



1025 Connecticut Avenue, NW, Suite
200
Washington, DC 20036-5425

tel 202.293.4103
fax 202.293.4701

www.ACCA.COM

LEADING PRACTICES IN BOARD GOVERNANCE AND THE ROLE OF IN-HOUSE LAWYERS POST SARBANES-OXLEY: WHAT COMPANIES ARE DOING

Part of an Ongoing Series of
ACC's "Leading Practices Profiles" SM
<http://www.acca.com/vl/practiceprofiles.php>

January, 2004

Good governance is more than just a fleeting fad — it's a necessity in today's global marketplace. More than ever before, corporate boards and their lawyers are squarely in the spotlight. Regulators, lenders, insurers, stakeholders and shareholders are all interested in practices instituted at the very top of companies to help safeguard against executive mismanagement and improprieties.¹ Transparency, independence, and informed decision-making are among important program features that many believe will help keep companies on track. Even companies with highly-rated governance procedures are revisiting their practices in the aftermath of Sarbanes-Oxley to reassure the public and regulators that company policies are beyond reproach.

In-house lawyers are playing key roles in all aspects of these governance initiatives. They are tracking and presenting information on regulatory developments, and recommending implementing strategies to the Board. They're also taking the lead in performing governance reviews and drafting and updating governance-related documents such as board governance policies, committee charters, independence standards, and self-assessment documents. Boards are looking to in-house lawyers for thoughts on best practices, and for support on director education programs. Boards and committees are holding more meetings, which generally means more involvement and interaction with the company's Corporate Secretary, who often may also be the company's General Counsel or a senior lawyer for the company. In-house lawyers may also increasingly be on point for responding to inquiries and ratings assessments made by external governance ratings companies. These roles are all in addition to the

¹ See article titled "It's Private Companies' Turn to Dance the Sarbox Shuffle," written by ACC's Susan Hackett (http://www.acca.com/public/article/corpresp/sarbox_shuffle.pdf).

long-standing and important role of communicating significant legal developments and issues to the Board.

So, whether a company is public or private, or based outside of or within the United States, board governance practices are likely to be of interest and import.² This Practice Profile examines board governance practices at eight companies, many of which have received high governance ratings by business publications or external ratings organizations³: **Alcan, Inc; Avnet Inc; Bell Canada Enterprises; Cargill Incorporated; ChevronTexaco; Intel Corporation; Lyondell Chemical Company; and Praxair, Inc.**

The companies shared information on board structure and function and on board-level practices related to broader governance initiatives. In addition, they described the role of in-house lawyers in helping to develop these programs and in interacting with the Board. Companies also identified aspects of their board-level governance practices that they consider to be “leading practices.”

Section I below summarizes key themes and program insights gathered from discussions with representatives from the companies. Section II describes the programs of each of the eight companies in more detail. Section III provides a list of resources identified by company representatives and ACC as resources that may be helpful to others as they review and evaluate board governance practices for their companies.

I. SUMMARY OVERVIEW OF PROGRAMS, THEMES & LEADING PRACTICES

PROGRAMS

While the specifics of Board structure and governance practices vary from company to company, each company expressed a strong commitment to good governance and a desire to have and maintain excellent practices. Some statistics on Board structure and high-level legal support for the companies featured in this Profile follow:

- **Board size:** The number of Directors on the various Boards ranges from 9 to 16.
- **Chairman of the Board:** There is no “one size fits all” in this area. Some companies have a non-executive Chairman of the Board; some have a Chairman of the Board who is also the company’s CEO. One company shares that the positions of Chairman of the Board and CEO have been separate for more than 9 years. Some companies with combined CEO/Chairman of the Board positions also have a Lead Independent Director or an Executive Session Presiding Director.

² See id.; see also article titled “*Even Private Company Boards of Directors Are Changing,*” written by William M. Sinnott (*Financial Executive*, October 2003) at http://www.fei.org/mag/articles/10-2003_governance.cfm. For statistics, including comments regarding private company trends, from an American Management Association survey, see article titled: “*Should Privately Held Companies and Nonprofit Organizations Comply with the Sarbanes-Oxley Act?*” (<http://www.amanet.org/press/amanews/SOX2003survey.htm>).

³ ACC’s mention of governance ratings assigned by others is for factual informational purposes only and does not constitute an endorsement or recommendation of any company or its rating assignment.

- **Committees:** Most of the companies have four working Board committees; one has six. All of the companies have one Board committee that has the term “Governance” in its title, and all have an Audit committee.
- **Executive-employee Directors:** Five of the eight companies have only one executive-employee Director (the company’s CEO).
- **Corporate Secretary/General Counsel:** Five companies have separate positions for the Corporate Secretary and the General Counsel; three have a General Counsel who also serves as the company’s Corporate Secretary.

THEMES

Each company’s Board structure and governance practices programs are different; however, some themes emerged regarding certain program elements:

- **Internal Governance Reviews Conducted:** companies performed governance reviews to assess existing practices and develop enhanced approaches. These efforts were generally described as internal efforts with in-house lawyers playing key roles in helping to guide the process.
- **Corporate Governance Documents:** most companies described having some form of Corporate Governance Guidelines (although title may be different, such as Principles of Corporate Governance, Statement of Governance Practices, or Board of Directors Charter). Most also have these and other Board-level governance documents posted on their public websites.
- **Outside Directors:** five of the eight companies have only one executive-employee Director; one company shared that 12 of its 14 Directors are non-employee Directors; another described 9 of its 12 Directors as independent; and another described 5 of its 16 Directors as being company management.
- **Lead Independent Director:** several companies described having a Lead Independent Director or an Executive Session Presiding Director.
- **In-house Lawyers Play Important Role:** all of the companies shared the important role that in-house lawyers play in helping to assess and develop documentation for governance practices and in serving as advisors. Several companies shared that the role of in-house lawyers in providing governance-related information to the Board has increased. In-house lawyers are described as playing a critical role and as being well-positioned to provide guidance on external regulatory requirements and on implementation strategies. Companies shared that their Boards have not generally expressed an increased interest in using outside lawyers, but noted that the Board may do so.
- **Governance Committee:** all of the companies described having one Board-level committee that is responsible for governance matters. Committee names vary, and include: Corporate Governance Committee; Governance & Nominating Committee; Board Nominating & Governance Committee; and Corporate Governance & Responsibility Committee.
- **Committee Charters:** most companies described having charters for all of their committees, and shared that charters have been revised to include enhanced practices and/or to formalize practices.
- **Committees with Outside Director Members:** all companies described having certain committees comprised solely of non-management Directors; some companies shared that all of their committees are comprised of solely outside

Directors; some companies have only one committee that includes an executive company Director.

- **Director Qualifications:** many of the Corporate Governance Guideline documents address director qualifications. Most companies shared that one of their Board-level committees is responsible for assessing from time-to-time, the qualifications and needs of the Board to help ensure an overall Board composition that best meets the needs of the company. Some companies have included statements requiring Directors to be able to devote the requisite time for Board business; some include numerical limits on outside Board Directorships. One company's Corporate Governance Guideline document also limits Audit Committee membership for Directors on its Audit Committee. Many companies also described the importance of various forms of diversity to Board membership.
- **Director Orientation Programs; Manuals:** most of the companies have some form of Director orientation program that includes receiving a manual or reference book, and meeting with business managers. Several companies also shared that Directors are encouraged to visit company sites, and some also encourage employee forums. Copies of indices to some Board Manuals are included in the Resource List in Section III of this Profile.
- **Director Education:** most of the companies described programs that encourage Director education. Many of the Corporate Governance documents include statements encouraging Director education. Some companies described the role of the Corporate Secretary in helping to identify outside educational programs that may be of interest. Some companies also described mechanisms for reimbursement and other support for outside educational activities.
- **Director Websites:** some of the companies have developed websites for their Directors to access to enhance communications.
- **Self-Assessments:** Most of the companies described various levels of assessments for the Board and Directors. Companies described processes for assessments of the full Board, and for Board Committee assessments. In addition, several companies described self-assessment processes for individual Directors and/or for the company's CEO and/or Chairman of the Board. Many of the companies shared that the requirement to perform assessments of the Board or committees annually is new. Some companies shared that Board-level assessments have been performed for more than four years. Several companies provided assessment forms as resources (may be accessed via the Resource List in Section III of this Profile; the Resource List also includes assessment forms provided by other companies not featured in this Profile and lists websites that may have additional samples of forms).

RECENT BOARD GOVERNANCE-RELATED CHANGES

The companies featured in this Profile have all performed internal governance reviews within the past few years, and in-house lawyers have played important roles in helping to guide these efforts. Below is a combined list summarizing some recent changes to or formalizations of Board governance practices and programs identified by representatives of the eight companies. The individual program summaries provide additional information on these and other initiatives.

- **Corporate Governance Guidelines:** developed to formalize and, in some cases, enhance existing governance practices.

- **Committee Charters:** some companies developed charter documents for committees that didn't have them in place; others amended existing charters to formally address certain subjects.
- **Director Education Policy:** policy created to formalize program for Director education.
- **Rotation Process for Lead Director:** new process adopted at one company to rotate Lead Director on quarterly basis with alphabetical succession so that all outside Directors can have opportunity to be the Lead.
- **Board Reference Book:** developed to help organize important information for Directors.
- **Stock Option Changes:** include eliminating stock option remuneration for Directors and expensing stock options.
- **Chairman and CEO split:** separate individuals holding these positions, with the Chairman of the Board now being an outside Director.
- **Adjustments to Minimum Stock Ownership Requirements for Directors:** some companies have included statements on ownership expectations; some have increased minimum ownership guidelines.
- **Committee-level changes:** include creating new Pension Fund Committee to perform roles relating to this area (formerly an Audit Committee function), committee charter revisions, committee name revisions (e.g., adding name governance in committee title).
- **Self-Assessments:** revisions include formalizing frequency to require annual assessments and adding assessments at additional levels (e.g., including requirements for assessments at committee level in addition to Board-level, etc.).
- **Audit Committee oversight of whistleblower reporting system:** expanded reporting system program and assigned oversight to Audit Committee.
- **Directors' websites:** added to enhance communications efforts and Director access to important information.

LEADING PRACTICES

The companies were asked to identify aspects of their programs considered to be leading or best practices. Below is a list of program elements that companies viewed to be leading or best practices for their programs. Individual program summaries in Section II provide additional detail on these and other practices and program elements.

- **Board Composition:** many companies described the composition of their Board, including various diversity factors, as a leading practice.
- **Level of Independence; Independence Standards:** many companies identified the large number of outside Directors serving on their Boards as a leading practice. One company described its Director Independence Standards (described in company program summary in Section II and accessible via the company's website) as a leading practice.
- **Commitment to Excellence in Governance as Part of Values:** several companies identified a commitment to good governance as an important foundation to build upon.
- **Lead Director:** some companies described having a lead independent director as a leading practice.
- **Format for Statement of Corporate Governance Practices:** one company described the tabular format of its governance practices document (listing the

relevant regulatory requirements, and sharing company status in meeting these requirements with supporting information) as a leading practice.

- **Enhanced Director Selection Process/Independence Review:** one company described its enhanced director selection process (including a review of listed independence criteria, data on related party transactions, information from questionnaires, consultation with accounting and company's internal audit group) as a leading practice.
- **Self-Evaluation Process:** several companies identified their approaches to Board and committee-level self-evaluations as leading practices.
- **Proactive Outreach to Shareholders:** one company described its efforts to be open and engaged with shareholders (including meetings with investor and socially responsible investment groups and communications on its website) as being a leading practice.
- **Director Engagement with Employees:** holding open forums with company employees and interacting with employees at levels other than senior management is cited as a leading practice by one company.
- **Director Stock Ownership Guidelines:** described by one company as a leading edge practice (Directors required to hold at least five times the value of base cash retainer).
- **Board Manual & Director Orientation:** identified as a leading practice.

II. PROGRAM SUMMARIES

Following are summaries from discussions with the eight companies about their programs.

Alcan, Inc.

Focus on good governance practices and ethical conduct is not a new thing for Alcan, Inc. The company has had rules of conduct in place since the early 1980s, and the company's Senior Vice President of Mergers & Acquisitions and Chief Legal Officer, David McAusland, shares that the company's Code of Conduct serves as a "foundation and benchmark for its other corporate governance programs." Alcan was one of 17 companies receiving Governance Metrics International's highest rating of 10 for governance practices in August 2003.

McAusland shares that the company is "not a newcomer to good corporate governance and is very interested in maintaining its leading edge position." Alcan's Board structure and the level of independence of its directors are among the leading practices described by McAusland. The company's Board of Directors consists of 11 members, and has only one employee-executive member, the company's Chief Executive Officer. All other directors, including the Board's non-executive chairman, are described by McAusland as independent and non-executive directors. The Board of Directors Charter is available on the company's public website at

<http://www.alcan.com/corporate/AlcanCom.nsf/libweb/Board+of+directors>.

STRUCTURE; COMMITTEES

There are four committees of the Board: Human Resources; Audit; Environment, Health & Safety; and Corporate Governance. According to the Board of Directors Charter, members of the Audit, Human Resources, and Corporate Governance committees shall be “unrelated and independent under the laws, regulations and listing requirements to which the company is subject.” The Committee Charters are also available on the company’s public website.

QUALIFICATIONS

The Board’s Charter provides that members must have “an appropriate mix of skills, knowledge and experience in business and understanding of the regions in which the Company operates.” In addition, the Charter requires directors to be able to commit the requisite time for Board business. Directors are elected by shareholders at every annual meeting. The Board Charter requires a majority of the directors to be independent.

TRAINING; ORIENTATION

The Charter includes a section on orientation and information and provides that the company secretary prepares a Directors’ Manual that contains information on company policies and director responsibilities. McAusland shares that the Audit Committee also has a detailed manual, which describes the committee’s responsibilities and procedures as set out in its charter. In addition, McAusland describes the Board familiarization program as “ongoing,” and shares that components include regular presentations from business units, site visits (Directors are encouraged to visit at least one plant site each year). Alcan holds annual Board and management off-site strategic meetings to allow for interaction with the company’s management and familiarization with its businesses.

COMMUNICATIONS; INTERACTION WITH IN-HOUSE COUNSEL

McAusland shares that the company’s corporate secretary, a senior lawyer, is present at all meetings of the Board and at meetings of the Audit committee. The chairman of the Board develops agendas for upcoming Board meetings in consultation with appropriate members of management for input. The Charter requires that information and materials important to the Board’s understanding of the agenda items be distributed in advance of the meetings. Asked whether there has been a desire on the part of the Board to increase the level of communications or change the types of communications with lawyers, McAusland shares “the Board has a high level of expertise, and is engaged with internal legal counsel on matters of importance to the Board.”

SELF-EVALUATIONS

The company’s Board of Directors Charter provides that “the Board will ensure that regular formal assessments of the Board, its Committees, and the individual Directors are carried out in order to enhance their performance.” These assessments of board and committee practices and of individual director performance occur on an annual basis.

LEADING PRACTICES

Asked which elements of Alcan's board governance programs McAusland would consider to be leading practices, he shares that the Board's structure is a leading practice, emphasizing the level of independence among the Board members and the committee structures as examples. In addition, McAusland explains that good governance is an important principle to the company and that this has been the case for a very long time.

Avnet, Inc.

Avnet, Inc. was recently rated by Institutional Shareholder Services as having a corporate governance quotient rating among the top 10 for S&P 400 companies. In a November 5, 2003 media release, the company's CEO & Chairman, Roy Vallee, attributes the company's high governance ratings to "hard work to ensure that its corporate governance is based on best practices." Vallee also emphasized "Avnet's board of directors has a wealth of experience in a variety of industries. Its members are an invaluable resource and they play a pivotal role in Avnet's governance and success."

The company's Board of Directors consists of nine members: eight independent outside directors, plus the company's CEO & Chairman, Vallee. Of the four Board committees (Audit, Compensation, Corporate Governance, and Finance), all but the Finance committee consist solely of independent outside directors.

During the past year, the company has taken steps to review existing governance practices and formalize its Corporate Governance Guidelines and Committee Charters (see <http://www.avnet.com/investors/governance> for links to these governance documents). In addition, the company has developed a Director Education Policy and a Board Reference Book. These efforts were led by Catherine Hardwick, the company's Corporate Secretary and Associate General Counsel, and were completed primarily in-house.

"This is an area where in-house counsel can play an important role," shares Hardwick. "What in-house lawyers can add is information and perspective on how new governance regulations affect their company. In-house counsel can also provide guidance and ideas on how to best implement programs within the company and can apply knowledge of corporate culture and governance best practices," says Hardwick.

RECENT CHANGES RELATING TO BOARD GOVERNANCE PROGRAMS

As noted above, the company has recently reviewed its existing board governance programs and materials, and has formalized a number of existing programs and added some others. Key changes include:

- **Corporate Governance Guidelines:** the company formalized existing practices, and added provisions to address new stock exchange and regulatory requirements.
- **Committee Charters:** the Board had a charter for its Audit Committee and had mission and policy statements for its other committees. As part of this overall effort, within the past 6 months the company has developed committee charters

for all of its committees. (Copies of the committee charters may be accessed via the Avnet website address listed above).

- **Director Education Policy:** the company has developed a Director Education Policy that is referred to in the Corporate Governance Guidelines. Additional details on this new policy follow.
- **Rotation of Lead Director:** the company has had a lead director for several years. Until recently, the Chair of the Board's Corporate Governance Committee served as the lead director. A new aspect of the lead director position is the selection process: the position is rotated on a quarterly basis so that each outside director has an opportunity to be the lead. Succession occurs alphabetically. Benefits of this approach are described by Hardwick as "allowing the directors to have experience at being leads, maintaining the culture of the company's board (e.g., no "super-directors"), and providing additional opportunities for board members and the CEO to have individual substantive discussions."
- **Board Reference Book:** the company has developed a Board Reference Book for Board members. The reference manual includes: contact list, board member biographies, calendar of meetings & schedules, listing of board committees and charters, and a number of company policies. (A copy of the index to the Board Reference Book may be viewed via link in the Resource List included in Section III of this Profile).

BOARD QUALIFICATIONS

The company's Corporate Governance Guidelines include a description of director qualifications and provide that the "Corporate Governance Committee is responsible for reviewing with the full Board from time to time the appropriate experience, skills and characteristics required of Board members. This assessment includes business experience, education and skills as well as character, judgment and issues of diversity in factors such as age, gender, race and culture." In addition, the Guidelines require directors to "possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the shareholders."

The Guidelines communicate the company's policy that "at least a substantial majority of the members of the Board of Directors be Independent Directors." In addition, the Guidelines require notice of any change in a director's corporate affiliation, establish a retirement age, and describe limitations on service on the boards of other public companies.

DIRECTOR EDUCATION POLICY

Avnet developed its Director Education Policy internally. Hardwick explains that Avnet's program "goes beyond encouraging directors to attend educational programs. The program creates a mechanism to assist directors in finding the right training programs and reimbursing expenses." Hardwick shares that the program has been well-received to date but is still very new. She plays a coordinating role in identifying education and training programs that may be of interest to board members. The policy also supports other types of educational opportunities as well, such as membership in

the National Association of Corporate Directors and studies, surveys and periodicals regarding director issues. "A lot of training happens naturally during committee meetings; however, the director education policy takes things a step further and helps to identify additional educational resources for directors," says Hardwick. (A copy of Avnet's Director Education Policy may be accessed via link in the Resource List in Section III of this Profile).

SELF-ASSESSMENT PROGRAM

Avnet's directors perform an annual assessment of the Board, which is administered through the Corporate Governance Committee. The assessment is done through a questionnaire. The responses are organized and discussed first with the Committee, and then with the full Board. Topics include Board processes, participation and structure. New last year was the addition of a self-evaluation for individual directors. This self-evaluation was comprised of questions for each director to consider and evaluate his or her own performance. The responses for this individual evaluation were not collected – it was for the use of each director. To meet upcoming NYSE requirements, Hardwick is currently working on a new questionnaire for each Board Committee to do a self-evaluation.

COMMUNICATIONS WITH THE BOARD

What types of communications does the Board receive? Hardwick shares that "board books" go out a week in advance of meetings. In addition, all board members get most press releases and receive regular communications from the Chairman & CEO. As part of the materials provided to the Audit Committee, it receives regular compliance reports that are generally presented by the company's Deputy General Counsel who manages the company's compliance program and quarterly reports from the director of the company's internal audit group.

Asked whether she has noted a desire on the part of the Board to receive more frequent or different types of communications from lawyers, Hardwick shares that "there has probably been an increase in frequency and amount of communications and that this is probably due to a combination of new governance initiatives and requests from directors for additional information." In general, questions and discussions about compliance and internal audit reports are described as robust.

ROLE OF IN-HOUSE COUNSEL

Hardwick shares "the role of in-house lawyers in supporting governance efforts is very important. Directors are interested in understanding not only what is required by law, but also what other companies are doing, what might be considered best practices, and how to implement initiatives within the company. In-house lawyers are well-positioned to provide this information."

In addition to the General Counsel, David Birk, as Corporate Secretary, Hardwick attends all meetings of the full Board, and all committee meetings. In addition, as shared above, Hardwick helped to lead the company's governance review and enhancement efforts.

LEADING PRACTICES

Asked what elements of Avnet's programs Hardwick would consider to be leading practices, she shares that the make-up of the Board is a leading practice, describing the Board as "very professional and diverse. Board members bring a broad range of experience, including experience in government, academia, international experience, and business and financial experience." In addition, Hardwick shares that the fact that all but one of the Board's nine directors are independent outside directors and that all but one committee consist solely of independent directors are leading practices. Similarly, the Avnet Board of Directors is more diverse than many Fortune 500 Boards in terms of gender and race. "Independence and diversity is not something that happens overnight – it takes a prolonged commitment to good corporate governance." Other leading practices described by Hardwick include the company's approach to designating a "lead director" and the company's Director Education Policy.

Bell Canada Enterprises

Good governance is very important to Canada's largest telecommunications company, Bell Canada Enterprises (BCE). "Governance is everybody's business," shares Linda Caty, the company's Corporate Secretary. The company was rated by GovernanceMetrics International in July 2003 as having one of that agency's highest ratings for corporate governance, and was one of two non-U.S. companies to receive such rating.

The company's public website includes a home page on governance that has links to: a message from the company's Chairman; BCE's Statement of Governance Practices; information on its Board Committees; Code of Conduct; and Disclosure Policy. Introductory comments to the company's Statement of Governance Practices provide "the Board constantly reviews its governance practices in light of the recently proposed Canadian Securities Administrators Initiatives, the other current and proposed corporate governance guidelines in Canada, the Sarbanes-Oxley Act and the corporate governance rules published by the New York Stock Exchange in the United States."

The Statement of Governance Practices are in a tabular format that identifies the relevant Toronto Stock Exchange (TSX) Requirement, provides a statement on alignment, and includes a description of the company's governance practice relating to those requirements. In addition, the table notes instances where the company's governance practices are compared to certain Sarbanes-Oxley requirements, SEC rules, and NYSE proposals, which may differ from the TSX Corporate Governance Guidelines. BCE's Statement of Governance Practices may be found at <http://www.bce.ca/en/governance/statement/>.

BOARD STRUCTURE

The company's Board includes 15 members. All but the company's CEO are described by the company as independent. Linda Caty shares that the Board is well-balanced and includes members with a great variety of expertise and diversity in terms of gender, background, and geographical representation.

In April 2002, the Board of Directors appointed a non-executive Chairman. The "Chairman's Message" posted on the company's website describes this decision as one based on a recognition that "the primary job of the Board is to be accountable to shareholders- not to run the company." The Board has four working committees composed of independent non-management directors: Audit; Corporate Governance; Management Resources & Compensation; and Pension Fund. Linda Caty shares that the company's CEO does not formally sit on any of these committees but may attend committee meetings upon invitation.

RECENT GOVERNANCE-RELATED CHANGES

Linda Caty shares that the company reviewed its practices and found that many were already consistent with Sarbanes-Oxley requirements. The introductory section to the company's Statement of Governance Practices lists a number of recent key corporate governance actions taken by the company. These include: expensing stock options; appointing a non-executive Chairman; eliminating director stock option remuneration and increasing the minimum stock ownership requirements for directors; creating a Pension Fund Committee (previously this was part of the Audit Committee function); appointing an Internal Audit and Risk Management Officer; and creating an Internal Controls project team to roll-out Sarbanes-Oxley related rule requirements and appointing a Vice President for Financial Controls.

DIRECTOR TRAINING & ORIENTATION

Linda Caty shares that the company has a Board Reference Book that is updated regularly and includes reference information for directors. In addition, the Board receives presentations from outside experts on various subjects and from company management at both senior and junior levels on issues of importance and interest. Enhancing the director education program is one of the goals that Linda Caty has for 2004.

SELF-ASSESSMENT

Linda Caty shares that the company's Board has been performing self-assessments since at least 1999. Assessments are performed at four levels: Board performance generally; Committee performance; self-assessments for individual directors; and more recently, assessments of the Chairman of the Board. The company recently reviewed its format and procedures for self-assessments and used materials from The General Counsels Roundtable and from the Canadian Coalition for Good Corporate Governance as references.

ROLE OF IN-HOUSE LAWYERS

Asked about the role of in-house lawyers in board governance practices and programs, Linda Caty shares that she believes that in-house lawyers have a role to propose clarifications and program enhancements based on external information on requirements and on their understanding of company strategies. In-house lawyers also provide presentations to committees on various subjects. In addition, as Corporate Secretary, Linda Caty attends all Board meetings (other than meetings of the Management Resources and Compensation Committee from which she may excuse

herself for portions of the meetings). Linda Caty shares that although the company's Chief Legal Officer doesn't regularly attend all Board meetings, she may participate to discuss matters of significance. In response to a question asking about any increase in desire on the part of the Board to interact more frequently with lawyers, Linda Caty shares that the Board often consults with in-house lawyers for guidance on legal matters and on practices generally.

LEADING PRACTICES

Asked which elements of the company's board governance programs she would consider to be leading practices, Linda Caty says "overall, the way that the company's Board interacts, the frequency of interactions, and the composition of the Board are practices that can be viewed as leading." She also shares that the content and design of the company's Statement of Corporate Governance Practices is a good practice that can be considered a leading one. In addition, Linda emphasizes "good corporate governance is more than just following the rules. The company's Board of Directors aim to be at the forefront of good corporate governance."

Cargill, Incorporated

Having a strong corporate governance program is important to Cargill. Although the company is a privately-held company and is not subject to most Sarbanes-Oxley or stock exchange listing requirements, the company and its stakeholders are interested in adopting best practices in the area of corporate governance. During the past year, Steve Euller, the company's General Counsel, at the request of the Board's Governance Committee, has coordinated an internal review of existing governance programs. "What we found is that the company's programs were already very strong in most areas. For the most part, all we had to do was formalize practices that were already being followed," shares Euller.

The company's Board of Directors consists of 16 individuals, including 5 representatives from company management, 5 representatives from among the common shareholders, and 6 independent directors (primarily experienced CEOs of major corporations). The Board has four principal committees: Audit; Human Resources; Governance; and Finance. The Audit and Human Resources Committees consist entirely of non-management directors. The Governance Committee consists of all non-management directors plus the Chief Executive Officer. The Chairman of the Board's Governance Committee is an independent director. Euller is the company's Corporate Secretary and is also the secretary of the Board's Governance Committee.

GOVERNANCE REVIEW

To help structure its internal review of existing governance programs, the company developed a chart using as a guide requirements set forth in Sarbanes-Oxley, New York Stock Exchange, NASDAQ, and the report of the Conference Board Committee on Public Trust and Private Enterprise. The chart includes around 40 topic areas organized according to three broad categories: Audit, Accounting & Controls; Executive Compensation; and Corporate Governance/Board Independence. (A copy of the chart listing the topic areas and descriptions may be accessed via link in the resource list in

Section III of this Profile.) The topics were then reviewed by teams with expertise in each of the category areas, and evaluations and recommendations were made to the Governance Committee.

Euller shares that the overall objective encouraged by the Board's Governance Committee was to confirm or achieve substantial compliance with the enumerated topic areas where relevant and appropriate for the company. As noted above, the review confirmed that many of these governance practices were already in effect at Cargill. Some of the program enhancements and formalizations that followed the governance review effort include:

- Code of Conduct for Lawyers: the company's law department adopted a global attorney code of conduct including an up-the-ladder reporting code that essentially follows the Sarbanes-Oxley 307 requirements for internal reports.
- Policy on Restricting Loans to Officers: the company formalized its policy in this area.
- Shareholder Proposals: the company amended its by-laws to include a procedure for shareholders to put forth proposals.
- Committee Charter Amendments: the company formalized provisions in committee charters to ensure committee membership independence and permit direct retention of consultants.
- Waivers of Code of Ethics: the company formalized procedures defining steps to seek waivers.

BOARD TRAINING & ORIENTATION

Euller shares that the Board's independent directors are seasoned executives with substantial background on corporate governance and other matters. Common shareholder members are given orientation and reference materials and may attend external training programs to gain additional background as desired. Euller explains that he sometimes plays an informal role in providing training to new directors as part of the orientation process.

IN-HOUSE COUNSEL & INTERACTIONS WITH THE BOARD

The company's law department includes approximately 120 lawyers worldwide, with around half of these lawyers located outside of the United States and with all ultimately reporting into Euller. As the company's Corporate Secretary, Euller attends all full meetings of the Board. In addition, as secretary for the Board's Governance Committee, Euller also attends meetings for that committee. Euller or the company's Assistant General Counsel & Corporate Compliance Manager attend and provide legal status reports at the Board's Audit Committee meetings.

Asked whether Euller has noticed an interest on the part of the Board to increase communications with lawyers, Euller shares that he hasn't seen a greater level of questioning on legal matters. There is already a process for sharing information on significant matters with the Board, and the process appears to be working well. Euller also explains that the law department's code of conduct provides for opportunities for in-house lawyers to consult directly with the CEO or the Board's Audit Committee if they deem it necessary to do so, consistent with the Sarbox 307 up-the-ladder provisions.

LEADING PRACTICES

Asked which elements of the company's Board governance programs Euller would consider to be leading practices, he shares that he believes "what the company is doing is appropriate and best practices for Cargill." Euller notes that not all privately-held companies are similarly situated and the determination about what governance programs make the most sense or would constitute best practice for each company will likely be very specific to each company.

ChevronTexaco

ChevronTexaco recently performed a corporate governance self-assessment to help ensure that the company's governance practices were where the company wanted to be. This initiative was performed primarily in-house and included comparing existing practices and programs to expectations of external entities such as Institutional Shareholders Services and CalPERS. "What we found was that the company had excellent processes before. Following the self-assessment and as part of broader governance initiatives, we have worked to develop more formal documentation for these excellent practices," shares Lydia Beebe, Corporate Secretary for the company.

Key program enhancements and processes formalized as part of these governance initiatives include: creating a corporate governance section with links to governance-related documents and policies on the company's website; adopting Corporate Governance Guidelines; adding significant detail to the written charters for standing Board committees; creating a secure Directors website to facilitate sharing information and distributing materials to Directors; and establishing an internal disclosure committee. Corporate governance policies, guidelines, and documents may be accessed via the company's website (http://www.chevrontexaco.com/investor/corporate_governance/).

In July 2003, the company's corporate responsibility efforts received top ratings from GovernanceMetrics International. Beebe shares "these high ratings reflect the company's commitment to the highest levels of corporate governance, social responsibility and transparency."

BOARD STRUCTURE

The company's Board consists of 14 members. Twelve Board members are non-employee Directors. The two employee directors are the company's CEO & Chairman of the Board, and the Vice Chairman of the Board.

The Board has four committees: Audit; Board Nominating & Governance; Management Compensation; and Public Policy. All committees are comprised of non-employee Directors, and the Audit, Board Nominating & Governance, and Management Compensation committees are comprised solely of independent Directors. Each committee is chaired by an independent Director, and committee chairpersons are rotated on a 4 to 6 year-term basis.

DIRECTOR QUALIFICATIONS

The company's Governance Guidelines include a provision on board membership criteria stating that Directors "should have the highest professional and personal ethics and values, consistent with The ChevronTexaco Way. They should have broad experience at the policy-making level in business, government, education, technology or public interest." The Guidelines also state that Directors should limit service on boards of other public companies to a reasonable number, and set expectations for stock ownership (e.g., at least 8000 shares of stock or stock units after five years of service). Stock ownership guidelines for executive officers of the Corporation are also included in the Guidelines and are based on a multiple of base salary.

"The Board's Nominating & Governance committee has always played a role in reviewing and selecting Director candidates. An enhancement to that process is that the Nominating & Governance committee now takes a lead position in identifying potential candidates as well as screening and selecting Director nominees and is responsible for annually reviewing Board composition and needs," explains Beebe.

DIRECTOR ORIENTATION & EDUCATION

The company's Director orientation program includes providing written materials and briefings to help familiarize Directors with the company's business operations. Directors are also encouraged to make site visits as part of the orientation process. In addition, the company encourages Directors to attend outside educational programs and provides information to Directors on programs that may be of interest. (Copies of the index to the Director Orientation Manual and a Summary of the Director Orientation Program may be accessed via links in the Resource List in Section III of this Profile.)

SELF-ASSESSMENTS

The Board and each Board-level committee conduct annual self-assessments. The Nominating and Governance committee oversees this process and makes recommendations based on feedback from the collective self-assessments. (A copy of the 2003 Board and Board Committee Evaluation Form may be accessed via link in the Resource List in Section III of this Profile.)

In addition, the Board annually assesses the performance of the CEO. As part of the CEO evaluation process, the Nominating and Governance and Management Compensation committees gather input from the Directors and review the consolidated input at an executive session of non-employee Directors. The results are then presented to the CEO & Chairman by the committee chairpersons. Assessment of individual Directors is also encouraged on an oral basis.

COMMUNICATIONS WITH THE BOARD

The company has processes in place for forwarding Board materials to Directors in advance of Board meetings and for posting important information, including Board materials, on a website created for the Board of Directors. In addition, around twice

monthly, the Board receives information on business developments and strategies from the company's executive committee meetings. Board members are also encouraged to communicate directly with any member of the company's management.

The company's Governance Guidelines also include a provision on reporting concerns relating to accounting, internal accounting controls or auditing matters. The provision summarizes policies and processes requiring reporting and addressing these concerns, including periodic communications from the Chief Corporate Counsel to the Audit Committee. The address for contacting the Audit Committee about concerns in this area is provided on the Corporate Governance page on the Company's external website.

ROLE OF IN-HOUSE COUNSEL; INTERACTIONS WITH BOARD

Both the General Counsel and the Corporate Secretary attend and participate at all meetings of the Board (other than executive sessions). Beebe shares "the role of and level of work for a company's Corporate Secretary or whoever provides support to a company's Board Nominating and Governance Committee has changed dramatically. This role includes spending a significant amount of time reviewing SEC releases and stock exchange listing standards and requirements, and writing recommendations and providing advice to the Board on these matters."

Asked whether she has noticed an increased desire on the part of the Board for interactions with lawyers, Beebe explains "our in-house lawyers communicate often with the Board, and there has been an increase in these communications over the past few years. Some of this may relate to efforts led by in-house lawyers to help formalize our governance processes, and these communications and efforts have been enthusiastically received by the Board." Asked whether the Board has expressed a desire to communicate more frequently with outside counsel, Beebe shares that outside counsel does not routinely attend Board meetings but that Sarbanes-Oxley has resulted in increased interactions with counsel, generally by the Audit committee.

LEADING PRACTICES

Asked which elements of the company's Board-level governance programs Beebe would consider to be leading practices, she shares "ChevronTexaco has an excellent Board with a high quality of Board members who absolutely are committed to good corporate governance." In addition, she explains that the company is reputed as a strong process-oriented company and views the websites, Board and committee self-evaluation, enhanced Director selection and independence review processes as leading practices. The company's Director independence review process includes reviewing a list of independence criteria developed from the various legal and regulatory requirements as they apply to each director, taking into consideration data on any related party transactions from information gathered by the company's accounting group and from director questionnaires. The company's internal audit group also plays a role in the independence reviews.

Intel Corporation

Intel Corporation's Board of Directors was reviewed as having one of the "Best Boards" by *BusinessWeek Online* in October 2002. The company's Board includes 12 directors, 9 of whom are independent. For more than ten years, the roles of Chairman of the Board and Chief Executive Officer have been separate, allowing the Chairman of the Board to focus on Board organization and responsibilities and the company's CEO to focus on the corporation's management and performance. In addition, the company has had a lead independent director for more than 5 years. Cary Klafter, Vice President of Legal & Government Affairs and Corporate Secretary, shares that separating the roles of CEO and Board Chairman and having a lead director are among the leading board governance practices at Intel.

The company's Board includes six committees: Audit; Finance; Nominating; Corporate Governance; Compensation; and Executive. All but one of these committees (Executive Committee) consists solely of independent directors. The lead independent director chairs the board's Executive and the Corporate Governance committees, and is elected by the other independent directors. (Information on Intel's Corporate Governance & Social Responsibility Programs, policies, and documents may be accessed via its website at http://www.intel.com/intel/finance/social.htm?iid=HPAGE+up_about_governance&).

RECENT GOVERNANCE-RELATED CHANGES

Following the passage of Sarbanes-Oxley, Intel reviewed its existing governance and board programs. Some of the key changes that were implemented as part of this review include committee charter revisions and the expansion of an anonymous whistleblower reporting system now overseen by the Board's Audit Committee.

BOARD QUALIFICATIONS

The company's Corporate Governance Guidelines include information on qualifications for Board members and state that the board's nominating committee is responsible for evaluating board membership needs and qualifications from time to time in the context of the current make-up of the Board. Among the assessment qualifications are "a review of issues of diversity in numerous factors such as age; understanding of and experience in manufacturing, technology, finance and marketing; international experience; and culture." In addition, the guidelines state that Board members are "expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as an outstanding director."

DIRECTOR ORIENTATION & EDUCATION PROGRAMS

The Corporate Governance Guidelines provide that the CEO and company management are responsible for new-director orientation programs and for continuing education programs for Board members. Klafter shares that in-house lawyers play a coordinating role in helping to organize enrichment programs and in identifying outside speakers to provide continuing education.

The company also provides directors with a manual that includes a number of key documents such as SEC filings, and governance-related documents. In addition, as part of director-orientation, a series of meetings between individual directors and general managers would generally be scheduled and new directors are encouraged to establish as many contacts as appropriate, shares Klafter. The Board has a site visit program, and Directors are expected to visit various company sites and to hold open forums with company employees to answer questions and receive input from employees.

ROLE OF IN-HOUSE LAWYERS

Klafter shares that in-house lawyers have a continuous role with regard to interactions with the Board. As Vice President of Legal & Government Affairs and Corporate Secretary, Klafter attends all Board meetings, and often provides updates on legal developments. The company's General Counsel also often attends Board meetings and provides updates on legal developments.

Asked whether there has been interest within the Board for an increase in communications from lawyers or a shift in types of communications from lawyers, Klafter shares "the Board is always interested in receiving input from the company's lawyers and the types and format for information are an evolving process." Klafter also shares that, while the Board is free to contact outside or independent counsel on matters, there hasn't been an increase in requests for this type of contact.

COMMUNICATIONS

Klafter shares that the company follows common sense practices in communicating with the Board. Among the types of regular communications that the Board receives are meeting materials sent in advance of meetings, copies of monthly financial statements, and a continuing series of miscellaneous communications. The Board also has a password-accessed website page where Board-related materials and other materials of interest are posted so that Board members may access information electronically.

The company's Corporate Governance Guidelines include provisions on materials and presentations for Board meetings. In addition these guidelines provide that Board members "have complete access to contact and meet with any Intel employee." Board members are encouraged to visit Intel sites when traveling and to meet with local management on a world-wide basis.

SELF-EVALUATION PROCESS

For over four years, an annual self-assessment process has been in place for Board members. As part of this process, each member of the Board completes an annual self-assessment form. In addition, each Board member then has one-on-one meetings with the Chairman of the Board to discuss individual self-assessments and opportunities and ideas for improvement. In addition, the Board's independent directors, in conjunction with the company's 360-review process for employees, evaluate the CEO's performance annually.

LEADING PRACTICES

Asked which elements of the company's program he considers to be leading governance practices, Klafter shares that "the company tries to be very open and engaged with its stakeholders." The company's Investor Relations and Corporate Social Responsibility personnel meet regularly with investor and socially-responsible investment groups. The company's website includes the annual Global Citizenship Report and Environmental, Health & Safety Report, and copies of the company's articles, bylaws, committee charters and codes of conduct.

<http://www.intel.com/intel/finance/social.htm>. Klafter describes the company's approach to outreach as "proactive, and one that is intended to go beyond baseline legal requirements." Additional practices identified by Klafter as leading governance practices at Intel include, the split in the roles of Chairman of the Board and CEO, having a lead independent director, the Board's internal self-assessment process.

Another key leading practice emphasized by Klafter is the Board's engagement with company employees other than senior management. Board interaction with company employees is encouraged at all levels. Recently, the company was able to facilitate open forums for the Board's directors during an annual sales and marketing meeting. Klafter shares that "continuous engagement is useful, and encouraging interactions among the Board and company employees is a common sense good practice."

Lyondell Chemical Company

Lyondell Chemical Company is rated by Institutional Shareholders Services as having the top Corporate Governance Quotient rating for S&P 400 companies. The company's Board includes eleven directors, and all but one (the company's President & CEO) are non-employee directors. The position of Chairman of the Board is separate from that of CEO, and held by an independent, non-employee chairman.

The company's strongly held view of the importance of independent directors is not a new development. "Since the company became a public entity in 1989, there has always been a majority of independent directors on the Board," explains Kerry Galvin, Senior Vice President, General Counsel & Secretary for the company. In addition, the company has had an independent, non-employee chairman since 1997.

BOARD COMMITTEES; QUALIFICATIONS

The company's Board has four formal committees, and each committee has its own charter: Audit Committee; Compensation Committee; Corporate Governance & Responsibility Committee; and Executive Committee. All but the Executive Committee consists solely of independent directors.

The Corporate Governance & Responsibility Committee serves as a nominating committee for the company's Board, and at least once each year assesses Board needs, including whether the Board is the right size and is comprised of members with the appropriate skill sets and experience. Galvin shares that there are no term limits for Board members, but there is a mandatory retirement age.

RECENT GOVERNANCE-RELATED CHANGES

The company reviewed its existing Committee Charters and Principles of Corporate Governance in light of developments pursuant to Sarbanes-Oxley, New York Stock Exchange listing requirements, and best practices publications and made some changes to formalize consistency with these requirements and practices, shares Galvin. As part of larger governance initiatives, the company also recently added Board committee self-evaluations (see below). “What we confirmed following this review was that the company’s practices and programs were in very good shape. Although there were no dramatic changes that flowed from this effort, the review presented an opportunity to have a number of very good discussions about these developments and the company’s existing programs and to make some improvements,” explains Galvin. (Lyondell’s Board Committee Charters and Principles of Corporate Governance, as well as other corporate governance documentation and policies may be accessed via its public website at http://www.lyondell.com/html/investor/corporate_governance/index.shtml).

ORIENTATION PROGRAMS

The company has a Board Manual that includes a broad range of important background information for Board members. In addition, the company has an orientation session for new directors. The orientation includes providing an overall understanding of the company and its directors, as well as an introduction to members of management and the legal department staff, tours of operational facilities, and information on Directors and Officers insurance. Galvin explains that training for Board members is often led by the company’s legal department and can be provided throughout the year on an as needed basis.

ROLE OF IN-HOUSE LAWYERS

Galvin’s view is that “in-house lawyers play a critical role in interacting with the Board.” Galvin explains that she believes a company’s General Counsel should attend and participate in company Board meetings even if the General Counsel role is separate from that of Corporate Secretary or other Board staff member. “In general, a company’s Board will often look to the General Counsel to provide objective legal advice to the Board on issues of importance,” says Galvin. “Providing guidance on important legal matters, such as significant litigation, Sarbanes-Oxley interpretations, and disclosure matters, is a role that most appropriately belongs to in-house lawyers,” explains Galvin.

As Senior Vice President, General Counsel & Secretary, Galvin attends all Board meetings. In addition, in regular attendance at meetings of the Board’s audit and corporate governance committees, is Michelle Miller, Corporate & Securities Counsel for the company.

GUIDELINES FOR INTERACTIONS WITH THE BOARD

The company has both formal and informal guidelines for interactions with the Board. Among the formal guidelines are requirements for developing and circulating agendas and Board materials in advance of meetings. In addition, significant press releases,

formal disclosures, and communications of outside auditors are provided to Board members in accordance with company guidelines.

Galvin shares that Board has always had positive and strong contacts and frequent communications with the company's General Counsel. In addition, Board members have access to any member of company management and anyone in the company's legal department that they wish to communicate with.

Asked whether she has noticed an increase in a desire for communications between Board members and lawyers, Galvin shares that there has been a greater presence and participation of lawyers in Board committee meetings and that this builds on an already strong level of communications between in-house lawyers and the Board. Galvin also explains that each of the committee charters provides that the Board has the right to engage independent counsel if it needs to but that the Board has generally indicated that it is not eager to engage outside counsel "absent a specific and compelling reason to go outside."

BOARD EVALUATION PROCESS

The company has had a Board evaluation process in place for around six years. As shared above, this year, the company also added committee-level evaluations to its existing internal review program. Galvin shares that the internal evaluations are conducted on an annual basis using a blind survey that is coordinated by the company's legal department. The results are collated and reported to the full Board on an aggregate basis. This year's program additions include assessments of committee performance that allow Board members to comment on the content of meetings, committee practices and interaction among members and the chairman. "The annual self-evaluation process leads to good discussions of whether the Board is addressing the right kind of topics, and whether the scope of the committee functions are appropriate," explains Galvin. (Copies of the company's Board and Committee evaluation forms may be accessed via links in the Resource List included in Section III of this Profile.)

LEADING PRACTICES

Asked which elements of the company's Board governance programs Galvin would consider to be leading practices, she shares that the Board's commitment to good governance and strongly held views of independence are among the company's leading practices. "The company's programs and behaviors show a strong commitment to principles of good governance," explains Galvin. In addition, she shares that the Board's strong commitment to independence, together with the Board evaluation process, Board manuals and orientation programs are among its leading governance practices.

Praxair, Inc.

"Praxair, Inc.'s strong corporate governance programs rest on a foundation of Board independence and robust integrity, ethics and compliance culture and programs," shares Bob Bassett, Assistant Secretary and Corporate Counsel for the company. David Chaifetz, Praxair's Vice President, General Counsel and Corporate Secretary, adds:

“From the very first days of our existence as a public company in 1992, the Praxair Board and senior management team has built a corporate culture on the principles of integrity, ethical business conduct and compliance with laws. Similarly, excellence in corporate governance is considered to be a key element enabling achievement of our primary goal – delivering value to our shareholders. These things are a part of our value system at Praxair, and I am personally convinced that they are responsible for a large part of our business success over the years.”

The company’s public website includes a governance homepage with links to many of its governance guidelines, practices, and policies. In July 2003, the company received a top score of 10 on corporate governance from GovernanceMetrics International.

(Praxair’s Corporate Governance Guidelines, Director Independence Standards, and other governance-related materials may be accessed via Praxair’s governance homepage on its public website at

<http://www.praxair.com/praxair.nsf/AllContent/52E33CFDD8653D9585256CE80063B62F?OpenDocument&View=LeftNavMenu&Expand=2.>)

BOARD STRUCTURE

Praxair’s Board consists of 10 directors. All but the Chairman & CEO are described as non-employee, independent directors. Bassett reports the Praxair Board’s view that “combining the roles of CEO and Chairman provides the most effective leadership approach for this company at this time.” But he emphasizes that the company recognizes the need for balance and has established strong practices and standards regarding the independent directors.

“The company has a strong history and pride in the effectiveness of its corporate governance. The independent nature of the company’s Board has been in place for several years,” says Bassett. The company’s Corporate Governance Guidelines (posted on its web) provide that the Board’s independent directors shall meet at least quarterly, and require the selection by independent directors of an Executive Session Presiding Director who has responsibilities beyond just chairing those private sessions. In addition, all four standing committees of the Board (Audit; Governance & Nominating; Compensation & Management Development; and Finance & Pension) are composed solely of independent directors. The CEO & Chairman attends regular committee meetings, although many committee meetings, notably those of the Audit and Compensation committees, regularly include private sessions in which the independent members meet alone or with selected advisors.

RECENT GOVERNANCE-RELATED CHANGES

Bassett reports that the company undertook a major review of governance standards and practices around the time that the Sarbanes-Oxley Act was signed into law and the New York Stock Exchange proposed new listing standards. What the company found was that many of the Praxair Board’s existing practices were already consistent with these new standards and requirements as well as others promoted by various governance observers. What flowed from this review was primarily a formalization and publication of existing practices, and some adjustments to existing committee charters to ensure consistency with the new requirements.

As part of these post-review governance-related changes, the company developed a governance home page on its website that the public can access to review governance-related information. Another relatively recent governance development is the name change of the committee that performs the Board's nominating function: changed from the Public Policy & Nominating Committee to the Governance and Nominating Committee.

"This was entirely an in-house effort but relied heavily on materials and information available through the American Society of Corporate Secretaries," says Bassett. "ASCS is an excellent resource for governance-related information, with great examples of a variety of governance forms and practices used by a large number of companies. I don't see how I could have prepared a governance review for our Board, or developed practical approaches to various Board processes, without the resources and networking available through ASCS".

DIRECTOR QUALIFICATIONS

The company's Board has adopted Independence Standards for service on Praxair's Board of Directors. The Standards were developed in-house but were informed by the many different independence definitions that exist in various rules and are propounded by governance commentators. The Standards were recently updated in light of the final NYSE governance standards just published. Praxair's Independence Standards can be accessed via the company's website.

In addition, the company's Corporate Governance Guidelines include a section on Director qualifications, and acknowledge the importance of having "a mix of perspectives, experience and competencies that are appropriate to the company's strategies, and its business, market, geographic, and regulatory environments." The company's Corporate Governance and Board Practices (also available on its governance website) summarize limits to service on additional boards, director tenure policies, and the minimum stock ownership guidelines for directors and for executives.

"The Board's Governance & Nominating committee is responsible for reviewing the Board's needs and composition to help ensure that the Board has the right expertise and experience," shares Bassett. In the event of a Board vacancy, the committee would evaluate the existing mix of skills and experience, and would consider needs and qualifications on a case-by-case basis, including director independence and unwritten but clearly understood threshold criteria such as ethics, integrity, and excellent reputation and record of accomplishment.

DIRECTOR TRAINING AND ORIENTATION

A customized package of materials is developed for any new directors, and meetings with senior executives occur to orient the new director to the company's business. Bassett states that the directors are responsible for determining their own specific ongoing continuing educational needs, but that the company has sponsored attendance at outside educational seminars, and provides informational presentations, updates and briefings as part of regular management and advisor presentations at Board and committee meetings.

SELF-ASSESSMENTS

The company's Board members perform annual self-assessments on both Board and committee performance. The process is an internal effort, with individual directors completing the assessment forms on an anonymous basis and the Board's Governance Committee collating and sharing the results with the overall Board. Bassett explains that the Board and the Audit Committee have performed self-assessments in the past, but that formalizing the practice of annual assessments and performing assessments for the other committees are new features. The self-assessment forms were developed in-house working from a variety of samples available through the American Society of Corporate Secretaries.

COMMUNICATIONS WITH THE BOARD

"The Board committee charters establish comprehensive oversight responsibilities which drive the annual cycle of meeting agendas and help ensure that issues are surfaced," shares Bassett. The company's ethics and compliance hotlines are one channel that Bassett describes as available for surfacing issues relating to audit or accounting matters. "The Audit Committee has insisted that any complaints or allegations that may involve accounting or financial reporting irregularities be reported to the Audit Committee right away, unscreened," says Bassett. On governance-related matters generally, Bassett explains that the Board's Governance committee receives regular communications on regulatory developments and other related issues of importance from him or from the company's General Counsel & Corporate Secretary.

ROLE OF IN-HOUSE LAWYERS

As Assistant Secretary, Bassett attends all Audit, Governance, and Finance Committee meetings. In addition, the company's Vice President, General Counsel & Secretary, David Chaifetz, attends all Board and committee meetings.

Bassett explains his view that companies need to have someone internally following governance developments and advising the Board on trends to stay ahead of the curve and to make recommendations. For Praxair, Bassett plays this role in support of the Corporate Secretary. In addition, Bassett recommends that another important role for in-house lawyers practicing in the governance area is to "pay attention to what the governance rating companies are saying about your company, and take the time to evaluate their data and respond effectively. Stay on top of these ratings by clarifying and providing accurate information on company governance practices." He notes "over the last year and a half, it has been almost a full time job to stay ahead of all of these issues."

Asked whether he has noticed any increase in a desire on the part of the Board for communications with lawyers, Bassett shares that there has been some increase in the context of governance rules and in helping to educate the Board on new requirements mainly flowing out of Sarbanes-Oxley.

LEADING PRACTICES

Asked which elements of Praxair's Board governance programs he would consider to be leading, Bassett said "the actual independence of our Board and our Independence Standards are leading practices." In addition, he points to the up-front placement of Business Integrity and Ethics and Compliance with Laws matters within the company's Corporate Governance Guidelines as an illustration of the company's belief that this is an essential foundation for effective corporate governance. Bassett also cites the company's director stock ownership guidelines (requiring directors to own at least five times the value of their base cash retainer) as a leading edge governance practice at Praxair.

ACC thanks Renee Dankner, former senior counsel to Mobil Oil Corp., for her work on this profile.

III. RESOURCE LIST

Please note that this listing does not constitute a recommendation or endorsement for any product, service or company. Please find below a list of resources identified by companies or by ACC as possible resources that may be helpful in developing Board governance practices materials.

CORPORATE GOVERNANCE GUIDELINE DOCUMENTS

Alcan, Inc.

Form: "Board of Directors Charter"

[http://www.alcan.com/corporate/AlcanCom.nsf/graphics/charters/\\$file/boar_dofdirectors_charter.pdf](http://www.alcan.com/corporate/AlcanCom.nsf/graphics/charters/$file/boar_dofdirectors_charter.pdf)

Avnet, Inc.

Form: "Corporate Governance Guidelines"

<http://www.avnet.com/investors/governance/guidelines/>

Bell Canada Enterprises

Form: "Statement of Governance Practices"

<http://www.bce.ca/en/governance/statement/tsx-guidelines-en.pdf>

ChevronTexaco

Form: "Governance Guidelines"

http://www.chevrontexaco.com/investor/corporate_governance/gov_guidelines.asp

Intel Corporation

Form: "Corporate Governance Guidelines"

http://www.intel.com/intel/finance/corp_gov.htm

Lyondell Chemical Company

Form: *"Principles of Corporate Governance"*

http://www.lyondell.com/html/investor/corporate_governance/principles.shtml

Praxair, Inc.

Form: *"Corporate Governance and Board Practices"*

<http://www.praxair.com/praxair.nsf/7a1106cc7ce1c54e85256a9c005accd7/e2ffd130ca1a2a5e85256ce80069a27a?OpenDocument>

SELF-ASSESSMENT FORMS/BOARD-LEVEL

Lyondell Chemical Company

Form: *"Board Evaluation"*

http://www.acca.com/protected/forms/governance/bod_evaluation.pdf

Anonymous Company

Form: *"Board Self-Assessment Questionnaire"*

http://www.acca.com/protected/forms/governance/bod_assessment.pdf

Anonymous Company

Form: *"Board Self-Assessment Questionnaire"*

http://www.acca.com/protected/forms/governance/board_selfassess.pdf

SELF-ASSESSMENT FORMS/DIRECTOR-LEVEL

Anonymous Company

Form: *"Director Self-Assessment Worksheet"*

http://www.acca.com/protected/forms/governance/dir_assessment.pdf

Anonymous Company

Form: *"Director Self-Assessment"*

http://www.acca.com/protected/forms/governance/dirself_assessment.pdf

SELF-ASSESSMENT FORMS/COMMITTEE LEVEL

Lyondell Chemical Company

Form: *"Audit Committee Evaluation"*

http://www.acca.com/protected/forms/governance/audit_evaluation.pdf

Lyondell Chemical Company

Form: *"Compensation Committee Evaluation"*

http://www.acca.com/protected/forms/governance/comp_evaluation.pdf

Form: *"Corporate Governance Committee Evaluation"*

http://www.acca.com/protected/forms/governance/corpgov_evaluation.pdf

Form: *"Executive Committee Evaluation"*

http://www.acca.com/protected/forms/governance/exec_evaluation.pdf

NACD Blue Ribbon Panel

Form: *"Audit Committee Self-Assessment Guide"*

<http://www.acca.com/protected/forms/enron/NACD-BRC6-Audit-Ap-B.pdf>

DIRECTOR ORIENTATION & EDUCATION POLICIES

Avnet, Inc.

Policy: *"Director Education Policy"*

http://www.acca.com/protected/forms/governance/dir_education.pdf

ChevronTexaco

Program Summary: *"Director Orientation Summary"*

http://www.acca.com/protected/forms/governance/bod_orientation.pdf

BOARD REFERENCE MANUAL INDICES

Avnet, Inc.

http://www.acca.com/protected/forms/governance/bod_reference.pdf

ChevronTexaco

http://www.acca.com/protected/forms/governance/bod_manual.pdf

MISCELLANEOUS RESOURCES & ARTICLES

Resource: Corporate Governance Criteria Chart

Cargill Incorporated

http://www.acca.com/protected/forms/governance/corpgov_compliance.pdf

Association of Corporate Counsel/National Association of Corporate Directors (NACD) Survey of Corporate Directors and General Counsel on the Role of Lawyers in Governance

http://www.acca.com/Surveys/resp_corpgov.pdf

Resource: The SEC Approves Final NYSE and NASDAQ governance rules:

<http://www.sec.gov/rules/sro/34-48745.htm>.

The final NYSE Rules: (the NASDAQ rules were not posted as of this publication)

<http://www.nyse.com/pdfs/finalcorpgovrules.pdf>

Articles titled:

"Corporate Social Responsibility: Back to Basics," General Electric's General Counsel, Ben Heineman (*ACC Docket*, January 2003) (based on his ACC Annual Meeting Keynote Address.

<http://www.acca.com/protected/pubs/docket/jf03/social1.php>

"GE: Governance Changes Lead to A Culture of Compliance," General Electric's General Counsel, Ben Heineman and others, interviewed in (*ACC Docket*, May 2002)

<http://www.acca.com/protected/pubs/docket/mj03/ge1.php>

Article sidebar: GE Governance Principles

http://www.acca.com/protected/pubs/docket/mj03/ge_principles.php

Article titled: *“Sidebar: The Blue Ribbon Committee’s Guiding Principles,”* from Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees (1999) (printed in ACCA Docket, May 2002 issue)

http://www.acca.com/protected/pubs/docket/mj02/audit_sideblue.php

Article titled: titled *“It’s Private Companies’ Turn to Dance the Sarbox Shuffle,”* written by ACC’s Susan Hackett

http://www.acca.com/public/article/corpresp/sarbox_shuffle.pdf

Article titled: *“Even Private Company Boards of Directors Are Changing,”* written by William M. Sinnett (*Financial Executive*, October 2003)

http://www.fei.org/mag/articles/10-2003_governance.cfm.

Article titled: *“Should Privately Held Companies and Nonprofit Organizations Comply with the Sarbanes-Oxley Act?”*

<http://www.amanet.org/press/amanews/SOX2003survey.htm>

ACC’s Corporate Compliance InfoPAK

<http://www.acca.com/protected/infopaks/compliance/INFOPAK.PDF>

ACC’s Corporate Responsibility Homepage

<http://www.acca.com/legres/corpresponsibility/index.php>

WEBSITES

Association of Corporate Counsel

<http://www.acca.com>

American Society of Corporate Secretaries

<http://www.ascs.org>

National Association of Corporate Directors

<http://www.nacdonline.com>

Please also note that many law firms have extensive corporate governance website resources available to you. We don’t know all of them, but have found the sites from Gibson Dunn & Crutcher (<http://www.gibsondunn.com>, click the homepage link to Sarbox resource center), and Weil Gotschal (<http://www.weil.com>, look for governance material under “publications”) to be especially helpful.