

IV. Oversee Compliance with Legal and Regulatory Requirements

A. Compliance with Legal and Regulatory Requirements Affecting the Company’s Financial Reporting

Activity	Objectives	Key Questions	Timing Considerations
<p>Discuss with management, outside counsel and the outside auditors the Company’s compliance with legal and regulatory requirements that may affect the Company’s financial reporting.</p>	<p>Discuss with management and outside legal counsel legal and regulatory matters that may have a material impact on the Company’s financial statements, compliance policies. Review any material reports the Company has received from regulators or governmental agencies.</p> <p>Probe with the outside auditors as to whether there are any concerns regarding the Company’s compliance with legal and regulatory requirements that would affect the Company’s financial reporting.</p>	<p>Does the outside auditing firm have an understanding of the legal and regulatory framework applicable to the Company and its industry(ies) to design the scope of its audit in such a way as to test for compliance with applicable laws and regulations that have an effect on the determination of material amounts and disclosures in the Company’s financial statements?</p> <p>To augment its understanding, has the outside auditing firm:</p> <p>(1) inquired of management as to the laws and regulations that may be expected to have a fundamental effect on the Company’s operations?</p> <p>(2) discussed the legal and regulatory framework applicable to the Company’s subsidiary entities in other</p>	

Activity	Objectives	Key Questions	Timing Considerations
		<p>jurisdictions?</p> <p>How will the outside auditors test the Company's compliance with applicable laws and regulations?</p> <p>Will this include inspecting correspondence with relevant licensing or regulatory authorities?</p> <p>Has the outside auditing firm discussed with the Company's management the policies and procedures the Company has to further its compliance with such laws and regulations?</p> <p>In the course of the outside auditing firm's audit of the Company's compliance with applicable laws and regulations that may have an effect on the determination of material amounts and disclosures in the Company's financial statements, did any of the following come to the auditors' attention:</p> <p>(1) unauthorized or improperly recorded transactions?</p> <p>(2) payments for unspecified services or loans to consultants, related parties, directors, officers, employees or government officials?</p> <p>(3) sales commissions or agent's fees that appear excessive compared to those ordinarily paid by the Company or in the Company's industry?</p> <p>(4) the Company's sale or purchase of products or services at prices significantly above or below market?</p>	

Activity	Objectives	Key Questions	Timing Considerations
		<p>(5) unusual payments in cash, purchases in the form of cashiers' checks payable to the bearer, or transfers to numbered bank accounts?</p> <p>(6) unusual transactions with companies registered in tax haven jurisdictions?</p> <p>payments for goods or services made other than to the country from which the goods or services originated?</p> <p>(8) payments without proper exchange control documentation?</p> <p>(9) the existence of an information system failure, the result of which was an inadequate audit trail or insufficient evidence?</p> <p>(10) any governmental agency's investigation of the Company (or any of its affiliates), or the payment of any fines or penalties?</p> <p>Has the outside auditing firm's testing of the Company's compliance with such laws and regulations revealed one or more instances of non-compliance? Were there instances in which the audit evidence obtained by the outside auditing firm was not sufficient to establish non-compliance conclusively, but what evidence exists is strongly suggestive of non-compliance?</p> <p>If so, has the outside auditing firm, after seeking to understand the nature of the act or omission and the circumstances in which it has occurred, evaluated:</p>	

Activity	Objectives	Key Questions	Timing Considerations
		<p>(1) the potential financial consequences (e.g., fines, penalties, damages, threats of expropriation of assets, enforced discontinuation of operations, litigation)?</p> <p>(2) whether the potential financial consequences require disclosure?</p> <p>(3) whether the potential financial consequences are sufficiently serious as to call into question the accuracy (and fair presentation) of the Company's financial statements?</p> <p>Is the outside auditing firm of the view that there has been any effort to conceal any instance of non-compliance on the part of management or other personnel?</p> <p>Is the outside auditing firm of the view that the non-compliance was intentional?</p>	

IV. Oversee Compliance with Legal and Regulatory Requirements

B. Compliance with Legal and Regulatory Requirements Generally

Activity	Objectives	Key Questions	Timing Considerations
<p>Discuss, with <u>management</u> and chief compliance officer, the Company's compliance with legal and regulatory requirements.</p>	<p>Get an in-depth understanding of the Company's compliance programs, their scope, operation and effectiveness.</p>	<p>Has the Company's code of business conduct and ethics been developed based on a "due diligence" consideration of the legal and regulatory requirements of particular relevance to the Company and its business activities?</p> <p>Does the Company have other compliance policies and standards that are tailored to each of its business segments and business activities?</p> <p>Does the code of business conduct and ethics and/or other compliance policies and standards cover, among other things:</p> <ul style="list-style-type: none"> (1) insider trading laws ? (2) anti-money laundering laws? (3) price manipulation? (4) conflicts of interest? (5) protection and proper use of Company assets? (6) reporting of illegal or unethical behavior? <p>Are employees required to acknowledge reading the code</p>	<p>On an annual basis, the audit committee should review the Company's code of business conduct and ethics.</p> <p>Further, on an on-going basis, the audit committee should be briefed on any actual or alleged violations of the code.</p>

Activity	Objectives	Key Questions	Timing Considerations
		<p>of business conduct and ethics and other applicable compliance policies and standards and agree to comply with the same? Are employees asked to re-acknowledge their reading and agreement to comply with such policies on an annual basis?</p> <p>Do these compliance policies and standards encompass areas such as:</p> <ul style="list-style-type: none"> (1) antitrust compliance? (2) environmental law compliance? (3) employment law compliance? <p>How quickly does the Company disseminate information regarding new or amended laws and regulations to employees with a need to know?</p> <p>Are these policies and standards written in plain, understandable language?</p> <p>Does the Company communicate (through training or otherwise) that employees are encouraged to report the actual or potential misconduct of others to the chief compliance officer or other appropriate personnel, highlighting that no retaliation will be taken against anyone who does so?</p> <p>Has a convenient means of anonymously reporting actual or potential misconduct been set up?</p> <p>Has there been any area(s) of frequent or repeated</p>	

Activity	Objectives	Key Questions	Timing Considerations
		<p>violations?</p> <p>If so, what steps have been taken to prevent future violations?</p> <p>Are all employees required to participate in training with respect to the Company's code of business conduct and ethics and other applicable compliance policies?</p> <p>Does such training include communication of information on laws and regulations relating to their jobs?</p> <p>Does the Company augment its training programs by disseminating publications that explain in a practical manner what is required?</p> <p>Who is involved in the development and administration of training and preparation of publications?</p> <p>Are training sessions conducted in a manner to provide a written record that all employees designated to receive training have, in fact, been trained?</p> <p>Does the Company have a chief compliance officer who oversees compliance with the Company's compliance procedures and standards?</p> <p>Is the compensation of the chief compliance officer (and any other employee involved in a legal or regulatory assurance function) not linked in any way to the Company's earnings or performance?</p> <p>Does the chief compliance officer have reasonable access</p>	

Activity	Objectives	Key Questions	Timing Considerations
		<p>to senior management and the audit committee/board of directors?</p> <p>What recommendations has the chief compliance officer made to senior management regarding the compliance program within the last 12 months?</p> <p>Were those recommendations based, in part, on a testing of the effectiveness of the Company's compliance communication programs?</p> <p>How often does the Company test and audit compliance with the Company's compliance programs? Are the reports generated in connection with such activity made available to the audit committee?</p> <p>Does the Company engage independent third parties to periodically monitor and review the effectiveness of its compliance programs? If so, have the reports of such third parties been made available to the audit committee?</p> <p>Are there mechanisms in place to enforce the compliance policies and procedures and discipline violators?</p> <p>Is there a system in place to communicate corrective actions?</p> <p>Is there a system in place to discipline individuals responsible for the failure to prevent, detect or report a violation of the Company's compliance policies?</p> <p>Is there a system in place to take disciplinary action against any employee who engages in retaliatory practices</p>	

Activity	Objectives	Key Questions	Timing Considerations
		<p>against anyone who reports actual or potential misconduct?</p> <p>Is there a system in place to communicate the impact of the policies and procedures to those who developed them? Those that enforce them?</p> <p>Is the Company's chief legal officer or outside law firm consulted as to the appropriateness of reporting any violations of laws or regulations to the relevant governmental agency?</p>	