Questions that shareholders may ask at 2009 annual meetings*

*connectedthinking

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
400 Campus Dr.
Florham Park, NJ 07932
Telephone (973) 236 4000
Facsimile (973) 236 5000
www.pwc.com

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A company's annual meeting provides its shareholders an opportunity to ask questions of management and the board about the company’s performance and provides management an opportunity to present its views.

The purpose of this document is to assist management and the boards of directors of public companies in preparing for the annual meeting. This document contains examples of shareholder questions that might be asked as a result of past and current events.

In Part 1, we identify the *Top 100* questions that we believe are more likely to be asked given recent economic and other current events. Part 2 includes additional questions on additional topics.

All questions are grouped by major category. New or significantly revised questions are printed in *italics*.

This document is intended to be a general reference guide of questions that *may* be asked and is applicable to companies of various sizes and industries. Companies may receive questions other than those presented in this document. Each company should consider the questions likely to be asked based on its own particular activities and circumstances and plan appropriate responses.

PricewaterhouseCoopers LLP
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Note: The information in this document was last updated March 2009

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Shareholder matters

1. How has the company's stock performed compared with the markets overall? Compared with its competitors? Compared with company estimates? What caused the volatility in the company's stock price?
2. What was the percentage drop in the company's stock price? Was it anticipated? What specific steps is the company proposing to restore investor confidence in the company?
3. What was the percentage drop in the company's market capitalization? What is the company's strategy to regain those losses? What specific steps is the company planning to take?
4. *What impact does the decline in market capitalization and/or share price have on the company's ability to maintain its stock exchange listings?*
5. Why did the company stop paying dividends / reduce the amount of dividend payments this year? When is the company planning to resume paying dividends at prior levels?
6. Were there any significant changes in the stock holdings of any of the larger shareholders?
7. Is the company involved in any shareholder suits? What is the nature of the suits? *Has the company been sued by shareholders due to losses in share value or by business partners for nonperformance of contracts as a consequence of the economic crisis or for any other reason?* What's the probable outcome and effect on other shareholders of such suits?
8. What ratings have analysts given to the company's stock and debt? Have they upgraded/downgraded the stock or debt? Why have analysts' views of the company become more favorable/less favorable? *What impact do rating downgrades have on the company?*
9. *Why does the board have, or is the company seeking to add, a shareholder rights (poison pill) plan to discourage takeover attempts? If so, why aren't you allowing shareholders to vote on tender offers?*
10. What is the company's position on including shareholder proposals and shareholder nominations to the company's board of directors in the proxy?

Corporate governance

11. Does the board of directors challenge management's decisions? What examples can you give to demonstrate that directors are sufficiently independent to overrule management when necessary?
12. *Do the current members of the board have the qualifications and experience to help guide the company through the economic crisis? Why aren't long-tenured board members to stepping down so new board members may be brought in?*
13. What steps has the board of directors taken to monitor management's actions and to ensure that shareholder interests are protected? *How does the Board obtain comfort that senior management or the CEO have the appropriate operating/business plan to avoid bankruptcy or liquidation during this economic crisis?*
14. Does the board discuss the major risks the company faces? Is management satisfied that the level of risk tolerated by the company is acceptable and is not likely to negatively affect shareholder value?

15. *In light of sensitivities around corporate behavior, how is the board ensuring management is not taking actions (e.g., lavish entertainment and other perks) that may harm the company's reputation?*
16. *How does the company ensure that risks are understood, consistent with the company's strategy, and manageable within acceptable limits?*
17. Does the audit committee discuss management's policies with respect to risk assessment and risk management? Is the audit committee aware of the company's major financial risk exposures and the steps management has taken to monitor and control such exposures?
18. Does the company have a disclosure committee? Who are the members of the committee? How were disclosures different this year?
19. What attributes are considered essential for board members? Are industry-specific knowledge and experience required? Has the board re-evaluated whether its members have the right mix of qualifications and experiences? With increased globalization, what has the company done to increase the breadth of international knowledge and experience on the board?
20. Why are the positions of CEO and board chair combined? Are there any plans for separating these two positions? Has the board designated an independent lead director to coordinate efforts of other independent directors? Does the lead director meet regularly with the CEO?
21. Does the company have a succession plan for key positions, including board chair and CEO? Does the plan consider external candidates or only internal ones? To aid in succession planning, does the board regularly interact with other company executives? What steps does the CEO take to groom successors? Why doesn't the company disclose the succession plan to shareholders?
22. Why doesn't the company give shareholders an advisory vote on executive compensation packages (say on pay)?
23. Does the audit committee review with management and the independent auditors areas requiring significant judgment, such as material estimates, that underlie the financial statements? Has the audit committee reviewed the disclosure of significant judgments and critical accounting policies in the MD&A?
24. *Does the audit committee understand the process and controls around the valuation of assets that are hard to value due to illiquid market conditions?*
25. Does the audit committee evaluate the adequacy of disclosures in the financial statements regarding risks and uncertainties and management's perspectives on them?

Executive compensation

26. *Are you voluntarily implementing any of the restrictions on executive pay that apply to companies receiving federal economic assistance (e.g., no cash compensation over $500k, no golden parachutes for the Top 10 execs)? If not, why not?*
27. *Have any bonuses in 2008 been funded through federal economic assistance programs?*
28. *How is the company monitoring compliance with limits set on compensation of the top senior executives under the federal economic assistance programs? Have you put in place clawback mechanisms?*

29. *Have you or are you considering some form of equity exchange for underwater options that might not recover in the foreseeable future? Are you considering some other program to compensate employees that are holding "out of the money" options?*

30. *Have you considered whether the executive compensation program incents managers to take excessive risks? Have you considered the reputational risk to the company if large compensation, excessive perks or termination package were to become the focus of scrutiny?*

31. Why did officers and executives receive bonuses and incentive compensation when the company's stock price decreased? When the company's profitability decreased?

32. How is executive compensation determined? To what extent was company performance, both against its business plan and competitors, considered in setting executive compensation?

33. Does the company have a policy requiring compensation consultants to be independent of management? How involved are compensation consultants in advising on CEO pay and what is the level of interaction the compensation consultants have with the CEO?

34. How does the compensation committee determine the CEO's compensation when a change-in-control occurs? Why does the company use a multiple of base pay to calculate change-in-control payments? *Why does the CEO have a different change-in-control arrangement than other executives?*

Business strategy and operations

35. How are current economic circumstances affecting the company? Has the company's strategy changed given current economic conditions? In what way?

36. Have the company's credit policies been updated to reflect the current economic environment?

37. Has the company been in default on borrowing covenants, including those for which it received a waiver from the lender? Is the company in danger of violating restrictive covenants in loan agreements? Have nonroutine restrictions (e.g., limitation on executive compensation) been placed on the company by its lenders? Could violations of debt covenants put the company in a situation where its ability to continue as a going concern is threatened? Are lenders seeking to negotiate covenants or terms that are more restrictive to the company?

38. *How much money is the company getting from federal economic stimulus programs? What is the company's plan to use such funds? What proportion of the government funds that have been received have been used to extend credit? What processes has the company established to comply with rules created as part of the program? What special rights does the government have as a result of its investment in the company? How do the government's rights supersede those of common shareholders? When will the company be able to pay back the government?*

39. *How is the company preparing to react to, and take advantage of, the budget plans and tax proposals of the new Administration? Is management considering how these changes can create competitive advantage or disadvantage for the company? How will these changes impact the company's business model?*

40. *How is the company monitoring the status of legislation and regulation that may impact it? Does the company engage in lobbying at the federal and state levels? If so, how much does the company*

spend on lobbying? Does the company work with others in the industry to reduce restrictions that could hurt the company?

41. Is the company exposed to any credit/default risk of a significant supplier/customer or other significant party due to financial problems or bankruptcy?

42. *Has the company analyzed the implications of failures at its suppliers, distributors, customers, insurers, and other counterparties? What's the company's tolerance for absorbing such failures? What is the impact on the company expected to be?*

43. How much money is due from bankrupt companies? Are these amounts fully reserved? To what extent are they secured? What is the value of the collateral, and is the company's claim to the collateral sound? What is the status of the company's claim against the bankrupt company? To what extent does the company expect to be able to collect these receivables?

44. Does the company have joint investments, derivatives, or other contracts with a company that has filed for bankruptcy? If so, are those joint investments now impaired? How have they been valued at year end?

45. What are projected sales, earnings, and dividends for the next several years? *What is the basis for arriving at such projections?*

46. How will a merger between ____ and ____ (two major competitors) affect the company?

47. Will the takeover of ___ (major customer) affect the company's sales and earnings?

48. Are there plans to phase out any products or terminate any group of employees? Are there plans to sell or consolidate divisions? How does the company justify closing certain plants when they appear to be profitable? Is any sale or liquidation of a division being postponed to avoid recording a loss?

49. In light of the credit market situation and rising unemployment rate, do you anticipate lay-offs in the company? How many employees have been laid off this year? Will they be recalled? What has been the impact on employee relations of wage cuts and layoffs?

50. *Has management considered that layoffs may cause stress to internal control processes? Has it considered the possibility of a heightened risk of fraud due to the fear of layoffs and pressure to achieve targeted results? How is the company handling these stresses and risks?*

51. What credit lines does the company have available and at what interest rates? Are there sufficient cash resources or lines of credit available? Are any of the lines of credit expiring in the next year? Will they be renewed or replaced? Do you anticipate any difficulty in obtaining new lines of credit or maintaining the current lines of credit due to the growing inability of financing institutions to provide financing in this economic crisis? *What are the fees to renegotiate credit?*

52. *Has the reduced availability of financing options in the current market affected the company's business plans or performance of contracts? Does the company have a contingency plan in case normal operations and current liquidity sources are disrupted?*

53. Has any financial rating service downgraded the company's debt securities? What effect will this have on the ability to obtain financing? Is any downgrading expected? *What is the company's strategy if it can't get financing due to market conditions?*

54. How have declines in the company's stock price or in the capital markets affected the company's ability to raise capital? How is management addressing this issue? Does the company have a plan to obtain capital if a liquidity issue arises?

55. Has the company obtained any new funding? Has any of this come from offshore or non-customary sources because of the credit crunch? What type of funding has been obtained? To what extent has share capital been diluted due to such funding? What impact will additional debt servicing have on future earnings?

56. Has the company's ability to raise debt financing been affected by its recent performance? By a weakened credit rating?

57. Why was such a significant write-down taken on investments in the financial statements? Why was this write-down not taken earlier? What events may trigger further write-downs?

58. What are your procedures for dealing with financial advisors who manage your investments? *Was appropriate due diligence on the advisors performed before they were appointed? Is on-going due diligence performed?* Are their investment decisions transparent to you? What are the nature and types of investments made on your behalf? Do you compare investment valuations against benchmarks and investigate unexpected volatility? *Do the reported returns make sense given overall market conditions?*

59. Were adjustments made to valuation methods used by management during the period? If fair value was used, did significant assumptions reflect current market conditions? Does the company have the valuation expertise to value complex financial instruments in the absence of observable market prices? Does the company have a valuation committee? What is the level of valuation expertise on the valuation committee?

60. Have the credit events impacted any guarantee arrangements, debt covenants, or the company's ability to refinance or service debt obligations? What are the repercussions of any defaults? Will significant projects be suspended?

61. Have the credit market events or related write downs impacted the company's regulatory capital? Are they expected to impact regulatory capital in the near future? How will this affect the company's operations? How does the company plan on addressing this issue?

62. What plans does the company have for investing excess cash?

63. How have the values of investments in the employee benefit plan been impacted by events in the credit markets? Is the company making changes to the plan's investment mix?

64. Is the pension plan underfunded? Did the company make all required contributions to the plan for the last fiscal year? How will the funded status affect the company's earnings? *Has the decline in funded status made it difficult for the company to meet minimum funding requirements under the law? How is the company planning to increase the plan's funded status?*

65. What percent of pension plan assets is invested in stocks, bonds, money market securities, and alternative investments such as private equity or hedge funds, etc.? What was the return on plan assets last year? Are investment decisions made by a professional investment manager?

66. How does the company monitor its international operations to ensure that corporate policies and procedures are followed? How does the company determine whether commitments (including trading activities) entered into at such operations are approved by management, and whether provisions of the Foreign Corrupt Practices Act are adhered to? *Is the company under investigation by any governmental authorities in connection with the FCPA? Has the company been penalized for any violation?*

67. Bonuses increased as compared to last year, however many employees have been laid-off. What is management's rationale for these actions?

68. Is the company perceived to be an acquisition target? Has the company received offers to be acquired? How have management and the board responded? Does a committee of outside directors independently consider takeover proposals?

69. Would the board recommend acceptance of a tender offer at an amount in excess of current market price? Why did the board recommend rejection of _____ (name) company's tender offer?

70. *Has the company suffered losses in connection with any of the recently identified frauds or failures of investment managers / fund managers? What is the extent of the loss? What were the oversight procedures over those outside parties?*

71. Does the company anticipate any possibility of having to record a significant valuation allowance against its deferred tax assets?

72. *Is the company considering plans to repatriate foreign earnings? What will the tax cost be and when will it be incurred?*

73. *Is the company expecting changes or volatility in its effective tax rate? How significant will the changes be and over what period will they be reported? What does the company consider to be its long-term sustainable effective tax rate?* Does the company know how these metrics compare with those of its peers?

74. *How does the company's effective tax rate compare with its cash tax rate?*

75. *How well is the company prepared to comply with anticipated regulation as a response to the economic crisis?*

76. *Is management keeping its shareholders fully informed about the financial performance of the company? How does management decide when to signal bad news?*

Financial reporting matters

77. Is the company a going concern*?*

78. What are the most significant estimates and judgments management makes in preparing the financial statements?

79. *Does the company foresee difficulties in implementing FAS 157,* Fair Value Measurements*, for nonfinancial assets and liabilities, which is required starting in 2009? Has the company faced difficulty in applying FAS 157? What is the company doing to deal with such valuation challenges?*

80. *What is the value of assets that were assessed as "other than temporarily impaired" at year end? What is the process that management used to conclude on the impairment assessment for such assets?*

81. *Given the decline in market capitalization has the company evaluated whether impairment to goodwill or other intangible assets is warranted?*

82. What procedures do you apply to calculate reserves and provisions? How much certainty can you provide us about the reserves and provisions in the financial statements?

83. Has the company disclosed all relevant risks and uncertainties – accurately, completely, and understandably? Has the company disclosed how it intends to manage those risks and

uncertainties? What enhancements in disclosure does the company expect to make (or did the company make) this year regarding the content of MD&A, including discussions about the results of operations?

84. What is the company's strategy for managing risks associated with derivatives? How are the risks evaluated? How do the risks affect the company's operations? Are approved transaction types consistent with the company's overall strategy and risk tolerance levels?

85. Were there any large fourth-quarter adjustments to income? Do they indicate that the company's internal control is not effective? *Have these adjustments been reviewed to ensure they are appropriate and proper?*

86. *How is the company preparing to provide supplemental financial information using Extensible Business Reporting Language (XBRL) to the Securities and Exchange Commission (SEC) pursuant to the new XBRL rule? How much will it cost?*

87. Why was the ________ (significant event, such as acquisition, write-off/impairment, disposal, settlement) not previously disclosed? How long did the item remain undisclosed? Are other such events being considered?

88. *Will the company consider early adoption of IFRS if permitted by the SEC? Would the company meet the proposed requirements to early adopt? Has the company analyzed the cost outlay for converting its tax and financial reporting systems to IFRS?*

89. Which of the company's major competitors already use IFRS?

90. Does the company have investments in alternative investment vehicles like hedge funds and private equity funds? What is management's process for obtaining comfort with the valuation and existence of the underlying investments of these funds?

91. Have there been any "unusual" transactions during the period? What was the business purpose of these transactions? How were they accounted for and were normal policies and/or procedures followed?

92. Why doesn't the company improve the transparency of its disclosures regarding off-balance sheet structures, related risks, and their impacts on financial results, liquidity, and exposure to current or future liability? Have such arrangements and/or investments with off-balance sheet structures been impacted by the credit market events? Why doesn't the company provide more information explaining the nature and effects of major transactions?

93. What impact will the adoption of the new business combinations (FAS 141(R)) and consolidation standard (FAS 160) have on the company's business and its financial statements? Are there any other new accounting rules that will significantly impact our balance sheet?

94. *Has the company received any comment letters from the SEC? If so, are any of these comments letters outstanding?*

Corporate social responsibility

95. Is sustainability viewed as a strategic business issue? Is it integrated into plans for revenue, cost reduction, improved business processes, risk management, employee satisfaction, community impact, etc.?

96. Has the company measured its carbon footprint and its green house gas emissions? *What standards were followed to complete the assessment?* Have concrete goals been outlined to reduce the footprint? *Does the company measure its use of water?*

97. *Have regulatory authorities or other groups asked the company to disclose additional environmental risks to its business?*

98. What possible legislative or regulatory changes would be particularly helpful (harmful) to the company? In what areas would the company welcome legislative or regulatory modifications?

99. *How have contributions to charitable organizations or investment in corporate social responsibility activities been affected due to the economic crisis?*

Information technology

100. *In light of layoffs, how does the company ensure that confidential data and the company's systems are not compromised by terminated employees?*

Part 2

A. Shareholder matters

Stock price

1. How does the stock's price/earnings ratio compare with others in the industry? With the overall market? Is the company contemplating actions to improve the price/earnings ratio? What are those actions?
2. Why does the company's stock sell at such a high (low) price/earnings ratio?
3. What does the company do to ensure that investors understand its strategy and performance?
4. Do you believe that the company's stock is fairly valued?

Dividends

5. What is the company's dividend policy? Does the company have plans to change the dividend rate?
6. How does the dividend policy compare with other companies in the industry?
7. Does the company have a dividend reinvestment plan? Who pays the cost of running the plan?
8. What percentage of shareholders enroll in the dividend reinvestment plan? By what percentage did shares of stock increase when shares were issued under the plan last year?
9. Has the company considered offering stock at a discount through its dividend reinvestment plan?
10. Does the company provide discounts to shareholders to purchase its products? How do those discounts compare with discounts offered by peer companies?

Share ownership

11. How many shareholders does the company have and what is the change from last year? What are the reasons for significant changes in the number of shareholders?
12. What percentage of stock is held by institutional investors? By management and board members? By employees? Does the company monitor trading by board members, officers, and others in management? What percent of the company's shares is held in nominee or "street" name, or by non-US investors? Who are the largest shareholders (including beneficial interests)?
13. Has any stock been purchased by sovereign wealth funds (large pools of government-owned investment funds)? If so, what percentage is owned by these funds? Has the company been contacted by a representative of these funds?
14. What percentage of stock is held by hedge funds or private equity firms? Have such groups suggested any changes to the company's strategy or policies?
15. Does the company have stock ownership guidelines for executives and board members? Has the company instituted a new policy on stock ownership for board members to ensure their independence? Are management and directors allowed to / prevented from hedging their investment in company securities?

A. Shareholder matters (continued)

16. Have executives or directors bought the company's stock in the open market? What were their reasons for the purchases?

17. Explain the reason for the significant sales of company stock by insiders. In light of subsequent declines in the company's stock price, were these sales based on insider information not available to all shareholders?

18. Were the purchases of treasury shares made from private sources, from officers or directors, or in the open market? Were the purchases made at the prevailing market value?

19. As a large amount of stock is owned by ________ (shareholders), do they have a representative on our board of directors? What are their intentions? Are they present at today's meeting? Do significant shareholders, including institutional investors, have access to inside, nonpublic information?

20. Why is the company expending funds for common stock buybacks? What was the average price paid? What does a buyback accomplish for the shareholders? How have stock buybacks affected earnings per share? Is the company incurring significant debt to finance these buybacks?

21. In light of declines in the company's stock price, will the company implement or continue a stock buyback program? Why did the company repurchase so much stock earlier at such a high price?

22. Has the company raised capital in non-US markets? On which non-US stock exchange(s) is the company's stock listed? What are the advantages of having stock traded there? Did the company plan to / why did the company change the primary exchange it is listed on?

23. Does the company plan to list its stock on any non-US stock exchange(s)? Does the company expect to delist from any domestic or non-US stock exchange? Is the company considering delisting its stock from all currently listed exchanges and "going private"?

24. Have shareholders approved all stock option and employee stock ownership plans?

25. In the company's recent IPO, how were the initial share distributions determined? Why weren't ordinary investors allowed to subscribe to company stock on an equal basis? What practices did the underwriters follow in allocating the company's shares?

26. Why did the company adopt a dual-class stock in connection with its recent spin-off or other transaction? Doesn't this go against the principle of one share, one vote?

Shareholder rights

27. Why are various classes of stock with different rights issued? Why is nonvoting stock issued?

28. Does the company have a dual-class stock system (two classifications of shares listed—one type carrying more voting power than the other)? If so, why?

29. Are pre-emptive rights granted to holders of the company's stock in connection with new stock and convertible debt offerings? Why not?

30. Have there been changes in the bylaws during the year?

31. Why aren't all shareholders advised of changes in bylaws?

32. Does the company have a majority vote standard for director elections? If not, does it plan to adopt one?

A. Shareholder matters (continued)

33. Does the company have a cumulative voting policy (shareholders are entitled to vote the number of shares they own multiplied by the number of directors to be elected) for the election of directors? If so, why?

34. Do the company's bylaws require a supermajority (a specified majority of votes that exceeds a simple majority, such as 60%) for specific actions (e.g., to call a shareholder meeting, change the company bylaws, or approve a proposal)? If so, why?

Shareholder relations

35. What is the company doing to improve shareholder relations?

36. What is the company doing to make its shareholder communications more readable and easier to understand?

37. Does the shareholder relations department have a website and toll-free telephone number? How does the company use the Internet/website in its shareholder relations efforts? How can shareholders receive Form 10-Q/Form 10-K and other public filings on a real-time basis? Does the company post its annual report, proxy materials, Form 10-Q/Form 10-K and other public filings, such as Form 8-K, on its website?

38. Does the company provide all shareholders with information describing the company and explaining how to obtain various company reports, how to participate in the dividend reinvestment plan, etc.?

39. Has management met separately with institutional investors who hold significant amounts of its stock? With analysts? If so, what is the nature of the meetings and what information is provided to institutional investors and analysts? Has the company disclosed publicly all major relationships with institutional investors and analysts? How does the company make sure it complies with Regulation Fair Disclosure and doesn't make selective disclosure of material information, especially earnings guidance, in the course of such meetings?

40. Why doesn't the company hold regular meetings between directors and its largest shareholders to discuss the company's corporate governance policies and practices?

41. Does the company make its earnings conference calls available to all shareholders? On these calls, why are only analysts allowed to ask questions and not other shareholders? What information does management provide to analysts? Does management provide guidance on earnings estimates for future quarters?

42. How many analysts provide ratings on the company's stock? Are they independent? Do any analysts and firms have sell recommendations on the company's stock?

43. Has the company given investment banking or other business to an investment firm in exchange for a favorable rating by its analysts? Has the company taken any action against a securities firm whose analysts have a negative view of the company's performance?

Annual meeting

44. Why doesn't the meeting include a tour of the company facility where the meeting is being held? Why doesn't the company hold its annual meeting in a company facility? Why aren't there examples of new or future products on display at the meeting?

45. Do the inspectors of election consist of company employees only? How often are they rotated? Why doesn't the company have independent outside inspectors of election?

A. Shareholder matters (continued)

46. Has the company considered providing written responses to questions commonly asked by shareholders so as to conserve the time of attendees and permit time for additional questions?
47. Why doesn’t the company allow more time for shareholder questions?
48. Does the company webcast its annual meeting over the Internet?
49. Why doesn't the company issue post-meeting reports summarizing annual and special meetings, including the question-and-answer sessions? Are webcasts, conference calls, and transcripts available after the event on the company’s website?
50. Does the company try to schedule its annual meeting on a day that won't conflict with a large number of other annual meetings? Isn't there a site that is more convenient to the shareholders? How much does the annual meeting cost?
51. Are all the directors and officers and the representatives of the external auditors present?
52. What action does the company take to ensure that shareholder proposals are fairly considered? What action has the company taken with respect to any proposals that received substantial shareholder support?

Annual report

53. What actions is the company taking to make its annual report more transparent and understandable to investors?
54. What is the cost per copy and in total of producing and distributing the annual report? Why isn't the SEC Form 10-K used as the annual report, particularly in light of the accelerated filing requirements?

Proxy matters

55. Why isn't a secret ballot used in shareholder voting? Why isn't the number of votes for and against each director and each proposal disclosed? Can shareholders cast their votes on the Internet?
56. Why are unmarked proxies automatically voted in favor of the persons soliciting the proxy? Even though the proxy states how shares for unmarked proxies will be voted, why are unmarked proxies counted at all? Why isn't the number of unmarked proxy votes disclosed? What percent of shares voted at the last annual meeting was cast by company management?
57. Why doesn't the proxy clearly state that shareholders have the right to assign their proxies to another person? Why don't the proxies indicate the number of shares owned?
58. What proposals were submitted by shareholders but not included in the proxy statement? Who were the sponsors of the proposals? Why were they excluded?
59. Why doesn't the ballot provide space to vote for a director other than those nominated by management? Why aren't nominations accepted from the floor? Why doesn’t the proxy statement include nomination proposals supported by shareholders owning a certain percentage of shares? Why doesn’t the company allow more individuals to be nominated than it has board positions to be filled?
60. Did the directors, company counsel, and the external auditors all review the proxy statement and Form 10-K as well as the annual report before they were issued?
61. Why doesn't the company disclose the sponsors of independent resolutions in its proxy statements?

A. Shareholder matters (continued)

62. How can shareholders present their views on management proposals in proxy materials?
63. What is the company's opinion on the use of binding, rather than nonbinding, shareholder resolutions?
64. Does the company "bundle" shareholder proposals, combining favorable and unfavorable issues, in order to force shareholders into supporting unpopular provisions, such as takeover defenses, expensive stock plans, or questionable charter provisions?
65. Have proxy voting service providers (e.g., RiskMetrics/ISS) issued a position on proxy and shareholder proposals? If yes, what is management's response?
66. How is the company preparing for the NYSE proposed rule on broker discretionary voting? What actions will shareholders need to take to give voting instructions to brokers?

B. Corporate governance

Board of directors

Overall governance

1. Are the board of directors' membership and practices compliant with the Sarbanes-Oxley Act and NYSE/NASDAQ governance rules? What provisions have not been implemented? What is the company's action plan to implement these provisions?
2. What other changes have been made to the company's governance practices in the past year? Is the company contemplating additional changes? How have these changes helped to improve the company's results?
3. Does the board have a written statement of its own governance principles that it re-evaluates on a regular basis? Is the statement available on the company's website or appended to SEC filings?
4. Have the company's corporate governance structure and processes been subject to comments and observations by outside parties, like RiskMetrics/ISS?
5. What is the company's corporate governance rating issued by outside parties, like Risk Metrics/ISS? What is being done to improve the rating?
6. Do directors formally evaluate their own performance on a regular basis—individually and as a board? What factors are considered in the evaluation? Is the evaluation process linked to the company's future strategic needs, rather than solely to past performance? What is done with recommendations coming from the evaluation?
7. What are the major issues the board addressed last year?
8. What steps is the board taking to improve shareholder value? To improve investor confidence?
9. What is the board's role in the company's strategic planning?
10. How does the CEO ensure compliance with the NYSE corporate governance rules prior to certifying annually to the NYSE that he/she is not aware of any violations?

Size, composition, qualifications

11. How has the board composition changed over the past year? Have any directors been asked to resign or not to stand for re-election? Were there any disagreement(s) that caused a director to resign and what is being done to address the reason(s) for the disagreement(s)?
12. Could the board be more effective if it reduced (increased) the number of board members? Why is the number of board members being increased (reduced)?

B. Corporate governance (continued)

13. How many directors are current employees, past employees, present or past auditors of the company, service providers, women, minorities? Are they independent? What initiatives has the company taken to promote diversity within the board and executive management? Have employees or union representatives been considered for board membership?
14. Does the company's former CEO serve on the board of directors? Does this undermine the new CEO?
15. How much training do board members receive annually to help them meet their responsibilities? Does the company have specific requirements for director education?
16. Are directors required to own minimum levels of company stock? Are directors required to purchase stock with their own funds? Does each director have a meaningful equity interest in the company that reflects his or her fiduciary responsibility to shareholders? How many shares of stock are pledged by directors? Do directors have to hold company stock for a period of time? Have any directors sold company stock during the past year?
17. Why doesn't the board have a mandatory retirement age or term limits for directors?
18. Why does the company believe it is appropriate to have a classified board?
19. Does the board have a policy of rotating directors through committees? Is there a minimum/maximum period that a director can serve on a particular committee?

Recruitment

20. Does the company have a committee of independent directors for nominating candidates for board membership?
21. What qualifications are required for prospective board members? Does the committee focus on potential conflicts of interest when considering adding investment bankers, commercial bankers, and attorneys to the board? How does the committee ensure that those nominated represent the interests of all shareholders? Has the company experienced difficulties in attracting prospective board members or audit committee members?
22. Can you provide an overview of the nomination process for directors of the company?
23. How does the company identify new directors? Has the company used outside recruiting services to find directors? What fees were paid to these consultants? Does the company consider nominations from shareholders?

Independence, conflicts of interest

24. Do the company's code of conduct and conflict-of-interest policies for officers and employees also cover outside directors? Were any waivers granted to executive officers or directors? Are there any communications or other evidence that would indicate that executive officers or directors have conflicts of interest?
25. Why are members of management also on the board of directors? Whose interests would they represent if the interests of the shareholders and management diverged?
26. How did the directors determine director (name) was independent based on the transactions, relationships, and/or arrangements described and disclosed in the proxy? Who was involved in making this determination?
27. Are any of the company's outside attorneys also officers, directors, or shareholders of the company? Who reviews the fees paid to their firms? Who determines what work will be given to their firms?

B. Corporate governance (continued)

28. Are any major lenders represented on the board? Are their interests different from those of shareholders?

29. Are any venture capital or private equity firms represented on the board? Are their interests different from those of other shareholders?

30. Does the CEO have a personal friendship or close business association with any of the directors' immediate family members? Are any immediate family members of directors employed by the company?

31. Do the following board committees (or those that perform the indicated functions, regardless of committee name) consist entirely of independent directors: audit, director nomination/governance, and compensation?

32. Are there any interlocking directorates where executives of the company serve on the board of an entity affiliated with a director? Does any director have a potential conflict of interest because of membership on another board? Does the company require directors and officers to submit conflict-of-interest statements?

33. With the issuance of tracking stock, how does the board resolve potential conflicts of interest between the different interests and objectives of the two sets of shareholders (holders of the company's stock and holders of the tracking stock)?

34. Does the proxy statement describe all transactions between companies in which directors and officers have interests and with which the company does business?

35. Does the proxy statement include information on company donations to charities and foundations that directors are associated with? Does it include donations to politicians who are closely related to board members or company management? What were the amounts of such contributions or donations? Were they approved by the board?

36. Does any director, officer, or member of management of the company have any significant personal investments in entities that do business with the company?

37. What prior or current relationships exist between the board chair/CEO and current board members?

Director compensation

38. What is the directors' total compensation this year compared with last year? Is an increase in director compensation planned for next year? How does directors' compensation compare with other companies in the industry? Are directors' fees adequate to attract qualified individuals?

39. Do directors receive their fees if they do not attend meetings? Do they receive additional fees for serving on or chairing board committees? Are certain directors paid more than other directors? Are directors reimbursed for travel expenses? Are directors who are also employees paid additional fees for attending board meetings? Does the company grant stock options to directors? Does the company provide pension benefits or life or health insurance for directors? What other perquisites do directors receive (e.g., personal use of corporate aircraft, personal use of company facilities, spouse and family members accompanying the director on company business at the company's expense)? What is the company's policy for personal use of corporate aircraft and automobiles?

40. In comparison to other companies, director compensation appears high (low). How is director compensation determined?

B. Corporate governance (continued)

Meetings and attendance

41. How often did the board of directors meet this year? Last year? Is this frequent enough for the board to discharge its responsibilities effectively?
42. What is the attendance record of individual board members? What was the attendance record for the various committees of the board of directors? Why didn't directors identified in the proxy as attending fewer than 75% of board meetings have better attendance? What action is the board taking in response?
43. Are all directors present at this meeting?

Board of directors—other

44. Does the board approve all transactions with related persons? Did it approve any transactions with related persons last year? What was the nature of the transactions? Are any members of the board or management involved in a related person transaction?
45. To what extent does the board monitor significant business transactions and arrangements? Beyond what level is board approval (versus senior management approval) required?
46. Does the company have a policy on the number of outside boards its directors can serve on? How many directors serve on multiple boards? How much time do outside directors spend on company matters? Does a director need prior approval before joining another board?
47. Do the CEO and other senior executives of the company serve on the boards of other companies? Does the company have a policy on the number of outside boards its senior executives can serve on? Does outside board service interfere with the executives' job performance? Does management need prior approval before joining an outside board?
48. Do all directors review and approve the Form 10-K? Do all directors read the Form 10-Q prior to issuance? What involvement do directors have with earnings press releases and earnings guidance prior to issuance?
49. Do directors vote on appointments and promotions of senior officers?
50. Does the company carry liability insurance for directors? Have premiums increased significantly in recent years? Is insurance coverage adequate? If not, will coverage be increased so the company can continue to attract qualified candidates?
51. Has the board ever given after-the-fact approval of a major transaction initiated by management? Why didn't management obtain the board's advance approval?
52. Have any directors disposed of large blocks of company stock during the year or have they sold the company's stock short? How does the company ensure that these actions aren't based on inside information? Does the company have a policy in place restricting directors and officers from short-selling company stock?
53. Has the level of dissension in the boardroom increased in the past year? Have there been disagreements between directors? How were these resolved?
54. Does the full board meet separately with the external auditors?

B. Corporate governance (continued)

Audit committee

Composition, independence, and other qualifications

55. How many directors serve on the audit committee? How has the audit committee composition changed over the past year? Does the audit committee consist entirely of independent directors?

56. Has the audit committee and/or the nominating committee re-evaluated whether the audit committee's members have the right set of qualifications? What are the members' backgrounds? What special qualifications do they possess that enable them to be effective?

57. If no "audit committee financial expert" exists on the audit committee, what is the company's plan to recruit a qualified candidate?

58. What information and training do audit committee members receive to help them meet their responsibilities?

59. Do the external auditors provide feedback on the effectiveness of the audit committee?

Meetings and attendance

60. Why doesn't the audit committee meet more frequently?

61. What is the attendance record of individual audit committee members? What actions is the board taking to respond to poor attendance by audit committee members?

62. How many audit committee members serve on multiple boards or audit committees? Does the company have a policy on the maximum number of other public company audit committees its members can serve on? Is the board satisfied that the members of the audit committee have sufficient time to perform their duties?

Financial reporting

63. *Who manages the relationship between the company and the independent auditors?*

64. Does the audit committee review with management and the independent auditors how they assess the risk that the financial statements may be materially misstated, and related judgments made by each in preparing and auditing the financial statements?

65. What is the board of directors' and/or audit committee's role in the CEO and CFO certification process required by Sarbanes-Oxley and the SEC? What issues were identified in this process? Did the board of directors and/or audit committee review the certifications?

66. Has the company complied with all the required CEO and CFO certifications of the financial statements? What control procedures has management implemented to satisfy itself as to compliance prior to signing the certifications?

67. What disagreements between management and the independent auditors did the audit committee resolve? Was an external advisor hired to assist the audit committee in resolving disagreements?

68. What criteria does management use to identify financial accounting or reporting matters that should be discussed with the audit committee?

69. Does the audit committee review with management and the independent auditors at the conclusion of the audit any uncorrected errors? If all uncorrected errors are not recorded in the financial statements, why not?

B. Corporate governance (continued)

70. Is the audit committee made aware of, or does it approve, the initial adoption of accounting policies, significant changes in accounting policies or principles, and the application of critical accounting policies? Do the independent auditors discuss these policies with the audit committee?

71. Does the audit committee review the accounting treatment of unusual transactions? Off-balance sheet arrangements? Partnerships?

72. Have the independent auditors or the SEC staff questioned any of the company's accounting policies or practices? Has the company restated its financial statements during the past year? If so, what are the facts that gave rise to the restatement and what actions have been taken to ensure similar occurrences are avoided?

73. Does the company have a "clawback" provision for bonus payments or other compensation elements if it is determined that any fraud or intentional misconduct by an officer is a significant contributing factor to the company's having to restate its financial statements and the amount of the bonus or other compensation was related to false financial statements?

74. Has the company received letters from individuals concerned about its accounting practices? If so, have the claims made in such letters been investigated thoroughly and by independent parties? Have the claims and investigation results been reported to the board of directors, to the independent auditors, to the SEC, and to the shareholders?

75. Does the audit committee review the propriety of the company's revenue recognition policies?

76. Does the audit committee discuss with the independent auditors their judgments about the quality, not just acceptability, of the company's accounting principles and financial disclosures, as called for by auditing standards?

77. Does the audit committee review all financial press releases and earnings reports before their release to the public? Does it review all SEC reports (10-K, 10-Q, 8-K, etc.) prior to issuance? Does the committee schedule time to receive timely communications from the independent auditors of certain matters noted in connection with the auditors' review of the quarterly financial statements?

78. Does the audit committee review pro forma earnings before they are released? How did the committee satisfy itself that the pro forma presentations are not misleading?

79. Has the company consulted the SEC staff during the past year on an accounting matter? What level of involvement did the audit committee have in that consultation? What were the results of the company's discussions with the SEC staff?

Internal control

General

80. How does management establish an appropriate "tone at the top" regarding its commitment to internal control?

81. Were there material changes in internal control over financial reporting in the past year? If yes, what were they? What prompted the change (internal or external events)?

82. What significant deficiencies or material weaknesses in internal control over financial reporting or fraud did the company identify in its Sarbanes-Oxley Section 404 process? Have all material weaknesses been disclosed in the Form 10-K? What action is management taking to strengthen controls in these areas?

83. What impact did the disclosure of a material weakness have on (i) the stock price and (ii) areas of the company's business?

B. Corporate governance (continued)

84. Does the audit committee monitor the company's internal control? Has the committee discussed with management and the auditors the effects of the recent company acquisitions/growth or restructuring/downsizing on internal control? Has the committee discussed with management and the auditor the effects of any other recent internal or external events on internal control over financial reporting?

85. Is there an ongoing self-assessment program to review and revise internal control as the company's operations change?

86. Does the company's reporting system provide appropriate information for timely identification of potential major financial difficulties?

87. Have the independent auditors issued a report on the company's internal control over financial reporting? What is the independent auditors' view of the company's internal control? Did the independent auditor make observations or recommendations regarding internal control over financial reporting to management or the audit committee? Has management addressed all internal control recommendations made by the independent auditors? If not, why?

88. Did the independent auditors report significant deficiencies in the design or operation of internal control? Were any serious enough to be considered a "material weakness"? What has been done about them?

89. *Did you or the independent auditors identify any significant deficiencies in the prior year that you/they consider to be significant deficiencies in the current year? What has been done about these in the last year, and what is management's plan to remediate these?*

90. Do management and the board believe the company's internal controls are effective? What safeguards does the company have to prevent management from "cooking the books" or otherwise abusing generally accepted accounting principles?

91. How often does the internal audit department review the company's internal control policies and procedures? Were any significant control deficiencies or material weaknesses reported? What has been done about them?

92. Did the SEC guidance for management published in 2007 result in significant changes in management's process for evaluation and assessment of internal control over financial reporting? If not, why not?

93. Did application of PCAOB Auditing Standard 5 by the independent auditors result in any SEC 404 compliance efficiencies?

94. Management has provided its report on internal control over financial reporting, but the auditors' attestation—given the company is a non-accelerated filer—isn't scheduled until fiscal years ending on or after December 15, 2009. Management's report didn't indicate any material weaknesses. How comfortable are you that the independent auditors won't reach a different conclusion when they eventually audit internal control over financial reporting?

95. How does the company monitor its non-US subsidiaries for compliance with Section 404 of the Sarbanes-Oxley Act?

96. Does management believe there is an appropriate level of oversight at its overseas operations? How does management monitor activities and transactions at its remote locations? Are controls over operations in non-US countries as effective as controls over domestic operations?

97. How does management monitor intercompany transactions?

98. To what extent does management rely on outside service providers (e.g., for outsourced functions)? How does management monitor the internal controls at these outside service providers? Has management considered performing periodic reviews at those service providers?

Fraud and illegal acts

99. Does the company have a fraud prevention and detection program? Who is responsible for corporate security? Are there adequate controls to protect the company's technology, trade secrets, and other sensitive records?

100. Are internal control policies and procedures adequate to identify potential errors, fraud, or illegal acts? Do the controls identify unauthorized transactions?

101. Are safeguards in place to ensure that assets of the company (as well as assets of the company's pension and other employee benefit plans) are not misappropriated?

102. Does the audit committee have a process to focus specifically on the risk of fraud? Does this include discussions with management of its efforts to deter fraud? Does the committee discuss with the independent auditors their consideration, during the audit, of the risk of fraud?

103. Was any fraud or illegal act reported to the audit committee during the year through the whistle-blowing process or otherwise? What actions did management and the audit committee take?

104. Have any employees been caught in fraudulent activities? What actions were taken against them? What actions were taken to discourage similar wrongdoing by others?

105. What are the company's policies and procedures to prevent and detect insider trading? Were any violations of insider trading rules identified this year? What actions did the company take?

106. Does the company have policies and procedures for voluntarily reporting violations of federal procurement laws to appropriate governmental agencies?

107. Is there a program to meet the "due diligence" provisions of the Federal Sentencing Guidelines? Who is responsible for overseeing compliance with the company's policies and procedures? Is this person at a sufficiently high level to be effective?

108. Has management ensured that the company's attorneys will report any possible violations of laws or regulations to an appropriate level of management? Have any been reported? What actions have been taken as a result?

109. Have any issues been identified through the independent auditors' required fraud procedures?

110. Has the company appointed a chief compliance officer? Why not?

Independent auditors

111. How often do the independent auditors meet with the audit committee? Does management participate in the meetings? Does the audit committee meet separately with the independent auditors without management present?

112. Does the audit committee review the scope of independent audit activities in advance? Does it meet with the independent auditors at the conclusion of the audit? What mechanism ensures that the committee follows up on audit recommendations?

113. What process does the audit committee go through to determine whether to reappoint the existing auditors or select new auditors? Why isn't the selection subject to shareholder ratification?

B. Corporate governance (continued)

114. Does the agreement with the independent auditors include any limits on potential liability by the auditors or contain an agreement on the processes that will be used by the company in case of disputes with the auditors?
115. What steps does the audit committee take to oversee or help ensure the independence of the independent auditors? Have there been any independence infractions by the auditors? How has the board/audit committee satisfied itself that the auditors are independent?
116. Do the independent auditors have any relationships with management or the board of directors that may be viewed as a conflict of interest?
117. Did any members of management come from the independent audit firm? How many worked on the audit prior to joining the company? Has this information been disclosed to the audit committee?
118. What process does the audit committee use in considering whether the provision of nonaudit services by the independent auditors is compatible with maintaining the auditors' independence?
119. What nonaudit services were provided by the independent auditors? Why are the nonaudit fees so high in relation to the audit fees? How do the nature and relative amount of nonaudit fees compare with other companies in the industry?
120. Why has there been such a large increase/decrease in audit fees compared to last year?
121. For services provided by the independent auditors, has there been a competitive bid process or other means to ensure services are priced and performed at market prices and under standard professional practices? What percentage of total consulting fees do the independent auditors receive?
122. Do the independent auditors audit the company's benefit plan(s)?
123. For nonaccelerated filers, did the independent auditors provide services in relation to the company's readiness under Section 404 of the Sarbanes-Oxley Act? Has the audit committee considered any potential independence issues resulting from these services?
124. Do the independent auditors advise the company on income tax planning strategies? Has the audit committee considered any potential independence issues resulting from these services?
125. Do the independent auditors provide advice on the accounting treatment of various financial transactions (e.g., mergers, acquisitions, and divestitures) to the company? Are these transactions reported to the audit committee? Have there been any disagreements with the independent auditors over the company's accounting treatment for these complex transactions?
126. How many years have the independent auditors been auditing the company? Has the company considered periodic rotation of auditors? How has the company been affected as a result of the mandatory partner rotation rules required by the Sarbanes-Oxley Act?
127. Has the company experienced any significant changes in its relationship with the independent auditors?
128. Have the independent auditors undergone a peer review, internal quality control inspection or PCAOB inspection? What were the results?
129. Are the company's independent auditors named a defendant in any recently publicized litigation class-action suit? If so, is the company joining this suit for any settlement?
130. Why were the company's former independent auditors dismissed/replaced? Why did the auditors resign or not stand for reappointment?

131. Were there any accounting disagreements with the company's former independent auditors preceding the change? What was the nature of the disagreements?

132. Has the audit committee consulted with its own counsel or another auditing firm? What circumstances gave rise to the consultation? Does the audit committee expect to have similar consultations in the future?

133. Does the company use different auditing firms for any subsidiaries? Are all company operations audited? Was the auditors' report on any subsidiary's financial statements qualified? If so, why doesn't the principal auditors' report disclose this?

134. Do the independent auditors visit the company's major locations on a regular basis?

Internal auditors

135. If the company does not have an internal audit function, how does the board/audit committee obtain assurance about effectiveness of internal controls?

136. Is the company planning to establish an internal audit department? When will it be operational? What is the cost to establish this function?

137. How many internal auditors does the company have and how does that number compare with other companies in its peer group? What is the annual cost of the internal audit function? What have staffing trends been in the internal audit department over the past five years?

138. How often do the internal auditors meet with the audit committee? Does management participate in the meetings?

139. Does the audit committee review the scope of internal audit activities in advance? Does it meet with the internal auditors periodically to discuss the conclusions of various audits? What mechanism ensures that the committee follows up on audit recommendations?

140. Does the company have internal auditors that specialize in reviewing information systems and controls? Does the scope of their activities include computer security and business continuity planning?

141. Does the company encourage its internal audit personnel to obtain relevant professional accreditation (e.g., CPA, CIA, CISA, CBA, CMA)? How does the company ensure its internal auditors have appropriate training to stay current?

142. To whom do the internal auditors report? Does the chief internal auditor have ready access to the audit committee? Does the audit committee review and approve the internal audit department's charter and scope of activities? Can management replace the head of internal audit without the audit committee's approval?

143. Are there restrictions on the scope of the internal audit department's work? Do the internal auditors have full, unrestricted access to all company functions, records, and personnel?

144. How often do internal auditors visit each operating location? Do they cover non-US operations?

145. Does the internal audit department perform operational (management) audits to identify opportunities for increasing productivity and reducing inefficiencies? How much of its time is spent on operational audits compared with financial audits?

146. Do the internal auditors issue written reports at the conclusion of each audit? Who receives these reports? Who follows up on recommendations?

B. Corporate governance (continued)

147. Does the company outsource its internal audit function? What is the relationship between the independent audit firm and the firm that provides internal audit services? To whom do the outsourced internal auditors report?

148. Have the standards and performance of the internal audit department been subject to an external review?

149. Did internal audit find any significant issues in the reviews performed last year? What steps has management taken to resolve them?

Risk management

150. Does the audit committee oversee management’s processes for identifying and managing financial reporting risks? What about legal and regulatory compliance risks? Operating risks? If the audit committee doesn’t oversee all aspects of risk, what other board committee does?

151. Does the company have an enterprise risk management process? How is it performed? Who is involved in the process?

Code of conduct and ethics

152. Does the company have formal values and supporting standards of behavior that are consistent with its mission, strategy, operating policies, and performance objectives?

153. How does the company ensure effective oversight of its ethics programs? What board committees, management committees, and compliance programs provide assurance that corporate objectives are met responsibly?

154. Does the company have a code of conduct or policy statement regarding dealings with suppliers, consultants, and customers? Does it apply, on a worldwide basis, to all officers, employees, and directors? Is the code of conduct available on the company’s website or appended to SEC filings?

155. Does the company review its ethics environment and programs on an ongoing basis? What is the company's assessment?

156. How does the company communicate with and educate employees on its ethical standards and programs, and on how to identify ethical challenges and act responsibly?

157. How is compliance with the code of conduct monitored and enforced?

158. Does the company have a toll-free number or other means that employees can use to report suspected illegal acts or fraud on a confidential basis?

159. Does the code of conduct require the board of directors/officers/senior management to submit written statements of compliance annually? Was the code of conduct waived for any directors/officers/senior management, or other employees? Who approved the waiver?

160. Does the proxy statement describe all transactions between companies in which directors and officers have interests and with which the company does business?

161. Have any code of conduct violations been discovered this year? If so, what has been done to correct the problem? How does the company prevent former employees from using the company's trade secrets or research results?

162. Does the company report compliance issues and their resolution to the board of directors?

C. Executive compensation

General

1. How are members of the compensation committee selected? Is the committee composed entirely of independent directors? If not, is there a plan to have the committee composed entirely of independent directors? Does the CEO sit on the compensation committee?
2. What programs are in place to unite executive compensation and shareholder interests? Does the compensation committee prepare its own executive compensation package or does it review the package proposed by the CEO?
3. Did the company disclose performance targets that are material to compensation decisions in this year's proxy disclosure? If disclosure was not made because that information would result in a competitive disadvantage, did the company disclose the likelihood that the company or executive would meet the undisclosed targets?
4. Does the Board review and approve the executive compensation disclosures?
5. Does the compensation committee use compensation consultants? Are the compensation consultants engaged by the compensation committee or by management? What is the nature and scope of their assignment? If the compensation consultants are engaged by the compensation committee, do those consultants also perform other services for management?
6. How do the directors know that the company's executive pay levels are not excessive?
7. What are the objectives of the company's compensation programs? What is the compensation program designed to reward? Why does the company choose to pay each element of the compensation program?
8. How have compensation policies, plans, or other benefits changed since last year? Is the company considering linking the vesting of equity awards to performance conditions? What types of conditions are planned?
9. Does the company regularly re-examine its executive compensation arrangements to ensure the level of compensation corresponds with company performance? Shareholder returns? Various nonfinancial performance measures? Execution of overall strategy?
10. How much of officers' and executives' compensation is tied to short-term performance versus long-term performance? How did officers' and executives' compensation change in the past year compared with the company's total shareholder return? How did officers' and executives' accumulated benefits in retirement plans and the value of their holdings in the company change in the past year compared with the company's total shareholder return?
11. How do the methods of compensating key employees compare with methods generally used in the industry? How do executive compensation programs and policies compare with those of major competitors?
12. Does the company benchmark executive compensation with comparable companies? Are these comparisons to general industry or to specific industry competitors? Does the company disclose the names of those companies, both for total compensation and for individual elements of compensation?

C. Executive compensation (continued)

13. Has the company had difficulty attracting or retaining key executives? How is this being addressed? What key executives or employees have resigned due to inadequate compensation?

14. What was the total cost of all executive compensation plans? How does the cost compare with the cost in prior years? How does the company justify compensation packages of top executives?

15. What proportion of senior executive compensation is fixed/guaranteed? Does this amount include the value of perquisites and retirement benefits?

16. Why is officers' compensation so high? Why has executive compensation increased when the company is cutting costs (e.g., through layoffs) or not increasing dividends (or reducing or eliminating dividends)? Why did executive compensation rise when workers are being asked to accept wage and benefit reductions?

17. What is the ratio of the CEO's total compensation to the average of his/her direct reports? What is the ratio of the CEO's total compensation to that of an average employee? Why is there such a large gap between the compensation of the CEO and the majority of the company's employees? Has the ratio of the CEO's pay compared with that of the average employee increased in recent years?

18. *Did the company increase executive base salaries while keeping employees' salary flat or low? Or while the company suffered job losses? What was the percent of base salary increase compared to employees?*

19. Are there plans to extend some type of variable, incentive-driven compensation plan to wider groups of employees?

20. How does the change in executive compensation compare with the change in compensation for all other employees? How does it compare with other companies in the industry?

21. What were the expense allowances for executives last year? How did these compare with the previous year? Who reviews and approves executive expenses? What safeguards are in place to ensure that personal expenses are not reimbursed by the company?

22. How do the perquisites (e.g., use of company aircraft, automobiles, apartments, executive retreats or other company facilities, or benefits for executives' families) the company gives executives compare with other companies in the industry? *What is the benefit to the company of executives travelling on company aircraft?* How are personal benefits valued? Do executives reimburse the company for the fair value of personal benefits received, or does the company gross up the value of the benefits for the tax consequences to the executives (i.e., the company pays the taxes as well)? Are executive perquisites reviewed by the internal auditors and reported to the audit committee (compensation committee)?

23. Is there a ceiling on executives' retirement benefits? What benefits other than pension payments do retired executives receive? Have executives' retirement benefits changed in the same way as benefits for other employees (e.g., termination or "freezing" of defined benefit pension arrangements)?

24. What is the company's position with respect to the tax deductibility of executive compensation? Did the company forego any tax deductions under IRC Section 162(m)?

25. What is the company's policy on loans to nonofficer employees? What is the total dollar amount of these loans? What were the loans for? Are interest rates on these loans at market rates?

26. Has the company forgiven or restructured loans in light of subsequent declines in the company's stock price? Has the company forgiven any loans to management or directors?

C. Executive compensation (continued)

27. Do any officers have employment contracts? Do they exceed five years or have "evergreen" provisions? Are the terms similar to those offered by other companies in this industry?
28. Do officer employment contracts provide for substantial payments ("golden parachutes") in the event of termination or significant changes in ownership of the company's stock? Does the company provide a tax "gross-up" on excise taxes payable on excess "parachute" payments? Why aren't such contracts submitted to the shareholders for approval? How do you justify severance agreements and job security guarantees given to top executives?
29. Has the company incurred any significant tax-related costs in structuring senior executive compensation, including any gross-ups or "make whole" tax compensation arrangements for the benefit of those executives?
30. Why did the former CEO (COO, CFO, or senior executive) resign? What were the terms of the settlement? Did the company buy back stock that the former officer held? Was the stock purchased at market value? Did the executive receive any value related to unvested stock options as a result of his/her termination?
31. Do any officer employment contracts provide for advisory or consulting services after retirement? Do any retired officers have consulting agreements? If so, what are the terms? Do the contracts contain noncompete clauses? What benefits and perquisites are officers entitled to following retirement? What benefits are payable to officers in the event of termination?
32. Have any executives taken positions with competitors? Does the company have noncompete agreements for key executives?
33. *What is the company policy for determining the size of the various awards to senior management, executives and non-executives? Has any consideration been given to a different methodology (for example, using some formula other than Black-Scholes) given the depressed stock market and prices?*

Stock-based compensation plans

34. Are you changing your equity compensation programs due to lower share values?
35. How much dilution of common stock could occur as a result of the exercise of options issued under the company's stock option plan (e.g., if all outstanding awards were exercised)? Is the company proposing any new compensation plans that could lead to significant additional dilution? What is the company's total equity "overhang" (i.e., existing and available shares as a percentage of total shares outstanding)?
36. How does the company limit potential dilution caused by issuance of equity to executives? If the company does this by repurchasing its shares, what percentage of the company's cash flow is used for this purpose?
37. Has the company considered using performance-based stock options for high-level executives that would tie the exercise price of the option to performance of a defined group, such as the S&P 500 or an industry peer group?
38. Do you have board/executive share holding/retention requirements? How are board members/executives' holdings compared to the guidelines? Have you made changes to the guidelines in light of the recent decrease in share price?

39. Why are stock-based compensation awards granted to top management/directors but not offered to all employees? What percentage of all stock-based compensation awards are granted to the executives of the company and why?
40. What percentage of the company's employees currently has stock-based compensation awards outstanding? Is there a ceiling on the number of awards that may be granted to an individual? Has the company considered amending or curtailing its stock-based compensation award plans?
41. How often are stock-based compensation awards granted? Does the company plan to increase the number of options outstanding?
42. What is the company's policy for determining the timing of stock option grants?
43. Why did the company allow accelerated vesting of its stock-based compensation? Was this right granted to all plan participants?
44. Were “change-in-control” provisions included in stock-based compensation awards and employment agreements? Based on today's stock price, what would be the payments under such provisions in the event of a change in control?
45. Does the company employ any guidelines for share ownership or retention of shares following settlement of equity awards? Are the current Named Executive Officers compliant with these guidelines? How long do executives have to become compliant with these guidelines?

D. Business strategy and operations

Financial results

1. How did sales and earnings compare with anticipated or budgeted amounts? With those of the prior year? What was the reason for the variation? How much was due to volume? Product mix? Price?
2. Why did the company's financial results differ so much from its forecasted results? From analysts' expectations?
3. How much of the sales growth was attributable to acquisitions?
4. How much did the company save from cost-containment measures?
5. How significant are non-US operations? What were the effects of changes in exchange rates on the results of operations?
6. What steps is the company taking to protect itself against exchange rate volatility?
7. How much of the company's net income resulted from nonrecurring items? What were the nonrecurring items? Is it appropriate to classify so many items as nonrecurring when it seems that the company has several "nonrecurring" items each year?
8. What are the trends in the company's operating margins? Why have these trends occurred? If they reflect a worsening condition, what is being done to improve operating margins?
9. How do the company's earnings and key financial ratios compare with others in the industry? How does the company's cash flow and liquidity compare with competitors'? Why isn't cash flow from operations growing as strongly as net income?
10. How much was spent for advertising and promotion this year? Will such amounts be increased or decreased next year?
11. Why are the company's accounts receivable growing faster than sales? Is the company extending more financing to significant customers in order to close the sales? Has the company had to write off any of these receivables? *Has the company's accounts receivable policy changed to reflect the realities of the current economy?*
12. What was the percentage of receivables written off as bad debt in the current year as compared to the past year? How does it compare with other companies in the industry? What were the largest debts written off?
13. Why are the results of operations of ____ (competitor) so much better than the company's?
14. How does the company's return on investment compare with others in the industry?
15. How does the company's profitability compare with changes in revenues? If net income has not increased proportionately with revenues, what factors caused this situation?
16. In a typical quarter, is income earned evenly throughout the quarter, or is there a spike in the last month? Is the spike due to recording adjustments?
17. Is the company continuing to provide earnings guidance? How does the company respond if it appears that previously issued guidance will be incorrect?

D. Business strategy and operations (continued)

18. Does the company hold auction rate securities? Has the company written down the value of these securities due to failed auction processes? How significant is the impact? Has the company reclassified cash equivalents for auction rate securities?

Business strategy

19. Describe the company's overall mission and strategy. Which businesses relate directly to the strategy? Why are investments made in operations not within the company's core strategy?
20. What are the major opportunities and challenges facing the company? How does management plan to respond?
21. What is management's view as to the current status of the industry? Number and nature of competitors? Relationship with customers? Suppliers? Regulators? Other stakeholders? What major changes are anticipated in the industry and is the company prepared for them?
22. What opportunities or challenges result from trends toward globalization? What plans does the company have for maintaining its competitive position in the global market?
23. What are the company's key competitive advantages? Have competitors introduced products that threaten any of the company's major products?
24. What are management's long-term goals for the company? How is the company positioned for long-term growth compared with competitors? What are the company's growth strategies?
25. How does management ensure it's managing the company with a view toward shareholders' long-term interests rather than in response to short-term earnings pressures?
26. Does the company plan to diversify into new markets, products, or businesses? Does the company have a formal marketing plan addressing specific market segments?
27. Has the company reviewed its marketing strategies, in the United States and internationally, to ensure that they are competitive and cost-effective? Which markets present the greatest opportunities and risks? What changes are expected in marketing approaches?
28. How does the company manage its brands and position them for sustainability and future growth? What brands are being discontinued and why? Does the company have plans to introduce any new brands?
29. What are the company's major intellectual property assets? How does the company protect them and go about maximizing their value?
30. Do you contemplate changes in operations as a result of technological advances and what will they cost? How will this affect the company's competitive advantage? Does implementing these changes depend on significant investment in new plant and equipment? In information systems?
31. How does the company keep pace with new operations and distribution technologies? How does the company ensure that its employees' skills remain aligned and leading edge?
32. Have key business processes been reviewed to determine opportunities for and benefits of process re-engineering?
33. What are the principal objectives in the company's business plan for the next year? For the next five years?

D. Business strategy and operations (continued)

34. Please discuss two or three issues management has identified as critical to the company at this time. What is being done to address them?
35. Please describe the top three risks to the company. What is being done to mitigate them?
36. Please describe any new product programs or technological developments and expectations for them.
37. How will the company take advantage of significant restructuring within the industry to achieve growth and market dominance?
38. What is the company's current market share in its major products? How does the company plan to expand market share?
39. What are the company's plans to reduce costs in order to sustain profitability while executing its growth strategies?
40. In what areas does the company expect the greatest growth? How will it be achieved?
41. With competitive pressures, is the company finding it difficult to raise or even maintain selling prices? If so, how is it responding?
42. Given that studies indicate acquisitions often decrease shareholder value, why is the company continuing to make acquisitions? How does the board ensure that acquisitions will provide value?
43. Does the company have a change management strategy? Has it identified which processes and personnel will remain constant and which can be flexible in light of change?

Near-term outlook

44. What are management's short-term goals for the company? Are they compatible with long-term goals?
45. Please comment on expected results for the current year. Are results for last year/first quarter of this year indicative of what's expected this year?
46. What key economic indicators are used to forecast the company's operations? What is your outlook for economic factors, such as interest rates, inflation, and commodity prices, for the coming year?
47. What impact are exchange rates likely to have on the company's results in the coming year?
48. What is the current backlog of orders? How does it compare with this time last year?
49. What steps has the company taken to strengthen its balance sheet?
50. What is budgeted for capital expenditures this year and what are the major projects? Has the company scaled back its capital expenditures? How does the company make sure it continues to fund critical projects? What is an acceptable rate of return on new projects?

Operations—general

51. What nonfinancial performance measures does the company use to evaluate operations? Are they aligned with strategic and tactical plans, and with financial value drivers? Are the measures communicated to shareholders?
52. Is the company's growth rate comparable with others in the industry?

D. Business strategy and operations (continued)

53. Who are the company's major competitors? Why haven't the company's sales and earnings increased
as much as theirs?
54. Who are the company's major customers? Will the loss or downsizing of a particular major customer significantly affect the company's sales and earnings?
55. Are new customers being sought from overseas? What impact will this have on the overall business operations?
56. Have there been significant changes in the company's customer base? Did the company gain/lose any major customers?
57. Does the company measure productivity gains? How much has the company's productivity increased in the past year?
58. Who is the low-cost producer in the industry? What steps has the company taken to achieve the lowest costs possible?
59. How do the company's products compare in quality with those of its competitors? Does the company have a program to monitor and improve product and service quality?
60. What measures is the company taking to prevent or minimize the likelihood of a major product liability catastrophe (causing personal injury to customers or employees) or a major product recall? Are there any safety or health concerns with the quality of and content in the raw materials and/or products imported from non-US locations? How is the company satisfied as to the safety of products and manufacturing processes?
61. Have newly emerging or recurring problems with any particular product been identified, investigated, and communicated to senior management and the board? Have appropriate measures been taken?
62. Did the company discontinue any products or services during the year?
63. Why does the company continue to produce ______ (product), which is unprofitable?
64. Has the company considered expanding into _____ (product) and other related products?
65. Is the company using any hedging strategies or long-term supply agreements for managing volatility in oil prices or other resources and raw materials?
66. How much was spent on product research and development? How does this compare with competitors? How does the company measure return on research and development and monitor project spending? Are research and development expenditures sufficient to maintain long-term competitiveness? Does the company participate in any research and development joint ventures?
67. What level of research and development expenditures is budgeted for this year? Will cash flow from operations support current research and development spending rates?
68. What new products or product improvements have evolved recently from the research and development program? What has the company done to ensure that it's developing leading edge products? Have any new products been patented? What products does the company plan to introduce in the near future?
69. Does the company have any products on which the patents will expire in the next few years? What are the plans for these products? What is the expected effect of the expiration of patents on the company's earnings?
70. Is the company involved in any patent or trademark disputes?

D. Business strategy and operations (continued)

71. Has demand for the company's products decreased? What actions are being taken to counter this trend?
72. What is the company doing to accelerate the product development cycle? What impact is this expected
to have on the development, costs, and success of products? Has the company accrued for obsolescence and product returns that often accompany product changes?
73. Does the company have good relations with major vendors? Does the company have adequate secondary suppliers to replace a primary supplier in a crisis or in the case of a dispute? How does the company resolve any disputes with its major suppliers? What is the impact on the company of the problems of _____ (name) supplier? Does the company use commodity contracts to reduce the risk of future price fluctuations? Does the company use foreign exchange futures contracts to lock in the price of purchases from non-US vendors?
74. Has the company closed any plants this year? Are these shutdowns temporary or permanent? Will a loss result from a plant closing? Will laid-off employees be rehired, retrained, or relocated? Will there be more layoffs? How does the company reconcile layoffs with its moral obligation to employees?
75. At what capacity are the plants operating and what steps are being taken to utilize any idle capacity?
76. How many jobs did the company create (eliminate) in the United States last year? How many does it expect to create (eliminate) this year? How many jobs did the company transfer overseas last year? Does the company have plans to transfer more jobs overseas?
77. How extensively does the company outsource key business functions? Is the company considering outsourcing additional functions? What costs/benefits are incurred/ derived or expected? How many jobs will be eliminated as a result of outsourcing? How many jobs did the company outsource to non-US locations last year?

Liquidity and capital resources

78. How does the company assess its liquidity and the availability of funding sources for operations?
79. What impact will planned spending on capital projects have on cash flow and liquidity? Will there be sufficient cash flow after dividends to pay for replacing plant and equipment?
80. Why is the company experiencing negative cash flow from operations? What steps are being taken to augment cash flows? Will any operations need to be sold to raise funds?
81. Does the company expect its cash flow to be adequate for its debt service needs?
82. How does the company monitor concentrations of financial arrangements with individual financial institutions or counterparties? Have any limits been established on the extent of exposure allowed with a single entity?
83. How have failed auction processes for auction rate securities affected the liquidity of the company? What steps are planned to maintain the company's cash position?
84. *How will the company use the capital it has recently raised? Is this new investment viable?*
85. How will the proceeds from the disposal of any significant operations be used?
86. What is the company's debt rating? What is being done to improve it? How does it compare with other companies in the industry or of our size?

D. Business strategy and operations (continued)

87. What new financing arrangements are planned? Do the plans include re-entry into the long-term debt market, or will financing continue to be based on short-term debt? Are any changes expected in the company's debt ratio or ratio of earnings to fixed charges? Can future debt maturities be met without significant new borrowings?
88. Is the company highly leveraged? What steps is management taking to reduce leverage? What does the company consider to be a maximum level of leverage?
89. Does the company have guarantees, puts, or other similar commitments that could cause a liquidity problem? Do circumstances exist that could cause counterparties to demand increased credit assurances?
90. What new or innovative financing instruments is the company using? How will they affect income? Are
the accounting practices for these instruments straightforward or is there a risk that the accounting could be challenged? What is the purpose of using these instruments? Is there a desire to keep company debt off the balance sheet?
91. Does the company use sale/leaseback-financing arrangements to raise funds?
92. Does the company plan to extinguish, defease, or refinance any debt? How will this affect the financial statements? Has the company considered issuing convertible adjustable preferred stock? "Deep discount" or "zero coupon" bonds? Bonds through a special-purpose entity? Why hasn’t the company refinanced to replace higher cost debt?
93. How does the company evaluate the risks associated with holding cash and cash equivalents as opposed to investing in securities? What is the company’s planned rate of return on financial investments?
94. Are there any additional capital requirements for existing or proposed joint ventures?
95. What is the likelihood that the company's existing lenders will seek to negotiate borrowing covenants or terms more restrictive to the company? How will that affect the company?
96. How has the company been affected by changes in interest rates? Has the company refinanced any material financial agreements to take advantage of lower rates?
97. What is the impact on the company from doing business in countries where restrictions exist on monetary exchange?

Risk management

98. Does the company have a process to identify all significant business risks? What type of process? How does it work? How often is it performed? Who has responsibility for it?
99. Has the company taken specific steps to mitigate risks it faces as part of doing business? What are these risks and what steps has it taken?
100. Does the company have a formal program to review insurance coverage, settlements, potential litigation, and related financial exposures?

Insurance

101. Has the company had difficulty getting insurance? What types of business risks are self-insured? How much product liability coverage does it have? Have deductibles increased? Has there been a shift to a "claims-made" basis or any other change in coverage? Do insurance consultants regularly

assess the company's coverage? Is the company subject to significant exposure for uninsurable risks?

102. Does the company have adequate insurance coverage for workers' compensation, general liability, product liability, environmental liability, and auto liability?

103. Does the company have adequate insurance coverage for exposure to natural disasters, such as earthquakes or hurricanes?

104. Does the company have adequate insurance coverage for terrorist attacks in the United States or elsewhere?

105. Has the company incurred property or casualty losses that exceeded policy limits? Has the company sustained a major property and/or business interruption loss?

Operating units and product lines

106. What did ________ (division or product line) contribute to last year's sales and earnings? How much is invested in this business? Did it perform in accordance with management's expected or budgeted sales and earnings? Are any divisions or product lines losing money? What are the plans for them?

107. What is the total estimated market for ________ (product), and what is the company's share of this market? Why is the market increasing/decreasing? Why is the company's share increasing/ decreasing? What are the principal marketing methods used for this product? What special skills or advantages will enable the company to maintain its market position? How do competitors' pricing strategies compare with ours? Are competitors' operations more profitable?

108. What are projected sales and profits for _____ (product, division, subsidiary)? How will this be accomplished?

109. What are the growth prospects for _____ (product, division, subsidiary) in domestic markets? In international markets? What divisions or product lines are expected to be stronger/weaker performers this year?

110. Why is operating profit from ______ (segment) more than that from _______ (segment)?

111. Why are the segments disclosed in public filings different from the product lines discussed in marketing communications?

Non-US operations

112. What is the level of business investment in non-US countries? How is the investment valued and has the company recognized any profits or losses from it? Are there plans to increase or scale back the level of investment?

113. What percentage of revenues or earnings is generated from non-US markets? What is the company’s market share in its major non-US markets? How does the profit margin on non-US operations compare with domestic operations? Rate of return?

114. How did sales and earnings generated from non-US markets compare with anticipated or budgeted amounts? With those of the prior year? What was the reason for the variation? How has market share changed since last year? What steps are being taken by the company to improve results?

115. What are the company's major non-US markets? Are there plans to enter or exit any non-US markets? Does the company plan to use a joint venture partner to expand into any non-US market?

D. Business strategy and operations (continued)

116. What percentage of raw materials is imported? Has the company considered buying more/fewer raw materials from non-US sources? How much could we save if we did?
117. Does the company have global policies or standards regarding unacceptable workplace practices? Do they also apply to suppliers? How does the company monitor compliance?
118. What strategies are in place to address potential economic or political instability in non-US countries?
119. Have terrorist acts or political unrest (in general or in a particular country) had an effect on the company? Are company personnel or property in danger? What safety measures are being taken? Has it been necessary for company personnel and their families to be evacuated from any countries? What is the effect on the company's investment in these countries?
120. Has the company had a major product liability event (causing personal injury to customers or employees) or a major product recall in its non-US operations? Is the company satisfied as to the safety of its products and manufacturing processes? How does the company ensure that its non-US operations meet local regulatory requirements?
121. Has the company transferred US operations to a non-US country? What percentage of the company's operations is conducted in non-US countries? What are the five largest non-US countries where operations are conducted? Have the risks of operating in non-US countries been assessed? How has this affected the company's labor relations?
122. Is there a threat of nationalization in countries where we operate? What steps have been taken to protect assets from expropriation?
123. Are any merger, acquisition, joint venture, or restructuring activities with companies in non-US countries being considered or planned?
124. What was the effect on earnings of changes in foreign currency exchange rates? What does the translation adjustment account mean in terms of shareholders' equity?
125. Do we have safeguards against loss from currency fluctuations? How much of the company's debt is payable in foreign currencies? How much of accounts receivable is collectible in foreign currencies? Does the company hedge its exposure to exchange risk through use of forward exchange contracts or other instruments?
126. Does the company maintain non-US assets that are not for operations (e.g., foreign exchange speculation)?
127. Does the company operate in countries with highly inflationary economies? Will the operations be continued or expanded? How will this affect earnings?
128. How much did non-US subsidiaries remit in royalties and dividends this year? Has the company provided for taxes on unremitted earnings? Does the company operate in countries that restrict dividend payments? How much has been held back because of dividend restrictions?
129. Has the company reinvested its repatriated non-US earnings in permitted investments within the time period as required by the Jobs Creation Act of 2004 and complied with relevant reporting requirements? In the event of non-compliance, has the company evaluated the need for accruing potential liabilities?
130. Does the company favor import restrictions on competitive non-US goods or non-US tariff controls?
131. Does the company assemble products in non-US countries? If so, how much does it spend and why aren't the products assembled in the United States?

D. Business strategy and operations (continued)

132. What products does the company emphasize in offshore sales efforts?

133. After adjustment for foreign exchange gains or losses, how does the company's export activity compare with last year?

134. How long will it take for the company to see a return on its investments in ______ (countries)? Generally, what type of return does the company expect before making an investment in such countries? How does the return to date on investments compare with original estimates?

135. To what extent are the company's prospects dependent on emerging markets in ______ (countries)? How has the company positioned itself to capitalize on opportunities in emerging markets?

136. How does the company monitor risks related to emerging markets, for example, country, credit, inflation, foreign currency, and political risks? Does the company have appropriate infrastructure and reporting mechanisms to monitor these risks?

137. Has the company been hurt by lower prices offered by Asian competitors?

138. Has the company taken advantage of the lifting of restrictions on foreign ownership in Asian companies to increase its presence?

139. Is management aware of instances in which pirates have illegally copied and sold the company's products? To what extent is the company at risk of competitors in other countries illegally copying its products? What steps has the company taken to minimize this risk?

140. How is the company positioning itself to grow in the ______ (country) market? What is the competitive environment in the ______ (country) market for the company's products?

141. With the continued weakening of the economy in ______ (country/region), what is the impact on bad debts, receivables, and credit?

Employee relations

General

142. Please comment on the status of the company's labor relations.

143. What is the status of labor contracts? Which contracts will expire in the coming year? Will concessions
be sought?

144. What was/is the effect of the recent/current strike? Are any labor actions expected in the near future?

145. Is the company having problems finding qualified employees? What measures are being taken to address the problem? What measures are being taken to retain and develop high-performing employees?

146. What is the employee turnover rate? How does it compare with the industry average?

147. Does the company have a program for improving employees' marketable skills in the event of layoffs?

148. How do employees voice complaints and issues in your company? Do the policies and procedures enable employees to report matters to an independent party, the board, or management anonymously and without fear of retribution? Is there a worker's union? What are some of the major issues that the union has raised with management?

D. Business strategy and operations (continued)

149. What percent of total employee compensation goes to employee benefits? Does the company have a program to monitor and control the cost of benefits?

150. Have any employee groups been asked to take wage cuts or accept company stock in lieu of wage increases?

151. What is being done to motivate, educate, and retain key knowledge workers? Does the company have a program to encourage teamwork, reduce organizational levels, and emphasize problem solving at the operating level? How is compensation linked to performance?

152. Does the company have a formal, written policy covering sexual harassment in the workplace? Does it include a mechanism for employees to lodge complaints? How many complaints were filed and investigated last year? How were complaints resolved?

153. Did company employees suffer any serious injuries on the job during the year? What action has management taken to improve the safety record? Has the company been investigated by the Occupational Safety and Health Administration (OSHA)?

154. What specific measures has the company taken to protect its intellectual property in the United States
and internationally? How does the company protect these rights when key employees are hired away by competitors?

155. What plans are there for increased automation (e.g., use of robotics)? What effect will this have on labor costs or labor relations?

156. Are there any charges pending against the company that have been filed with the National Labor Relations Board?

157. How is the company ensuring that no illegal aliens are employed by the company or contractors?

158. What is the company’s position with respect to drug testing of employees? Are similar requirements made of contractors?

159. To what extent does the company use an alternate work force, for example, part-time, lower paid workers or independent contractors? Does this present legal, tax, or employee morale issues?

160. What is the company’s policy regarding armed forces reservists who have been called to duty? Is the company supplementing their military pay and continuing to make their benefits available?

Work and family issues

161. Does the company have a comprehensive work/life initiative that recognizes the link between work/life programs and business success?

162. Does the company provide services/benefits such as day-care arrangements, referral services for dependent or elder care, preretirement counseling, family-care resource center, adoption assistance, time off to care for dependents, financial planning, relocation assistance, reimbursement accounts, other forms of financial assistance for dependent care, or wellness programs? Have the costs and benefits of these programs been evaluated?

163. Does the company sponsor or encourage employees to work from their homes? Has this increased productivity? How do you control and monitor the work force when not on site? How has the company integrated technology to facilitate flexible work schedules and telecommuting? How does the company ensure the safety of workers who work from home or alternative sites?

D. Business strategy and operations (continued)

164. Does the company encourage job-sharing and flexible work schedule arrangements? Are high-level executives favored over lower level employees in granting these arrangements? Are these programs used in connection with work force reductions? Maternity and paternity leave? Are these employees given the same chances for promotion? Does the company make managers accountable on performance evaluations for the management of flexible work arrangements? Are other types of leave, such as sabbaticals, available?

165. Does the company have an assistance program for employees with alcohol or substance abuse problems? What is its cost?

Health care

166. How much was spent last year on medical benefits for active employees? For retired employees? Is the company considering reducing benefits or increasing employee contributions?

167. Has the company examined its health care plan provisions with a view toward either curtailing benefits or at least attempting to control the escalation of costs? How are employees being compensated for such a curtailment? Are labor problems likely to result?

168. What process does the company have for evaluating its health plan administrators? Does this include a "best practices" approach to selecting and monitoring health plans? Does the company routinely perform claims audits or management reviews?

169. How effective has the company been in its efforts to hold down its exposure to increasing health care costs? How is the company supporting the reasonableness of its expected future rate of increase of health care costs?

170. How does the company monitor federal and state initiatives that could adversely affect the ability to manage health care costs (e.g., cost shifting, any-willing-provider laws, provider surcharges, federal and/or state coverage mandates)?

171. What steps does the company take to ensure that its health care program is competitive in terms of both costs and benefits provided when compared with those of competitors?

172. Has the company explored alliances with other employers to increase leverage in the market and help reduce health care costs?

Retirement and other benefit plans

173. Can employees purchase the company's securities through defined contribution plans? How are these securities voted? Does the company allow participants in employee profit-sharing plans to vote their shares by confidential ballot?

174. What restrictions are placed on employees seeking to sell company securities in defined contribution or similar plans?

175. What restrictions are placed on directors and executive officers seeking to sell company securities in defined contribution or similar plans? Has the company prohibited directors and executive officers from trading during any “blackout period”?

176. What percentage of the company’s 401(k) plan is invested in company stock? Are there restrictions on employees diversifying 401(k) investments and selecting investments other than company stock?

177. Were any of the company’s defined benefit pension plans converted to cash balance plans during the year? Are further changes planned?

D. Business strategy and operations (continued)

178. Was the pension plan changed during the year? Are changes anticipated? Are pension benefits to retirees adjusted for inflation?

179. What other postretirement benefits, besides medical and pension, are provided? What is the cost of these benefits? Is the company considering reducing or eliminating any of them?

180. Does the company plan to offer early retirement incentives as a means of reducing the work force? What will it cost the company? Does it expose the company to allegations of age discrimination?

181. What effect has the low interest rate environment had on the pension plan and the company's pension cost? How did the expected return on plan assets compare to the actual return? How does the company support the reasonableness of the high expected long-term return on plan assets?

182. How does the company plan to meet the 100% funding target for defined benefit pension plans for plan years beginning after December 31, 2007 per the Pension Protection Act of 2006? Is management considering modifying or eliminating certain pension plans?

183. Did the recording of the net asset or liability under FAS 158 have any implications for the company's debt covenants? Did reporting the full amount of any underfunded benefit obligation make it necessary for the company to renegotiate debt covenants with lenders? Did/will the company reduce its balance sheet liability through changes in the benefit arrangements?

184. Did the auditors issue an unqualified report on all of the company's benefit plan financial statements?

185. Are company securities held by the pension plan? How are they voted?

186. Does the company offer broad-based employee stock option or stock purchase plans to its general employee population?

187. Are all company benefit plans in compliance with ERISA? Are all ERISA plans filed on a timely basis with the Department of Labor?

188. Has the company changed the discount rate for calculating benefit obligations from the previous year? *How does the new rate compare to the rates used by similar companies?*

189. How do the company's other economic assumptions (e.g., salary increase or health care cost trend rates) compare with those of similar companies?

Corporate restructuring

190. How many employees will be laid off as part of the corporate restructuring plan? What is the relative number of management employees versus operating employees who will be affected? What impact will the plan have on the community?

191. The company implemented restructuring plans in prior years. Why is another one needed? Was the latest restructuring successful? How is that success measured?

192. What is the company doing to maintain employee morale and incentives for growth in light of the restructuring?

193. Has the company reopened operations that were previously shut down? Have laid-off employees been rehired?

194. What is the future of the ______ (name) operations? Would a loss result if they were closed? How many employees would lose their jobs? Would they be given termination benefits? How much would these benefits cost?

D. Business strategy and operations (continued)

Mergers, acquisitions, and dispositions

195. Is the company's industry consolidating? How will recent mergers and acquisitions in the industry affect the company? How does the company plan to compete against larger companies that can benefit from market synergies and economies of scale? What are the company's plans related to acquisitions or divestitures?

196. Does the company plan acquisitions or new ventures? How will they be financed? What criteria are used to identify potential acquisitions? Will they dilute present shareholders' interests?

197. How will the proposed merger with _____ (name) affect the company's operations? Dividends?

198. Are representatives of ______ (the merging company) and its independent auditors present?

199. Why did the company merge with ________ (name)? How is the impact of this merger being measured
to determine its success?

200. Why was the proposed merger (joint venture) with ______ (name) abandoned?

201. Who are the company's major competitors? Has the company targeted any competitors for acquisition
or merger?

202. What impact have recent declines/increases in stock prices had on the company's M&A strategy?

203. What expertise does management have in these (new) lines of business?

204. Does the company use the services of an investment-banking firm in connection with acquisitions? Which firm? Is it independent? What does it do? How are its fees determined? Does the board get advice from other parties before approving mergers or other major transactions?

205. Why did the company acquire ________ (name)? What is management's expertise in that industry? How much did the acquired company cost? Did the purchase price exceed book value? In light of the subsequent decline in the acquired company's stock price, did we pay too much? How was the acquisition financed? Will projected cash flows of the acquired company be enough to service the debt incurred? Have there been problems integrating the management, operations, or systems of the two entities?

206. What percentage of ________ (name) did our company acquire? Does the company have sufficient board representation? Is our company represented at their annual meeting?

207. How successful has the recently acquired _______ (name) operation been?

208. Why was ______ division (subsidiary) sold? What were its sales and earnings? What was the gain or loss on sale? Who was the purchaser? How will the company use the proceeds?

209. Are any other divisions (subsidiaries) scheduled for divestiture? What are their sales and earnings?

210. Has the company considered divesting noncore businesses?

211. What is the status of mergers awaiting regulatory approval? Why was the proposed acquisition of ________ (company) abandoned?

212. Why was the large write-off of goodwill recorded? Does it mean that the _______ (company) acquisition was not a good deal for the company?

D. Business strategy and operations (continued)

213. Are there significant management or cultural differences that may impede successful integration of the new acquisition?

Takeover issues

214. Why are shareholders not given an opportunity to vote on each merger proposal?

215. What was the cost of defeating _____ (name) company's takeover attempt?

216. Does the company monitor changes in stock ownership to anticipate takeover attempts?

217. Have any significant acquisitions of the company's stock occurred lately? If so, has the company been approached by the purchaser or does the company have a plan to repurchase the shares from these investors?

218. Does the company have "poison pill" arrangements or other anti-takeover provisions in place to discourage a hostile takeover? Do such arrangements entrench management at the expense of shareholders?

219. Does the company have a “dead-hand” poison pill anti-takeover defense, that is, one that can be removed only by incumbent directors?

220. Why aren’t shareholders given the opportunity to vote on whether a poison pill or other anti-takeover defense should be renewed?

221. Why aren't all anti-takeover measures subject to shareholder approval?

222. Why did the company buy back the stock acquired by ____ (potential bidder) at a premium? How do you justify the premium paid?

Legal matters and contingencies

223. What litigation is the company currently involved in? What are the potential costs? What litigation has been settled during the current year? What were the terms of settlement? Have there been changes in litigation status since the annual report was published? What about potential litigation, where the company might be vulnerable to future product or worker liability claims?

224. How does the number and magnitude of lawsuits pending against the company compare with other companies in the industry?

225. How much was paid in legal fees last year and to whom? Why have legal fees increased/decreased as compared to the prior year?

226. Is the company a defendant in any securities litigation or shareholder lawsuits? What is the nature of the litigation?

227. Is the company a party to lawsuits or EPA actions stemming from previous disposal practices or environmental issues? If so, what is the likely outcome?

228. Describe any product recalls the company had during the past year. Does internal control over product quality operate effectively? Are any investigations or proceedings in process that could result in a recall? Are any consumer groups campaigning for recall or ban of products? What are the exposures of any existing or potential recalls?

229. Has the company increased in-house legal capabilities in an effort to reduce litigation costs?

230. Is the board of directors informed of existing or potential violations of laws or regulations on a timely basis?

231. Has the company been subject to any asbestos-related suits? If so, has the company assessed any potential exposures?

232. Has any company internal or external counsel resigned during the year or subsequent to year end? If so, why?

233. What investigations is the company conducting? How many investigations did it conduct last year? What is the status of those investigations or their expected outcome? How does the company ensure it's complying with privacy and related regulations, and that it is not employing investigators that use problematic techniques such as pretexting?

Regulatory matters and taxes

234. How will any pending or proposed federal or state legislation significantly affect the company? Is the company involved in any lobbying efforts to influence such legislation?

235. What percentage of current business is supported by government grants or contracts? Has the government questioned any amounts billed to it? How would it affect the company if government contracts were reduced or cancelled?

236. What measures has the company taken to ensure full compliance with privacy legislation (e.g., Health Insurance Portability and Accountability Act, Children's Online Privacy Act, European Union Data Protection Directive, California Senate Bill No. 1386, etc.)? Have these measures been reviewed for adequacy?

237. How much does it cost each year to comply with government directives and regulations?

238. Are any products currently being investigated by the government for alleged violations of regulations (e.g., pharmaceuticals)?

239. Has the company established any offshore companies for the purpose of avoiding taxes? Did the independent auditors assist in or promote these structures?

240. Has the company or any of its executives purchased potentially abusive tax shelters from the independent auditors or others?

241. Is the Justice Department or other governmental agency investigating the company for antitrust or anticompetitive practices? Has the company complied with all applicable trade regulations?

242. What regulatory or antitrust issues does the company face with regard to pending mergers and acquisitions? How does management expect to address those issues?

243. Does the company support legislating tariffs on non-US imports? How have changes in tariff restrictions affected operations?

244. Are there significant open issues with the IRS or other taxing authorities? Is the company currently being audited by, or in litigation with, taxing authorities? *How much is at stake in issues being contested?*

245. Do you anticipate tax legislation in the coming year affecting the company? How will earnings be impacted?

246. Has the company coordinated its global tax planning with its overall strategic plan? Has the company reviewed its transfer pricing policy? Its customs and duties policies?

D. Business strategy and operations (continued)

247. What is the company's strategy with respect to the emerging trend among taxing authorities to seek company tax documents? Has the IRS or any other authority requested tax opinions or tax accrual workpapers from the company?

248. What processes are in place to guard against reputational risk that may result from taking questionable tax positions? What procedures are in place to ensure that decisions to litigate, publicly challenge or lobby for a tax position are prudent?

249. What is the company doing to make its tax reporting more transparent and easier to understand?

250. Has the company participated in any "tax shelters" or "listed transactions"? If so, what is the status of taxing authority review of such transactions? How much is at stake?

251. What is the company's total tax burden? Does management track different types of taxes besides income taxes? How is that data used? How does the total tax burden compare with competitors? What plans does the company have to change its tax strategy to control overall tax burden?

252. Have analysts, regulators, lawmakers, or other stakeholders questioned or requested further information on the company's tax positions? Has the Senate Permanent Subcommittee on Investigations written to the company requesting information about the company's reserves or other tax matters? What is the company doing to address this issue?

253. *Has the company looked at the tax implications of the adoption of IFRS in various foreign countries and the longer-term tax implications of moving to IFRS in the United States?*

254. *Has the company assessed the tax related costs of conversion to IFRS? What is the expected impact of IFRS conversion on the company's effective tax rate?*

Manufacturing

255. Is the company’s manufacturing strategy aligned with business and marketing plans?

256. Is there an ongoing program for continuous productivity improvement? Has the company's performance measurement system kept pace with today's manufacturing environment? Do you contemplate changes in manufacturing processes as a result of technological advances? How will this affect our competitive advantage? How are quality-related costs monitored? Does improved productivity depend on significant investment in new plant and equipment? In information systems? If so, what plans have been made, and what will they cost?

257. How do customers rate the company's product quality? Does the company have a total quality plan that will produce continual improvements?

Real estate

258. Has the company recently evaluated its facilities capacity in light of human resource needs and long-term business plans?

259. Has the company entered into significant transactions for the sale, purchase, or long-term lease of its facilities? Have any transactions involved related parties? Is the company using special-purpose entities for its real estate assets?

260. How does the estimated fair value of real property compare with its net book value in the financial statements?

D. Business strategy and operations (continued)

261. Has the company used its real estate holdings as collateral for corporate borrowing needs? Do these obligations limit flexibility to dispose of facilities? Has the company considered entering into a sale and leaseback arrangement?

262. Do any company facilities contain or create environmentally sensitive materials? If yes, what is the company's obligation for cleanup? Do environmental problems limit the property's marketability? What is the anticipated cost of cleanup, and has it been accrued?

E. Financial reporting matters

General

1. What is the company's view of the quality of its accounting practices? Would you describe the company's accounting as generally aggressive or conservative?
2. How do the company's accounting policies compare with its major competitors'?
3. Are the company's accounting policies consistent with those of last year? Were any accounting policies changed? What was the impact on profits? Are accounting policy changes planned for next year? What is their expected impact?
4. Has the company included in its Management's Discussion and Analysis (MD&A) a full explanation of its "critical accounting policies and estimates," the judgments and uncertainties affecting the application of those policies, and the likelihood that materially different amounts would be reported under different conditions or using different assumptions?
5. What are the most significant estimates and judgments management makes in preparing the financial statements?
6. What does the company do to make its financial reporting more transparent and easier to understand?
7. Why aren't financial statements and footnotes in the annual report simplified so a nonaccountant can understand them more easily?
8. What quantitative and qualitative factors are important to the company in developing its financial statements and making judgments about materiality?
9. When did the SEC staff last inquire of the company as to any accounting or financial reporting matter? What was the nature of the review and the outcome? If a review is currently underway, what is the likelihood that prior financial results will be restated?
10. Has the company had to restate earnings? If so, how did the misstatement occur, and how was it discovered? Is there any indication that the misstatement was due to fraud?
11. Why did the company delay its SEC filing and/or earnings release for the period ended _______________?
12. What is the company doing about ________ (problem) disclosed in the annual report?
13. Is the company the subject of an SEC investigation or enforcement activity? Has the company received an SEC comment letter regarding its MD&A or accounting or disclosures? What was/is the issue?
14. Have analysts or the financial press voiced concern about the company's accounting practices?
15. Why does the independent auditors' report contain explanatory language? What are the latest developments on ________ (a particular issue) that the external auditors referred to in their report?
16. Is basic EPS or diluted EPS a better measure of the company's performance? What items account for the difference? How much of the difference is attributable to employee stock options?

E. Financial reporting matters (continued)

17. Has the company considered what changes will have to be made to tax and financial reporting if IFRS is mandated in the next few years? What steps have been taken to prepare?
18. *What business arrangements, debt agreements, covenants, and business strategies might be affected by converting to IFRS? How is the company addressing these issues?*
19. *Does the company have a strategy to keep stakeholders informed throughout the IFRS transition process so that any adverse effects on cost of capital are minimized?*
20. *What are the more significant accounting differences that are expected to be realized upon conversion to IFRS?*
21. Why doesn't the company expand its MD&A disclosures to include more analytical and forward-looking information about the company and its current problems and what management is doing to solve them?
22. What proposed FASB pronouncements or SEC rules would significantly affect the company's financial statements and how?
23. Why did the company change its method of accounting for _____ (transaction)? Why is this new accounting method preferable to the old? Did the external auditors provide the company with a preferability letter regarding the change?
24. What caused the increase (decrease) in the _____ (name of account) compared with last year?
25. What are the major items included in the _____ (name of account)?
26. What is the company's accounting policy for _____ (transaction)?
27. What unusual charges or credits to income affected comparability?
28. What is included in "other" under _______ (caption)?
29. What information has the company provided about its trading activities—particularly those without market price quotations, for which fair values must be estimated?
30. Did the company experience any issues in complying with the accelerated reporting requirements of the SEC?

Specific topics in financial reporting

Non-GAAP financial measures

31. Has the company evaluated its non-GAAP financial measures to ensure they don't mislead investors?

Fair value measurement

32. What was the impact of adopting Fair Value Measurements (FAS 157) and Fair Value Option for Financial Assets and Financial Liabilities (FAS 159) on the financial statements?
33. What impact did the availability of market inputs due to the liquidity crunch have on the valuation and disclosures in the financial statement?
34. Did the fair value requirement warrant significant changes in the valuation processes? Did the company hire specialists to value any of its assets or liabilities?

E. Financial reporting matters (continued)

35. Has there been a significant unexpected change in value for any of the assets due to the adoption of fair value? What are the significant judgments made in providing disclosures about the various levels of valuation in the footnotes to the financial statements?

Off-balance sheet arrangements, including variable interest entities

36. Does the company have any off-balance sheet debt or structures, such as special-purpose or variable interest entities? What is the nature and amount? Are they linked with the company so that an adverse change, such as a decline in their stock price, could significantly damage the company? Did any off-balance sheet entities need to be consolidated this year?

37. Is the accounting for off-balance sheet entities appropriate? Have these structures been reviewed by the board of directors, the external auditors, the SEC staff?

Restructuring and impairment charges

38. Did the company record restructuring charges last year? Were the major components of restructuring reserves set up or used during the year adequately disclosed? Did the company release significant unused restructuring reserves into income?

39. Has the company been criticized by the SEC or the financial press for its reporting of restructuring activities?

40. How often does the company evaluate long-lived assets, including identifiable intangible assets and goodwill, and investments in equity and debt securities for impairment?

Revenue recognition

41. Would you classify the company's revenue recognition policy as aggressive or conservative compared with policies of its peers?

42. Are the company’s revenue recognition practices in accordance with GAAP? Has the company been criticized by the SEC or the financial press for its accounting in areas such as bill-and-hold transactions, consignment arrangements, upfront fees (e.g., membership fees), or cancellation/termination provisions and product returns?

43. Has the company made changes in its revenue recognition practices as a result of the SEC’s guidance? Has the company had to restate its prior financial statements because of errors in its previous revenue recognition practices?

Related person transactions

44. What are the company's policies and procedures for approving related person transactions? Does the board, or a committee of the board, review and approve related person transactions? Do any of the related person transactions disclosed affect any directors' independence?

45. Has the company disclosed information about transactions with other persons who enjoy transaction terms that aren’t available to clearly independent third parties? Has the importance of those transactions to the company’s performance been explained clearly?

Derivatives

46. How much of the company’s revenue or loss resulted from activity in derivatives?

47. What are the primary risk factors (e.g., foreign currency, interest rate, or commodity) that affect the company’s results? What types of market risk has the company decided to accept and what types of market risk does it seek to minimize through hedging or similar activity?

E. Financial reporting matters (continued)

48. Are the company's policies and practices regarding the use of derivative financial instruments, and strategies related to short-term investments, subject to supervision and approval by the board of directors?

49. Has the company incurred any losses as a result of investments in derivative financial instruments? Were these losses recognized? What is the exposure to loss from the current portfolio of derivative financial instruments as a result of changes in interest rates, exchange rates, commodity prices, or other indices? How is that exposure measured? Can you quantify the amount of exposure?

50. Has the company used structured financing transactions such as equity monetization schemes or put-convertibles? What was the business reason for using them? Is there risk that these schemes may have to be unwound as a result of regulatory action?

Business combinations

51. Has the company analyzed what impact the new standard on business combinations will have on the income statement, including the earnings volatility that FAS 141(R) might create?

52. Will the new business combinations standard affect the way the company designs deals? Will it affect the number of deals that the company will do? The timing of deals?

Reporting business and financial information outside the current model

53. Does the company's current financial reporting provide a clear explanation of its external environment, industry dynamics, and market positioning?

54. Does the company's reporting communicate clearly how its strategy is intended to create value in the context of its market environment?

55. Does the company effectively communicate its financial targets, how well it's meeting them, and the governance and management structures it has in place to deliver on the strategy?

56. Is it clear from the company's communications what the underlying drivers are for delivering on the financial performance measures and how well the company manages those drivers, such as people, innovation, customers, brands, and suppliers, as well as reputation with other stakeholders for environmental responsibility?

57. What is the company's view on the various discussions that have occurred in the business community regarding a new financial reporting model—one that would better communicate information on value creation from the business and transactions?

F. Corporate social responsibility

General

1. What standards does the company follow in creating its CSR report or a sustainability report? Does the company's CSR report include environmental results or does it only revolve around community and people areas?
2. Why does the company choose not to issue a CSR or a sustainability report?
3. How does the company balance social responsibility with profits? Does the company have a social responsibility policy? What steps does the company take to prevent deliberate exploitation of nonshareholder constituencies?
4. Does the company have a committee focused on social responsibility at the board level?
5. Why doesn't the company report more information on its corporate social responsibility to stakeholders?
6. Is the company's CSR strategy global? How does it vary by geography?
7. *Has the company defined global CSR goals and how does it ensure that multiple territories and their supply chains comply?*
8. *Where does the CSR department sit in the organization? Is it under the CEO, in Human Resources, in Marketing, in Risk Management, in the office of the CFO, or elsewhere?*
9. *What actions does the company take to evaluate and measure the commitment of its suppliers/ sub-contractors to ethics, diversity, human rights and the environment?*

Environmental

10. Does the company have a written environmental policy? Is the company committed to pollution prevention and sustainable development as well as compliance with environmental laws?
11. Does the board of directors have an environment committee? Who is on it? Does anyone on the committee have expertise in the environmental area?
12. What measures has the company taken to identify the environmental impact of hazardous waste, recycling, packaging, emissions, air travel, energy usage, etc.—and related remedies? Does the company have an environmental compliance officer? If not, who performs this function? Does the company conduct periodic environmental assessments*?* What are the results of those assessments?
13. What is the company doing to make sure environmental problems don't go undetected? What are the major environmental risks? What is the worst-case scenario and how would it affect the company if it occurred? Is a comprehensive environmental risk management system in place? If not, how are risks identified? What kind of internal control system exists to comply with environmental regulations? How is this system working?
14. Does the company comply with best practices environmental standards such as ISO 14000, CERES (a coalition of investors, environmental organizations, and public interest groups united to advance corporate responsibility)? *Does it participate in the Carbon Disclosure Project?*

F. Corporate social responsibility (continued)

15. Could the company be involved in an environmental disaster such as a large oil or chemical spill, or *groundwater seepage incident*? What measures are being taken to prevent it? What environmental insurance is in place?
16. Do the company's manufacturing processes or products have side effects known or thought to deplete the earth's ozone layer? How are these monitored and controlled?
17. Does the company use hazardous materials in production processes? What safeguards protect employees and the public, both on site and in transit for disposal? Are the same safeguards enforced at all non-US installations?
18. Are the company's operations and products being made more energy efficient? Does the company use alternative energy sources? What is the company's commitment to alternative energy sources?
19. Does the company use environmentally/ecologically sound production processes and packaging? Does it use recycled or recyclable materials? Are all company products biodegradable?
20. What is the company doing to recycle waste? How are dangerous waste materials disposed of? If the materials are disposed of by a contractor, how does the company ensure disposal is done properly?
21. Has the company been fined or warned for violating environmental laws? What corrective action has been taken?
22. Is the company involved in any EPA/Superfund lawsuits or state-mandated cleanups, or has the company been designated a potentially responsible party for cleanup of hazardous waste? What are the anticipated costs? Will insurance cover the costs? Have excess costs been reserved for? What were environmental cleanup expenditures last year? Might new cleanup situations arise in the future? Who in the company has responsibility for compliance with environmental laws and regulations? Is the company currently facing administrative, civil, or criminal enforcement action or investigation?
23. How have operations been affected by environmental regulations? What has it cost to comply with federal, state, and local environmental regulations? What will it cost in the future?
24. Why did the company expand its disclosure of environmental contingencies? Has the financial exposure increased?
25. What is the company's policy on public disclosure of environmental information? Why doesn't the company publish a report on environmental and compliance issues? Does the company comply with the principles governing publication of environmental reports? Does the report contain third-party verification? What are the company's major environmental initiatives and what progress is being made?
26. Is the company or any of the company's subsidiaries subject to the regulations to reduce emissions? If so, does the company meet these standards? Does it have to purchase excess credits from the open market or others?
27. How will the company be affected by global warming or climate changes?
28. *With water becoming more and more limited in supply, how is the company addressing the risk of impact to its operations as well as innovating to overcome the limitations?*

F. Corporate social responsibility (continued)

Social consciousness

29. Is the company actively involved in community investment (e.g., minority assistance programs, urban rebuilding, and youth education)? What are the company's policies on encouraging community involvement on the part of officers, directors, and employees?

30. What was the effect on the local community of closing the _____ (name) plant?

31. What is the company's policy on advertising on violent or sexually oriented television programs? Advertising aimed at children?

32. Does the company use vendors owned by minorities and women?

33. Does the company monitor the human rights climate in countries in which it operates/conducts business? Does the company get raw materials from or operate in any countries that deny basic human rights? Has the company considered discontinuing operations or investments in these countries? Are any products produced using child labor or other exploitative labor practices? Is the company involved in discussions with governmental and nongovernmental organizations to improve human rights in these countries? Does the company have global labor standards against which it monitors compliance for its own operations and those of its suppliers?

34. Does the company use or experiment with animals? Has the company eliminated or curtailed testing products on animals? Is it considering measures to further reduce such testing? Has the company been the subject of animal rights lobbyists' protests or legislative measures?

35. Does the company understand the impact of avian flu, E-coli, HIV/AIDS, tuberculosis, malaria, influenza, or similar pandemics on its operations and markets both inside and outside the United States? What actions is management taking to address potential business risk exposures?

Political

36. How many lobbyists are used by the company? What is the nature of their activities? Does the company monitor their activities? How much is spent each year on lobbying?

37. Has the company lobbied for or against particular changes in the law?

38. Has the company hired any former government employees in executive positions or retained their services as lobbyists, consultants, counsel, etc.? *Are any former senior government officials on the board?*

39. Are any officers or management employees on loan to governmental or political organizations?

40. How much support (contributions, loans, etc.) has the company given to lobbying organizations? What was the business reason for this action?

41. Does the company have a political action committee (PAC)? How does it function? How many employees are participants? How much money has the PAC raised? Who received funds from it? What are the company's policies on making "soft-dollar" contributions to political parties?

42. Has the company reimbursed officers or directors for political contributions?

43. How does the company prevent employees from being pressured to take part in political campaigns supported by management? *Does the company attempt to influence employee thinking on political matters?*

F. Corporate social responsibility (continued)

Charitable

44. What was the amount of charitable contributions last year and who were the largest recipients? How much went to organizations that company directors (or officers) are affiliated with?
45. Will the company's level of contributions be increased or decreased in the coming year?
46. Why did the company contribute to _____ (organization)?
47. Does the company match employee charitable contributions?
48. Why doesn't the company poll its shareholders to determine who should receive its charitable contributions?
49. Why aren't contributions decreased and dividends increased so shareholders can give to the charities of their choice?
50. Does the company do pro-bono work - lend executives or other personnel to academic, civic, or charitable organizations?
51. Does the company contribute the maximum amount deductible for tax purposes? Is a list published of the organizations to which the company gives charitable, educational, or other grants?
52. Has the company donated any tangible goods to charities during the year? If so, are there any tax risks or exposures resulting from these transactions? Have valuations and appropriate documentation been obtained to support such contributions?
53. How many hours are donated to charitable organizations? Do people volunteer during the work day? Is this activity tracked? How is it promoted/awarded?

Customers

54. How does the company ensure quality customer service? *How does it get feedback from customers?* Is there a way customers can file complaints against the company? Does the company provide customer service and support through its websites and/or toll-free phone numbers? What steps is the company taking to improve customer service (e.g., through training or system integrations)? How quickly are responses to website-initiated customer inquiries addressed?
55. Has the level of product complaints, product returns, warranty costs, etc., changed? What has management done to reduce or prevent these problems? Are any suits pending on the company's products?
56. Are the company's products properly labeled to cover hazards and safe handling procedures? Is product packaging tamper-resistant? Why doesn't the company label all genetically modified products?
57. Have consumer groups recently criticized the company? How were the matters resolved?
58. Has the government taken action against the company because of its advertising claims?
59. Has the company ever pulled advertising from a television program because of pressure from activist groups? Has the company been the subject of a boycott because it advertised on a particular television program? What was the effect of the boycott?

F. Corporate social responsibility (continued)

Employees, health and safety

60. What is the company’s policy on employment of minorities and women? Does the company's diversity initiative support training and placement of women and minorities in high-level positions? What actions has the company taken to ensure that diversity has management’s attention and commitment*?* Is there mandatory diversity training? Has the company taken steps to ensure its suppliers provide adequate opportunities to support the advancement of minorities and women?

61. Is diversity linked with work/life and other HR initiatives such as employee assistance programs, re-engineering, benefits, etc.? Is an affirmative action plan in place with monitoring of recruitment, hiring, and promotions? Does the company provide training programs to improve sensitivity to diversity?

62. What percentage of employees are minorities or women? Does the company release work force composition data (e.g., copies of its EEO-1 reports) directly to the public?

63. What percentage of employees in leadership positions are women and minorities? Have there been complaints of a glass ceiling for minorities and women? What is being done to remove "glass ceiling" barriers to advancement of women and minorities to executive positions?

64. Do the company’s policies specifically ban discrimination on the basis of sexual orientation? Does the company provide benefits to same-sex domestic partners of employees? *Does the company contribute to campaigns that seek to block same-sex marriages?*

65. Do the company's products contribute to any unhealthy human conditions? What is the company doing about that?

66. What measures has the company taken to ensure that its plants are safe? What has been the company's record for health and safety injuries? Are there any claims against the company for breach of health and safety regulations?

67. What is the company's plant safety record? Are there active programs to promote safety, accident prevention, etc.? How does the company ensure that its subcontractors adhere to safety programs?

68. Are the company's plant safety regulations and practices the same abroad as in the United States? What’s being done to make sure regulations are enforced?

G. Information technology

General

1. Does the company consider itself an industry leader in the use of information technology? What are the budgeted capital expenditures for information technology? How does this compare with other companies in the industry?
2. How is the company keeping up with changes in information technology? Are the company's management information systems "state-of-the-art," or will significant investments be needed for systems to maintain competitiveness?
3. Does the company outsource key technology functions? Is it considering this? If so, what controls exist to safeguard information?
4. What were the results of the company's IT controls review performed as part of complying with Section 404 of the Sarbanes-Oxley Act?
5. Are controls and security surrounding computer operations sufficient to prevent unauthorized access to computer files, alteration of records, loss or theft of company data and trade secrets, and misappropriation of assets?
6. Has the company been a victim of computer fraud by employees or others?
7. What steps have been taken to ensure that the company detects and responds to a virus adequately and on a timely basis? Has the company had significant disruption due to a computer virus during the past year?
8. Have "hackers" succeeded in breaking into the company's computer systems? Have controls been enhanced to reduce the risk of another such attack?
9. How is the company ensuring that only properly licensed software is installed on the company's computer systems?

Web commerce

10. What role does web commerce play in the company? How much of the company's sales are through the Internet? How have web sales changed since last year?
11. Has the company lost market share to new companies or traditional competitors that are using web commerce tools more effectively?
12. Does the company have adequate risk management policies and controls over its web based business activities in key areas such as security, privacy, and reliability?
13. Has security of the company's website and confidential company and customer information ever been compromised? Does the company conduct penetration testing of its website?
14. Has the company experienced significant "denial of service" attacks on its website? What steps is the company taking to minimize the possibility of such attacks? For how long over the past year was the website not available due to successful denial of service attacks? *What is the company's estimate of loss due to unavailability?*

G. Information technology (continued)

15. Does the company's website prominently disclose its e-business practices and its privacy policy?

16. Does the company have an independent, ongoing assessment of its privacy and security controls over its web commerce modules, with results reported on the website?

Disaster recovery / business continuity

17. If the company's premises are unavailable for a period of time due to a disaster or other significant event, what is the company's contingency plan?

18. Has the company taken additional steps to safeguard employees and premises? Is the board of directors satisfied that the additional steps are adequate?

19. Does the company have a business continuity plan in the event its IT systems are disabled? Is the plan tested periodically? Is there a contingency plan if phone service is lost for a time? What would be the cost to implement this plan? Is the company confident it would be able to recover systems and records lost, in the event of a disaster?

20. Is the company prepared to move its operations base from its current location to a different one in case of a natural disaster or infectious disease? What other crisis management plans does the company have in place in case of a natural disaster or infectious disease?

21. Have the board of directors and management developed a crisis management plan detailing who will lead the company during the crisis, how key information will be accessible, which legal counsel to contact, how to contact employees in an emergency, and other important relevant information? *Is the plan rehearsed?*

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