal value to the Public Body. In the selection and nomination of members of Boards, due consideration should be given to the promotion of diversity and equality of opportunity which can redound to the benefit of Public Bodies. Individuals from all sections of society have much to offer a public body by virtue of their diverse experience and background and their participation should be considered in an open, fair and transparent manner.*

Recommended Practices:

1. Diversity should be a key feature of Board composition with keen attention paid to the balance of skills, experience, diverse backgrounds, gender and youth representation, where possible, which can enhance the quality of the Board
2. Diversity should be considered as a key component of succession planning activities of the Board of the Public Body.

BOARD SELECTION AND APPOINTMENT

Principle: *The responsible Minister or other relevant authority should appoint Board members based on merit, against objective criteria, with due regard for the benefits of diversity and commitment to the policy objectives of the government. This will strengthen the integrity of the selection process and ensure that appointed members are the very best that can be found. This should be supported by an open, rigorous, transparent and clearly articulated policy governing the nomination, selection, appointment and termination of Board members.*

Recommended Practices:

There should be a defined policy for the nomination, selection, appointment and termination of directors that is transparent, inclusive and that lends itself to continuous review and includes the following:

1. The Responsible Minister making the final recommendation to Cabinet or other relevant authority on the composition of the Board, and being responsible for appointing and terminating the Board.
2. A structured mechanism to handle all stages of the selection, nomination and appointment of Directors of Public Bodies.
3. The requirement for all Directors to be subject to ‘fit and proper tests’ in the determination of their suitability for Board appointments. There should be due diligence (vetting) of all potential candidates based on a pre-determined set of criteria to be outlined in the procedure, code or guidelines governing all appointments. This process of vetting should be done prior to submitting the slate of potential Directors to the absolute authority (Cabinet) for final consideration, to exclude those not qualified.
4. Consideration for parliamentary involvement in the appointment of Chairpersons.

5. All potential Board members being required to declare to the responsible Minister in a timely and effective manner any conflict of interest in keeping with the established Conflict of Interest rules identified in the Code of Ethics.
6. The development of competency profiles for each Board with accompanying position descriptions for Board members.
7. Consideration for a percentage of Board positions to be advertised in order to widen the pool of potential candidates.
8. Directors being considered to serve on the Boards of Public Bodies having the appropriate skills, knowledge, discipline and experience, the ability to commit adequate time to serve and being citizens of undisputed integrity.
9. Directors' confirmation of willingness to devote sufficient time to carry out their duties and responsibilities effectively and commitment to serve on the Board as determined in their appointment document. As such each potential candidate should declare all Boards and organizations to which they are connected, whether as a Director or having material interests. Where they are employed, authorization should be obtained and submitted by their employers.
10. Where stakeholder representatives to the Board are features of a particular statute or where the Minister seeks to include same, there should be multiple nominations to the

Box 1:

SUGGESTED ELEMENTS FOR A DIRECTORS LETTER OF APPOINTMENT

Public bodies may be guided by the following checklist when drafting letters of appointment for board directors.

1. Duration of appointment
2. Time commitment required
3. Legal duties and responsibilities of directors
4. Role and function with respect to the duties of the board and its committees
5. Any special duties and expectations associated with the position
6. Circumstances in which the office of a director shall be deemed vacant
7. Requirements for disclosure of director's interests
8. Trading and borrowing policies of a public body
9. Orientation, sensitization and professional development requirements for the job
10. Policy regarding accessing independent advice
11. Indemnity and insurance advice
12. Fees
13. Confidentiality Code and right to access corporate information
14. A copy of the statutes, constitution, Articles of Association, terms of reference for board committees, overview of the public body and its organizational chart.

relevant authority by the stakeholder organisations, from which the most suitable candidate may be selected based on the needs of the Public Body at the particular time.

11. Ministers submitting nominees to be considered for appointment to Boards should be required to submit the nominees to the relevant authority.
12. The Government's remuneration policy should be made known to the potential Directors and should take into account specific roles as Chairperson of the Board, Chairperson or member of Board committees as well as their resulting responsibilities and commitment in time.
13. The Government's Remuneration Policy should seek to foster the long term interest of the Public Body and be able to attract and motivate qualified professionals.
14. The appointments should be made public and each Director should be issued with a formal letter of appointment setting out the terms, conditions and expectations for each appointee, and a formal ceremony including a representative from the shareholding entity, at which the instrument of appointment is presented. **(See Box 1)**
15. A Board Chairperson not being a former CEO of the Public Body to which he/she is being appointed.
16. A period of five (5) years should elapse before a former CEO of a Public Body can be recommended to sit on the Board.
17. There should be no restrictions on the Board of a Public Body to contracting a former CEO.
18. The management of the policy for nomination, selection and appointment of Board members should fall within the mandate of the Ministry of Finance.

BOARD ORIENTATION, SENSITISATION & PROFESSIONAL DEVELOPMENT

***Principle:** There should be a formal orientation and sensitization process for new Directors, which should encompass a description of their role, duties, responsibilities, board practices, procedures and any other information linked to the specific roles of any committee. This orientation should be facilitated by the provision of a Code of Conduct governing the board's operating procedures.*

Recommended Practices:

1. The Board should identify opportunities for professional development of all members in order to update their skills and improve their knowledge of the business environment in which the organization operates.
2. Responsibility for the coordination of orientation and sensitization processes should be a part of the Corporate Secretary's TOR.
3. The orientation and sensitisation process should include at a minimum:
 - a. specially designed sessions over a given period addressing issues of the business, industry and subsector, where necessary;
 - b. the organization's roles and those of each division presented by divisional heads;
 - c. the Public Body's strategic plan, organisational plan, and recent annual report;
 - d. expectations of the Chairperson, procedures for conduct of meetings; calendar of events for the year; role of board committees and calendar of their events.
 - e. the legal instruments and all relevant legislation governing the entity.
 - f. the respective rights, duties, responsibilities and roles of the board and senior executives.
4. It is desirable that all directors have access to professional development programmes in areas such as legal reform, public sector developments, corporate governance, changing

corporate environment, internal control systems, business/commercial risks and other issues that may be of interest in the execution of their role.

5. Permanent Secretaries and Ministers should avail themselves of this training, to ensure that all parties understand each other's duties and responsibilities.

BOARD PERFORMANCE EVALUATION

Principle: Each Board of a Public Body should be subject to a formal and rigorous annual appraisal of its performance and that of its committees and individual Directors. The evaluation should address whether the objectives of the Board or committee are being met in an effective and efficient manner. The evaluation process should be used constructively as a mechanism to improve Board effectiveness, maximize strengths and tackle weaknesses. The overall Board assessment should be shared with the Board as a whole while the results of individual assessments should remain with the Chairperson, the individual directors, the portfolio Minister and the evaluator(s). The use of an external third party to conduct the evaluation will ensure independence and objectivity in the process.

Recommended Practices:

1. It should be the responsibility of the Ministry of Finance, supported by the Portfolio Ministry and the Cabinet Office to develop an effective evaluation system for Boards.
2. The results of the evaluation should be submitted to the Responsible Minister for action.
3. The corporate governance section of the annual report should disclose whether a performance evaluation for the Board and its members has taken place in the reporting period and how it was conducted.
4. While issues to be evaluated may vary from one Public Body to the next, the following critical questions and areas should be considered in any evaluation framework of the Board:
 - i. How well has the Board performed against agreed performance objectives?
 - ii. Is the composition of the Board and its committees appropriate, with the right mix of knowledge, skills and experience to maximize performance in accordance with future plans?
 - iii. How well has the Board as a whole communicated with the management team, employees and other stakeholders?

- iv. How well has the Board responded to any problems or crises?
 - v. Is the Board as a whole up to date with latest developments in the regulatory environment and market, regarding important issues of Corporate Governance?
 - vi. Are matters specifically reserved for the action and authority of the Board the right ones?
 - vii. How effective are the Board committees?
 - viii. The timeliness, appropriateness and relevance of information provided to the Board and the quality of feedback provided by the Board to management;
 - ix. Address issues relating to the roles of the Chairperson, the Corporate Secretary and the Audit Committee.
5. Performance evaluations should be used as a basis for identifying future training needs.

THE ROLE AND INDEPENDENCE OF AUDIT AND INTERNAL CONTROL FUNCTIONS

Principle: *The Board of every Public Body should have effective internal control systems which are critical to the Corporate Governance regime of the Public Body. These include Internal Audit, Procurement and Enterprise Risk Management for which Board Committees should be assigned responsibility.*

Recommended Practices:

1. Every Board should establish an Audit Committee with at least three members. All members should have suitable qualifications, skills and experience and be independent non-executive directors. Its members should be financially literate with at least one member being a qualified accountant.
2. The Audit Committee should not include the Chairperson of the Board of the Public Body and preferably not be the Chairpersons of the Finance, Projects or Procurement Committees.
3. The Audit Committee should have responsibility for the oversight of internal control structure and systems.
4. The Audit Committee, and where there is an appointed Corporate Governance Committee, should ensure that there is a minimum competency requirement for members of the finance, accounting and risk management divisions of the Public Body.
5. The Audit Committee should be responsible for the oversight of internal audit systems and should conduct the performance evaluation of the Chief Internal Auditor
6. The Audit Committee should be responsible for the oversight of the external audit process and recommend the appointment and removal of the external auditor.
7. There should be the mandatory rotation of External Auditors of Public Bodies.

8. The tenure of service for external auditors should be limited to a maximum contractual period of seven years with follow-on renewals prohibited. Such service providers may be re-hired after the elapse of a prescribed number of years or rotational periods.
9. The Audit Committee must ensure that the audit partners responsible for the Public Body's external audits are rotated. Where the Auditor General's Department performs the external audit functions for the Public Body, the Audit Committee should ensure that the auditors assigned are rotated in keeping with stipulations of the Code of Audit Practice.
10. The Audit Committee should report to the Board and relevant stakeholders on the execution of its duties. A report on the work of the Audit Committee should be a subset of the Report on Corporate Governance, which should be a component in the Annual Report of the Public Body.
11. The general roles and responsibilities, composition and guiding principles of Audit Committees should form part of the proposed Code of Audit Practice.
12. The Board should establish a Procurement Committee to assure the integrity and transparency of the Public Body's procurement process.
13. The Board should ensure that members of the Procurement Committee undergo frequent training to be kept abreast of the latest developments in law and regulation as it relate to the GOJ's Procurement Guidelines.
14. The membership of this Committee should be rotated at least every three years.

ROLE OF THE BOARD IN ENTERPRISE RISK MANAGEMENT

Principle: *The systems of internal control should be based on an ongoing process to identify and prioritise the principal risks to the Public Body. Every Board should therefore put in place a formal Enterprise Risk Management (ERM) framework to manage risk across all functional areas and business units of the Public Body. The framework should be designed to identify, assess, monitor and manage risk. The risk profile of a Public Body may include operational risks, business risks, regulatory risks, market risks; credit risks; economic capital and HR related risks. Any material changes to the risk profile of the Public Body should be reported to the Minister and Permanent Secretary.*

Recommended Practices:

1. The Board should ensure the development and implementation of an Enterprise Risk Management (ERM) framework.
2. Information Technology should be employed as a critical component of the Enterprise Risk Management framework.
3. The Board should decide on the PB's appetite for risk and its ability to bear the consequences of the occurrence of risks.
4. Where appropriate, the Board should appoint a Chief Risk Officer, who should report to the Board through its Audit Committee.
5. All staff members of the Public Body must be aware of the ERM framework and how it informs their day to day business activities.
6. The Board should delegate the responsibility of ERM to a committee of the Board, preferably the Audit Committee. The Committee will be required to ensure a disciplined and systematic approach to improve risk management as risks will be identified, quantified and methodologies employed to minimize their impact.
7. Training in Risk Management should be part of the ongoing professional development programme for Directors.

MONITORING ARRANGEMENT OF MINISTRIES

***Principle:** The Permanent Secretaries as chief advisers to the Minister should be required to monitor performance against expected results, manage risks and advise/ inform the Minister accordingly on Public Bodies which operate within the portfolio responsibility of the Ministry. They also ensure coordination among Public Bodies within the Ministry's portfolio which enhances policy coherence. They should know what is happening in the Public Bodies in order to assess whether the strategic objectives of the Ministry are being met through the Public Bodies.*

Recommended Practices:

1. A Memorandum of Understanding or Framework Document should be developed between Ministries and Public Bodies within their portfolios outlining their respective roles and responsibilities.
2. The Portfolio Ministries should develop a risk management profile of their Public Bodies and assessments should be done on a quarterly basis.
3. Quarterly reports should be submitted to the portfolio Ministry of a Public Body. The reports should detail the financial status and other specified areas such as scale of investment and spending, budget variance report, debt ratio, as well as performance information such as customer satisfaction and internal operations.
4. Within each Ministry, functional responsibility should be assigned for the monitoring of Public Bodies. The Ministry should be equipped with the required skills including competencies in governance matters to effectively fulfill their monitoring mandate.
5. The Permanent Secretaries should participate in the development of the competency profile for Boards and the orientation process for new Directors.
6. The Permanent Secretary should participate in the pre-screening process for Board members.

7. The Permanent Secretary should provide periodic reports to the Minister on issues pertaining to Public Bodies, particularly on matters which will impact significantly on the portfolio.

ROLE OF THE MINISTRY OF FINANCE (MOF)

Principle: *The Public Bodies should be provided with an overarching governance framework to ensure that they operate in such a way as to bring sustainable economic and social benefits to the country. Ministry of Finance, as the custodian of the Public Bodies Management and Accountability (PBMA) Act, should be required to provide advice in relation to the governance and performance of Public Bodies. The Ministry should maintain and update the PBMA Act that defines the governance structure between Government and its Public Bodies. The Ministry should ensure that Cabinet, responsible Ministers, Ministries, Boards of Directors and their respective staff are provided with the support and information required to undertake their respective roles and responsibilities within the framework of the PBMA and related Acts. The Ministry should also provide financial analysis and oversight for the Public Bodies as well as advice on policy issues that impact the Public Bodies.*

Recommended Practices:

The Ministry of Finance should:

1. administer the Public Bodies Management and Accountability (PBMA) Act and lead the development of related regulations.
2. lead the review and amendment to the PBMA and provide guidance to the Boards in the application of the Act.
3. provide leadership in the implementation of the governance framework for Public Bodies.
4. provide the advice and information necessary to promote good governance and accountability for Public Bodies.
5. develop and periodically update guidelines and tools that enable both the Public Bodies and Ministries to fulfill their governance responsibilities.
6. identify and co-ordinate policy issues affecting Public Bodies as a group.

7. provide advice in the determination on whether a Public Body should be established or an existing Public Body dissolved.
8. lead in ensuring the provision of training and certification of Board members.
9. develop an overarching framework for assessing the fiscal risk of Public Bodies and monitor their performance within this framework.
10. be responsible for monitoring the performance of Public Bodies against their established objectives and performance targets.
11. develop and manage a policy to govern the appointment and termination of Directors to Boards of Public Bodies.
12. develop an overarching Code of Ethics which will provide a core set of values and standards for Boards of Public Bodies.
13. develop and monitor the application of a remuneration policy for Board of Directors of Public Bodies.

BOARD INFORMATION MANAGEMENT AND DISCLOSURE

***Principle:** The Board should establish a policy of corporate disclosure that seeks to engage its stakeholders, provide risk assurance for board information and affirms the integrity of directors and senior executives.*

Recommended Practices:

1. On first appointment, and at any time when circumstances dictate, all directors should, in good faith, disclose to the Board, for recording and disclosure to external auditors, any business or other interests that are likely to create a potential conflict of interest.
2. The Board is responsible for the Public Body maintaining effective communications with stakeholders.
3. The annual report should be a critical channel through which Corporate Governance information is communicated. This information should include at a minimum:
 - a. Commentary on the financial results;
 - b. The full compensation package of the CEO and senior managers;
 - c. The names, expertise, length of service, meeting attendance record, list of other directorships and a report on the reason for any director ceasing office.
4. The Board of the Public Body should assume responsibility to monitor disclosure, reporting and public communications processes, and to ensure that financial statements and other disclosures represent the institution fairly.
5. The remuneration and other benefits granted directly or indirectly to Board directors of Public Bodies should be disclosed in the annual report.
6. The Board and committees should regularly review their information needs (quality, quantity and timeliness) to ensure the information they receive is appropriate for the effective discharge of their duties.

7. The Board is responsible for the maintenance of effective systems and procedures for information management and disclosure within the Public Body. A reliable system of corporate disclosure requires an investment in accounting and information systems, in internal controls, and in internal and external auditing. It will include formulating and documenting policies and procedures, putting in place hardware and software systems, and recruiting and training qualified staff.
8. Where issues of a sensitive nature are involved, Boards if they deem necessary, should seek exemption under the **Access To Information Act of Jamaica 2002.**

MANAGING STAKEHOLDER RELATIONSHIPS

Principle: *Every Board should ensure that its Public Body has a procedure and strategy for responding to stakeholders' concerns on a continuous basis and such communication should be proactive and transparent. Transparency in communication is important for building and maintaining relationships.*

Recommended Practices:

1. The Public Body should have a clear and coherent understanding of its key stakeholders, their information needs and the most effective means of communicating with them.
2. The Board should strive to achieve the correct balance between its various stakeholder groupings; ensuring equitable treatment and mutual respect for all, in order to advance the interests of the Public Body.
3. The Public Body should develop and implement a formal process to resolve internal and external disputes.

CODE OF ETHICS

Principle: *Each Board should observe the Code of Ethics developed by the Ministry of Finance as part of its Corporate Governance regime. However, each Board may enhance aspects of the Code where necessary based on its particular operations in keeping with guidelines established by the Ministry of Finance. The purpose of a Code of Ethics is to articulate the values, ethics and beliefs upon which the Public Body bases its policies and corporate behavior.*

Recommended Practices:

1. The Code of Ethics should clarify the standards of ethical behavior required and the Board should monitor and enforce the observance of these standards.
2. The Code should provide guidance as to the practices necessary to maintain the Public Body's integrity.
3. The Code should define what constitutes a 'Conflict of Interest' and articulate the mechanism to identify, disclose and manage them.
4. The Code should outline the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
5. The Code should be able to harmonize the concepts of social responsibility, with public accountability and profitability. It should include inter alia fiduciary obligations to the organization, disclosure of any personal interest that may come before the Board and the need to treat colleagues with respect, dignity and courtesy.
6. The Code should set standards for personal and corporate behaviour of Board Directors, the Public Body, all employees, suppliers, financiers and lenders, and should reflect intolerance for undesirable practices.
7. The Code should incorporate elements of any Whistle Blower Legislation developed by the Government of Jamaica and stipulate expected behavior where breaches occur.

CORPORATE SOCIAL RESPONSIBILITY

Principle: *Every Board should ensure that measures for managerial performance takes into account the financial, socio-cultural and environmental dimension (**known as the triple bottom-line- approach**) of business procedures, legal procedures and ethical practices with a focus on their customers and other stakeholders.*

Recommended Practices:

1. Each Board should make the issues of Corporate Social Responsibility (CSR) a priority on the Public Body's business agenda.
2. CSR should be addressed as an important tenet of a Public Body's Corporate Governance Framework.
3. Each Public Body should develop and publish in its annual report, a statement on its CSR activities, and should produce for public scrutiny a CSR statement of commitment and philosophy, to which stakeholders can hold it accountable.