

**THE FUNCTION AND RESPONSIBILITIES OF
THE GOVERNANCE AND ETHICS COMMITTEE**

Introduction

The purpose of this document (the “Charter”) is to formalize certain guidelines that the Governance and Ethics Committee follows in connection with the satisfaction of its responsibilities under the Port Authority’s By-Laws.

The By-Laws -- Article VIII.G.

The Governance and Ethics Committee shall

- consist of five regular members (including a Chair and Vice-Chair), in addition to *ex officio* members;
- “have oversight of questions relating to the development of, and compliance with, governance and ethics principles of the Port Authority, and shall, from time to time, make such recommendations in reference thereto as in its opinion may be desirable;” and
- perform such duties as are enumerated for it,

consistent with the principle that

“compliance matters which are not primarily related to accounting, auditing, financial reporting and/or internal controls shall be submitted to the Governance and Ethics Committee, which shall determine the proper handling thereof (including the involvement of other Board Committees, outside advisers and others) with such oversight by the Board of Commissioners as it determines is appropriate.”

Meetings

The Governance and Ethics Committee shall meet at least four times annually or more frequently as circumstances dictate, and, as appropriate, shall meet in executive session with select staff and General Counsel.

Consultation with the Audit Committee

The Governance and Ethics Committee shall consult with the Audit Committee as appropriate.

Responsibilities and Duties

The Committee shall review and assess the adequacy of this Charter at least annually and adopt changes as appropriate. In performing its duties, the Committee shall consult with appropriate management personnel and may consult such outside consultants or attorneys as appropriate.

Governance Oversight – Development of policies and practices, for recommendation to the Board

1. Assist in identifying qualifications for prospective appointments to the Board of Commissioners.
2. Evaluate the performance of the Board of Commissioners and its members.
3. Lead the Board of Commissioners in an annual review and evaluation of the Board's performance.
4. Lead the Board of Commissioners in an annual review and evaluation of the effectiveness of Committees.
5. Ensure that the Board of Commissioners and the staff are familiar with and committed to the ethics principles and programs that have been adopted by the Port Authority.
6. Assist the Board of Commissioners in fulfilling its oversight responsibility relating to compliance with legal and regulatory requirements.
7. Ensure that the Inspector General shall continue to be independent and free from interference in the conduct of the Inspector General's responsibilities.
8. Require executive staff to annually review Port Authority operations to identify waste and inefficiencies, to take appropriate remedial steps, and to publicly report these actions.

Governance Oversight – By-Laws Activities *

1. Make recommendations to the Chairman of the Port Authority concerning the size, composition, and organization of the Committees.
2. Make recommendations to the Chairman of the Port Authority concerning policies and practices relating to Board operations, Commissioner policies and practices, and associated matters of corporate governance.
3. Lead the Board of Commissioners in an annual review and evaluation of the Executive Director's performance.

* These activities may be expanded as a result of the policies and procedures to be recommended to the Board.

4. Review corporate trends and best practices generally with respect to governance procedures.

*Ethics**

1. Review the Code of Ethics and Financial Disclosure presently applicable to the staff, and the Commissioners' Ethics Policy to which the Board has subscribed.
2. Recommend, develop, and maintain a Code of Ethics for the Board of Commissioners and for the staff in compliance with the By-Laws.
3. Reassess the adequacy of the Code of Ethics on an annual basis.
4. Review the independence and objectivity of the members of the Board of Commissioners (and its Committees) on a periodic basis (no less than once per year).
5. Review corporate trends and best practices generally with respect to ethics policies and procedures.
6. Annually review the ethical standards of the States of New York and New Jersey (and other standards which may be useful in determining best practices for the Port Authority), and make recommendations to the Board of Commissioners concerning appropriate practices. Such practices shall include adoption of the higher ethical standard when the two States apply different standards to the same conduct or situation.

*Compliance**

1. Review and oversee compliance with the Code of Ethics for the Board of Commissioners and for the staff.
2. Consider compliance matters, which are not primarily related to accounting, auditing, financial reporting, and/or internal controls.

* These activities may be expanded as a result of the policies and procedures to be recommended to the Board.