

Table of Recognized Best Practices for All Organizations

For consideration of the boards and executives of any organization, the following table summarizes practices recognized as important by one or more of the following four sources:

- “990” – Practices for which tax-exempt entities are required by the Department of Treasury and Internal Revenue Service to report in their Forms 990;
- “Breed” – Practices required of WorldCom in order for it to be discharged from bankruptcy. These practices were set forth in a report by Richard C. Breeden, the court-appointed corporate monitor of WorldCom;
- “CGQ” – Practices taken into account by Risk Management Group in issuing the ISS Corporate Governance Quotient used by institutional investors when considering investments in organizations; and
- “CMI” - Practices taken into account by GovernanceMetrics International in issuing its Accountability Ratings used by institutional investors when considering investments in organizations.

Therefore, the table reflects best practices of taxable as well as tax-exempt organizations, public as well as private companies, and ongoing concerns as well as those seeking permission to exit bankruptcy reorganization.

One of the benefits of the table is that draws best practices from a wide variety of sources. However, one of the detriments of the table is that it includes best practices that may be irrelevant to any particular organization. Accordingly, care should be taken in reviewing the table to parse those practices that may be relevant from those that are irrelevant for any particular organization.

Practice	Description	Source
Governing Board		
<i>Composition</i>		
Number of directors	<p>What is the number of directors?</p> <p>Is the number sufficient to provide the number needed for independent directors and directors of desired expertise and yet be small enough so that there is consistent attendance among all directors at meetings?</p>	990 Breed CGQ CMI
Outside and independent directors	<p>Is a substantial percentage of the board composed of outside directors?</p> <p>Is at least a majority of the board composed of independent directors?</p> <p>Is the number of directors who are independent sufficient to satisfy independence and best practice requirements for auditing, compensation, nomination, and other oversight committees?</p> <p>Does the board have a policy defining independence?</p>	990 Breed CGQ CMI
Expertise	<p>Does the board maintain a database of the expertise, skills and experience desired of current directors?</p> <p>Does the board maintain a database of the expertise, skills and experience desired of future directors?</p>	Breed
Age and tenure	Does the board maintain a database of the age and tenure of each board member?	Breed CGQ

Practice	Description	Source
		CMI
Former CEO	Does a CEO typically exit the board when ceasing to be CEO?	Breed CGQ, CMI
<i>Nomination and election</i>		
Classification	To what extent is the entire board elected at one time? If the board is classified, what are the number of classes and terms of each class? Are elections annual?	990 Breed CGQ CMI
Nominations	May persons other than the nominating committee make nominations? If so, what is the process for making nominations? May nominations be made from the floor of the meeting at which directors are elected?	Breed CGQ CMI
<i>Leadership</i>		
Independence	Is there an outside chairperson or designation of a lead outside director? If so, are his or her authority documented in governing documents, minutes or policies? Is a person precluded from serving more than a pre-determined number of consecutive terms as chairperson or lead outside directors?	Breed CGQ CMI
<i>Proceedings</i>		
Frequency of meetings	What is the frequency of regular meetings? What is the typical frequency of special meetings?	Breed CGQ CMI
Actions by written consent	Are there limits on authority that can be exercised by directors taking action by written consent? Must all directors consent to authorize actions by written consent? If not, is there a process for a director recording a negative vote?	Breed
Call for meetings by outside directors	May outside directors call special meetings? If so, may they call for separate meetings of the outside or independent directors? How many must make the call?	Breed
Attendance	What is the frequency of attendance of directors?	990 Breed CGQ CMI
Outside or independent director meetings	Do outside and independent directors have the opportunity to meet for some portion of the available time separately from the CEO or any members of management to review progress and direction?	Breed CGQ CMI
Location	Are meetings held at the organization's facilities so that board members can see operations? Do board members have responsibility for visiting the organization's facilities periodically?	Breed
Minutes	Are minutes prepared contemporaneously with the meeting? Are minutes circulated to all directors within a week after the proceeding? Are minutes reviewed by directors before being signed or entered into the record?	990 Breed CGQ CMI

Practice	Description	Source
Conflicts of interest		
	<p>Does the board have a conflicts of interest policy?</p> <p>Do board members and executives have responsibility annually to disclose outside personal and economic interests of the member, their family, and entities in which they are owners, directors, executives or substantial owners?</p> <p>Do board members and executives have responsibility to report possible transactions related to the organization before entering into such transactions?</p> <p>Does the board or a committee review and oversee the legality and ethicalness of related party transactions?</p> <p>Do board members and executives have responsibility to report board or executive positions held by them with other organizations?</p>	990 Breed CGQ CMI
Change in status	Status as defined in the Company's bylaws, he or she should tender a resignation to the board, which should then determine whether such changed circumstances make accepting the resignation desirable. Any breach of qualification standards or fiduciary duties to the Company should constitute a change in status.	Breed
Board Compensation		
Annual retainer	Is an annual retainer paid in a sufficient amount to compensate a director for the time he or she is expected to spend reviewing and considering matters outside of meetings?	Breed
Meeting fee	Is the meeting fee sufficient to attract attendance by a director rather than be present elsewhere?	
Training		
New directors	Are new directors required to complete a course of introduction to the organization?	Breed
Continuing education	Does the organization make available refresher training annually relating to accounting, governance, compensation, risk management, or industry trends or other subjects?	Breed
Committees		
Audit committee	<p>Is there a separate audit committee?</p> <p>To what extent is the audit committee composed of outside or independent directors?</p> <p>Are there requirements that audit committee members either have experience or obtain training to be able to understand the audit process, internal controls, and the organization's financial statements?</p> <p>Is the audit committee required to have at least one member with audit committee financial expertise?</p> <p>Is the person serving as audit committee chairperson required to rotate on a periodic basis?</p>	Breed CGQ CMI

Practice	Description	Source
	<p>Does the audit committee have authority to hire, discharge, determine the scope of work, and approve the fees of the outside auditor?</p> <p>Is the audit committee required to approve in advance any non-audit services to be performed by the outside auditor?</p> <p>Is the audit committee's authority and responsibilities and procedures for meeting and taking action set forth in a charter or another governing document, policy or minutes?</p> <p>Are minutes prepared of its proceedings? Are the minutes approved by the committee? Are the minutes circulated to other members of the Board?</p> <p>Does the audit committee have authority to retain its own counsel and other advisers?</p> <p>Does the audit committee meet on an annual or regular basis in executive session separately with each of the key members of management, including the chief executive officer, the chief legal officer, and the person responsible for internal controls?</p> <p>Are there annual training requirements for members of the audit committee?</p> <p>Does the audit committee have responsibility to evaluate itself as a committee? Its members contributions to the committee?</p>	
Compensation committee	<p>Is there a separate compensation committee?</p> <p>To what extent is the compensation committee composed of outside or independent directors?</p> <p>Is the person serving as compensation committee chairperson required to rotate on a periodic basis?</p> <p>Does the compensation committee have authority to determine, in executive session without participation of the CEO, the CEO's compensation? To review and evaluate the CEO's performance at least annually? To determine, or at least approve the CEO's determination, of the compensation of other executives reporting to the board or to the CEO? To review and evaluate, or review the CEO's review and evaluation, of such other executives?</p> <p>Is the compensation committee's authority and responsibilities and procedures for meeting and taking action set forth in a charter or another governing document, policy or minutes?</p> <p>Are minutes prepared of its proceedings? Are the minutes approved by the committee? Are the minutes</p>	990 Breed CGQ CMI

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	<p>circulated to other members of the Board?</p> <p>Does the compensation committee have authority to retain its own counsel and other advisers?</p> <p>Does the compensation committee meet on an annual or regular basis in executive session separately with each of the key members of management?</p> <p>Are there annual training requirements for members of the compensation committee?</p> <p>Does the compensation committee have responsibility to evaluate itself as a committee? Its members contributions to the committee?</p>	
Nominating committee	<p>Is there a nominating committee?</p> <p>To what extent is the nominating committee composed of outside or independent directors?</p> <p>Does the nominating committee have authority to identify expertise needed for the board? Search for and recruit candidates for nomination? Directly nominate such candidates for election? Approve candidate nominated by others? Adopt and maintain a succession plan for members of the board?</p> <p>Is the nominating committee's authority and responsibilities and procedures for meeting and taking action set forth in a charter or another governing document, policy or minutes?</p> <p>Are minutes prepared of its proceedings? Are the minutes approved by the committee? Are the minutes circulated to other members of the Board?</p> <p>Does the nominating committee have authority to retain its own counsel and other advisers?</p> <p>Does the nominating committee have responsibility to evaluate itself as a committee? Its members contributions to the committee?</p>	Breed CGQ CMI
Other committees		
	<p>Is there a committee with responsibility for requiring and reviewing a management succession plan?</p> <p>Is there a committee with responsibility for reviewing and overseeing management of risks to the enterprise?</p> <p>Is there a committee with responsibility for reviewing and overseeing the legal and ethical extent that the organization conducts business?</p>	990 Breed
Executive Compensation		
Independent oversight	Is approval by independent directors required of the CEO's compensation? Is approval by independent directors	990 Breed

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	required of other executives' compensation, or, if applicable, of the CEO's determination of other executives' compensation, or of the policies to which other executives' compensation is subject?	CGQ CMI
Peer data	Is compensation data of comparable peers taken into account in determining executive compensation?	990 Breed CGQ CMI
Documentation	Is the basis for the determination of each executive's compensation documented contemporaneously with the determination?	990 Breed CGQ CMI
Cash composition	Is cash rather than non-cash benefits, property or services the primary composition of executive compensation?	Breed
Performance pay	Is the portion of each executive's total compensation that is based upon performance of the enterprise, of a business unit, or of the executive personally sufficient to reduce the likelihood of entitlements?	Breed CGQ CMI
Change in control and severance pay	Are there limits on the amount of change-in-control and severance pay to which executives may become entitled so that such pay does not create a fiduciary problem for the board in consideration of friendly mergers or other transactions?	Breed CGQ CMI
Transparency of compensation in the income statement	Are all forms of compensation expensed, or otherwise transparent, on the organization's income statement unless expressly prohibited by GAAP	Breed CGQ CMI
Limitation on evergreen employment contracts	Are there limitations on evergreen, or automatically continuing, employment contracts?	Breed
Other Practices or Policies		
Whistle blower policy	Are there procedures known to employees for reporting information regarding possible violations of law or fiduciary duty, accounting or reporting irregularities?	990 Breed
Document retention policy	Are there procedures known to employees for retaining documents when required by law or if advisable for legal purposes?	990 Breed
Conflict of interest policy	Are there policies known to employees for reporting interests and avoiding conflict of interests?	990 Breed
Business conduct policy	Are there policies known to employees for appropriate business conduct?	Breed
Diversity practices	Are there practices to assure the attraction and retention of a diverse workforce?	Breed
Ethics program	Is there continuous education of employees on legal and ethical conduct?	Breed