

Monitor and Improve Board Performance

Crown Board of Directors Professional Development Meeting

June 24, 2015

About WATSON

Since its foundation in 2005, WATSON has helped hundreds of organizations establish or improve their approach to governance, conduct board, director and CEO evaluations, implement board and CEO succession plans and connect with value-adding directors. WATSON's clients include major trade and professional associations, regulatory bodies, governments (local, provincial and federal), public sector entities of various models, not-for-profit organizations, private corporations, listed companies, and financial institutions.

Elizabeth Watson, President of WATSON Advisors Inc, has over 30 years experience as a lawyer and has garnered a reputation as a leading advisor to boards, committees and CEOs on governance, board effectiveness, recruitment and leadership. Liz is a sought after speaker and contributor on not-for-profit governance and recruitment issues. She teaches in the ICD's Directors Education Program and recently authored CPA Canada's publication on Building and Sustaining an Effective Board. Liz has served on multiple boards as both a director and Chair. In 2012, Liz was named one of Canada's Most Powerful Women and was honoured as Queen's Counsel.

Taxpayer Accountability Principles

With the introduction of the Taxpayer Accountability Principles (TAP) in 2014, the BC government set out to strengthen a culture of accountability in provincial public sector organizations. The six principles underpinning TAP are designed to ensure decisions and actions of public sector organizations, including Crowns, reflect the priorities and values of both the government and their shareholders – BC citizens. In recognition of the higher accountability, TAP puts into motion a series of actions that have a direct impact on boards and individual directors including NEW:

- mandate letter agreed and signed by **all** directors;
- requirement to evaluate and report to the minister against the principles, and orientation about taxpayer accountability principles; and
- expectations for ministers, **public sector boards**, DMs, CEOs and public sector staff.

Cost conscious | Accountability | Appropriate compensation | Service | Respect | Integrity

Framework & Standards for Public Sector Governance

The BC government has developed multiple standards and guidelines for Crowns to enhance accountability, oversight, and reporting. Recent studies indicate that, although many of these standards still hold true, over time some of the practices and standards have become diluted. In addition, the standards of good governance are evolving. What has never wavered is the need for directors to understand *their role as representatives of the shareholder and their fiduciary duty.*

“The principles recognize that public sector organizations have a higher accountability to the taxpayer.”

” TAP

Test Your Standards

Check your personal awareness and your board's adherence to each of the following standards. Circle the number on the scale of 1-5 which best reflects your awareness and your perception of your board's adherence, where **1** is **Low** and **5** is **High**. If you do not know, select **DK**.

Key Sources of Best Practice Standards

	Personal Awareness					Board Adherence					
	LOW				HIGH	LOW				HIGH	DON'T KNOW
1. Taxpayer Accountability Principles and Framework	1	2	3	4	5	1	2	3	4	5	DK
2. Mandate Letter	1	2	3	4	5	1	2	3	4	5	DK
3. Shareholder's Expectations for BC Crown Agencies	1	2	3	4	5	1	2	3	4	5	DK
4. BRDO Best Practice Guidelines	1	2	3	4	5	1	2	3	4	5	DK
5. BRDO Appointment Process	1	2	3	4	5	1	2	3	4	5	DK
6. Public Sector Governance: A guide to the Principles of Good Practice	1	2	3	4	5	1	2	3	4	5	DK
7. Crown Corp. Executive Compensation Policy	1	2	3	4	5	1	2	3	4	5	DK
8. Crown Agency Good Practice Checklists	1	2	3	4	5	1	2	3	4	5	DK
■ Corporate Governance	1	2	3	4	5	1	2	3	4	5	DK
■ Audit Committees	1	2	3	4	5	1	2	3	4	5	DK
■ Governance Committees	1	2	3	4	5	1	2	3	4	5	DK
■ HR Committees	1	2	3	4	5	1	2	3	4	5	DK
■ Risk Management & Internal Controls	1	2	3	4	5	1	2	3	4	5	DK
■ Investment Governance	1	2	3	4	5	1	2	3	4	5	DK
9. Framework for Government – Crown Relationship	1	2	3	4	5	1	2	3	4	5	DK
10. Crown Agency Accountabilities Summary	1	2	3	4	5	1	2	3	4	5	DK
11. Ethical Conduct for Directors of Public Sector Organizations	1	2	3	4	5	1	2	3	4	5	DK
12. Treasury Board Directive 3/11	1	2	3	4	5	1	2	3	4	5	DK
13. Information Requirements and Events Calendar	1	2	3	4	5	1	2	3	4	5	DK

How to Ready Directors for Review and Revitalization

Governance is not an end in itself. It is a means to an end; namely, to ensure that the organization is effective and efficient in achieving its mandate. High performing Crowns continually ask themselves:

- Do our governance practices contribute to our Crown's efficiency, health and performance? 
- Does our board provide the "tone at the top" for cost effectiveness and a principled culture of efficiency and accountability? 

In order to take governance to a higher level in your organization, consider the following steps:

1. Acknowledge

Identify the need for change, and the roadmap to guide the governance revitalization program

2. Embrace

Set time on the Board's agenda to discuss the issues and confirm commitment to the review and revitalization

3. Cascade

Ensure the standards and expectations set by the Board cascade through the various layers in the organization

4. Lead

Consider assigning leadership responsibility to the Governance Committee

5. Communicate

Make sure the entire organization understands the Board's expectations and the scheme through which the Board will provide oversight

6. Measure

Be explicit about the objectives of the revitalization program and how progress will be measured

7. Own

Directors act collectively but are individually responsible; ensure every director is aware of his/her responsibilities and embraces personal ownership

If your organization and board have not gone through governance changes of this nature, consider engaging outside governance expertise to assist.

 New TAP Accountability Requirement

The Indispensible Corporate Secretary

Who supports the board in being effective? A corporate secretary (in house or out sourced) can take a lead role in ensuring your organization meets the new Taxpayer Accountability Principles. The best corporate secretaries are strategic contributors and trusted advisors who help manage the board's work and act as a liaison between the board and management.

Today's corporate secretary plays a role in:

- Guiding the organization's corporate governance practices and processes
- Guiding directors on their duties and responsibilities
- Ensuring boards get the information they need to do their work
- Making sure meetings run smoothly and address the right topics
- Coordinating between board and management
- Ensuring compliance with applicable laws, regulations, policies and standards (including TAP)
- Designing appropriate orientation and education programs

Does your corporate secretary have a seat at the table? ”

Are **You** Ready to Sign on the Dotted Line?

With the new Taxpayer Accountability Principles, government has made a clear statement about the expectations of the board and individual directors. By the end of 2015-16, all directors will be required to individually sign the annual mandate letters. Make sure you are ready to sign.

- Understand your legal responsibility
- Understand the evolving duty of care
- Get the education you need
- Understand your role in implementation
- Take personal responsibility for results