

Governance & Ethics Committee

October 21, 2010

Compliance - Legal/Regulatory Requirements; Review – Ethical Standards/Compliance; Trends and Best Practices

- Article VIII.G of the Port Authority's By-Laws – Oversight Responsibility re: Compliance with Legal and Regulatory Requirements
 - Financial Disclosure
 - Ethics Training
- Review of Ethical Standards (NY and NJ) – Adequacy of Commissioners' Code of Ethics/Compliance
- NY/NJ and Corporate Trends and Best Practices

Financial Disclosure

- All Commissioners (NY and NJ) are required to provide General Counsel with financial information by the Commissioners' Code of Ethics
- Executive Order No. 24 (April 27, 2010; Governor Christie)
- Largely continues prior financial disclosure reporting process
- NJ Commissioners have filed

Ethics Training

- All Commissioners (NY and NJ) receive briefing materials regarding general ethical considerations and applicable statutes and related material
- Relevance in light of Code of Ethics for Port Authority Commissioners
- All New Jersey Commissioners have received NJ Ethics Training

Comparison of New York and New Jersey Ethics Laws

SUBJECT MATTER

NEW YORK

NEW JERSEY

General Conduct Standards	Independence/objectivity; No conflicting employment/ financial interest	Similar standards
Financial Disclosure	Multi-state board members exempt	Required
Gifts	No solicitation; acceptance of gifts	Similar standards
Political Activity	No party affiliation, campaign contributions affecting contracts or decisions	Similar standards
Post-employment Restrictions	Two year bar on Agency matters; lifetime bar on matters with direct participation	One year bar on Agency matters; similar standard for lifetime bar; imputed disqualification for entity with more than 10% interest
Family Members – Personnel Matters	No participation in decisions involving relatives	Similar standards; relative of NJ member of bi-state agency board not to be hired
Official Action – No Self-Dealing	No official participation in contracting decision >\$1,000 with financial interest for self or relative	Similar standard but applies only to the individual and no \$ threshold
Business or Professional Activities	No contract with state agency >\$25 except after public bidding	Similar standard (with Ethics Commission approval)

Review/Evaluation of Commissioners' Code of Ethics Adequacy

- Standard of Conduct – “Comply with all applicable laws, rules and regulations applicable to the Commissioner as an unsalaried public officer from his/her state of appointment.”
- Traditional and long standing commitment to the highest standards of integrity in the public service
- New York Commissioners – Section 74 of New York Public Officers Law, and Section 410 of New York Education Law (Section 73 of Public Officers Law also provides guidance)
- New Jersey Commissioners – New Jersey Conflicts of Interest Law

New York - Trends

- 2009 Public Authorities Reform Act
 - Directors of authorities required to sign Acknowledgment of Fiduciary Duty
 - Authority Boards required to perform annual self-evaluation
 - Establishment of finance committee mandated for debt-issuing authorities
 - Additional reporting responsibilities for authorities

NJ - Trends

- EO 24

“ * * * [A]ll members of this administration must adhere to the highest ethical standards and conduct themselves in a manner that enhances public trust in government * * * .”

- EO 8

“ * * * [T]ransparency in the government of the State of New Jersey * * * is an important priority of this Administration * * * .”

Corporate Trends

- Recent Amendments to U.S. Sentencing Guidelines for Effective Compliance and Ethics Programs
 - Enhanced Autonomy for Compliance Personnel
 - Effective Response to Detected Criminal Conduct
 - No Requirements for Document Retention Policies
- Dodd-Frank Act
 - Whistleblower Incentives and Protections
 - New Governance Requirements for Financial Companies that may influence “Best Practices”
- NACD Blue Ribbon Commission on Risk Governance

NACD – Ten Principles of Effective Risk Oversight

- Understand the business and the key drivers of success.
- Assess the Risk Appetite Inherent in the Company's Strategy
- Define the Role of the Full Board and its Standing Committees with Regard to Risk Oversight –the full board should have primary responsibility for risk oversight, with the standing committee's supporting the board by addressing the risks inherent in their respective areas of oversight
- Consider Whether the Company's Risk Management System – Including People and Processes – Is Appropriate and has Sufficient Resources
- Work with Management to Understand and Agree on the Types (and Format) of Risk Information the Board Requires
- Make Sure the Board Encourages Dynamic Interaction – and Probing, Constructive Dialogue – Between Management and the Board
- Closely Monitor the Organization's Tone at the Top, Culture, and Incentive Structure
- Monitor Critical Alignments – Of Strategy, Risk, Controls, Compliance, Incentives, and People
- Consider Emerging and Collateral Risks: What's Around the Next Corner? What Might be Off to the Side?
- Periodically Assess the Board's Risk Oversight Processes: Do they Enable the Board to Achieve its Risk Oversight Objectives?

NACD Key Agreed Principles to Strengthen Corporate Governance for U.S. Publicly Traded Companies

- Board Responsibility for Governance
- Corporate Governance Transparency
- Director Competency and Commitment
- Board Accountability & Objectivity
- Independent Board Leadership
- Integrity, Ethics & Responsibility
- Attention to Information, Agenda & Strategy
- Protection Against Board Entrenchment
- Shareholder Input in Director Selection
- Shareholder Communications