Director Notes
The 2010 Proxy Season

Enhanced Disclosure in the Dow 30 and Select Financial Companies

The Role of the Board in Risk Oversight

by Louis L. Goldberg and Mutya Fonte Harsch

The analysis of disclosure included in 2010 proxy statements by leading U.S. public companies shows that, at the board level, two models of risk oversight are emerging: the committee model and the active board model. A slight majority of the surveyed companies delegates the primary responsibility for coordinating risk oversight to a standing committee of the board (typically, the audit committee or, in the case of financial institutions, a dedicated risk committee). Even among organizations with the committee model, most reported that their board exercises some degree of direct and active oversight for risks related to the company's strategic direction and business plan.

In an attempt to address the perception that risk oversight failures played prominently in recent business crises, the SEC enacted Item 407(h) of Regulation S-K, which requires companies to disclose in their proxies, "the extent of the board's role in the risk oversight of the registrant, such as how the board administers its oversight function, and the effect that this has on the board's leadership structure."[1]

This *Director Notes* is the first in a series of studies developed in collaboration with Davis Polk & Wardwell LLP to provide guidelines and examples to member companies of The Conference Board on emerging practices following the SEC enhanced disclosure reform of December 2009. It is based on the analysis of 2010 proxy statements of the 30 companies in the Dow Jones Industrial Average as well as those of five additional select financial institutions (see "The Survey" on p. 3).

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Although the disclosure varies widely—reflecting the fact that companies are still at the early stage of the rule implementation and that interpretive guidance from the SEC remains somewhat limited—a number of important observations can be made. The results for financial companies are presented separately, in recognition of their particular approach to risk oversight in light of differences in their business model and regulatory regime. (See Appendix 1 on p. 8 for a comparative table reproducing the disclosure language used by surveyed companies.)

Chart 1

Risk Oversight Models – Non-financial companies

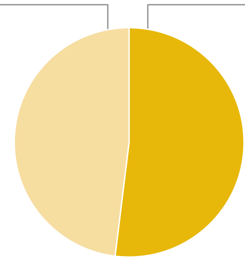
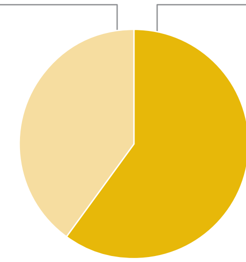


Chart 2

Risk Oversight Models – Financial companies



Risk Oversight at the Board Level

At the board level, two models of risk oversight seem to be emerging: the "committee model" and the "active board model," with significant variations within each. In a handful of cases, the disclosure is much less developed, making it difficult to determine whether the board or a committee had primary responsibility for risk oversight.

The committee model A slight majority of the non-financial companies surveyed for this study delegates the primary responsibility for coordinating risk oversight to the audit committee (or, in one case, to the risk committee), even though some of these companies have included in their proxies a statement to the effect that the full board retained "ultimate" responsibility in this area.

The duties of the relevant committee in this committee model vary, but typically include:

1. the responsibility for reviewing the company's risk oversight framework (i.e. the policies and procedures with respect to risk assessment and risk management); and

2. working with management to identify the company's major risk exposures and the steps taken to monitor and address such risks. In most of these cases, the audit committee or risk committee regularly report their risk oversight findings to the full board.

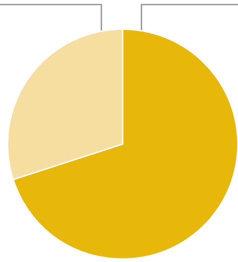
Of the companies surveyed for this study, 52 percent of the non-financials and 60 percent of the financials delegate the primary responsibility for coordinating risk oversight to the audit committee or a dedicated, stand-alone risk committee. The survey also revealed that only one non-financial company and four of the five financial companies surveyed have a stand-alone risk committee and charter.

The active board model In the active board model, boards retain primary responsibility for coordinating risk oversight functions, with individual board committees tasked to oversee specific risks. Under this model, either the full board or the audit committee reviews the company's risk oversight framework, and the board receives regular reports not only from board committees but also directly from the chief risk officer (CRO) and/or senior management regarding certain major risks facing the company and the steps taken by management to manage and mitigate those risks.

Strategic risk oversight Regardless of whether the board retains primary responsibility for risk oversight or delegates it to the audit committee or risk committee, a large majority of non-financial companies reported that their board exercises some degree of direct and active oversight for risks related to the company's strategic direction and business plans and for specifically identified risks.

Chart 3

Strategic Business Risk Oversight – Non-financial companies



Seventy percent of all non-financial companies surveyed included disclosure that the board retained direct oversight of strategic business risks at the board level. None of the financial companies surveyed included such disclosure.

Hybrid models in financial companies The risk oversight structure of financial companies generally contains aspects of both the committee model and the active board model. Three of the five financial companies surveyed report delegating primary risk oversight responsibility to the risk committee or audit committee, whereas the other two have active boards that retain primary responsibility for risk oversight and a direct reporting line between the CRO and the CEO or the board. All of the financials surveyed have a CRO. Only one of the financials surveyed does not have a formal risk committee and charter.

Of the four financial companies with a stand-alone risk committee and charter, two do not seem to delegate primary responsibility for the coordination of risk oversight to the risk committee but rather retain primary risk oversight responsibility with the full board.[2]

The Survey

Findings discussed in this report are based on the analysis of 2010 proxy statements filed with the U.S. Securities and Exchange Commission by corporations in the Dow Jones Industrial Average, as well as those of select financial institutions. See Appendix 1 on p. 8 for a comparative table reproducing the disclosure language used by surveyed companies.

Dow 30 Companies

3M Company
Intel Corporation
Alcoa Inc.
International Business Machines Corporation
American Express Company
Johnson & Johnson
AT&T Inc.
JPMorgan Chase & Co.
Bank of America Corporation
Kraft Foods, Inc.
The Boeing Company
McDonald's Corporation
Caterpillar Inc.
Merck & Co., Inc
Chevron Corporation
Microsoft Corporation[a]
Cisco Systems, Inc.[a]
Pfizer Inc.
The Coca-Cola Company
The Procter & Gamble Company[a]
E.I. du Pont de Nemours and Company
The Travelers Companies, Inc.
Exxon Mobil Corporation
United Technologies Corporation[a]
General Electric Company
Verizon Communications Inc.
Wal-Mart Stores, Inc.
Hewlett-Packard Company[a]
The Walt Disney Company[a]
The Home Depot, Inc.

Select Financial Institutions

Bank of America Corporation[b]
Citigroup Inc.
The Goldman Sachs Group, Inc.
JPMorgan Chase & Co.[b]
Morgan Stanley

[a] These companies (collectively the "Early Filers") filed their proxy statement before the effective date of the new Regulation S-K rules. As a result, they are largely excluded from the Survey results except in instances where the company provided the new disclosures in full voluntarily or the information was available from another source, as noted.

[b] Bank of America and JPMorgan Chase are also in the Dow 30.

Risk Management at the Management Level

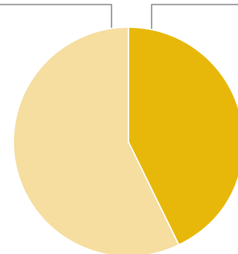
Although the SEC disclosure requirement focuses on the board's role in risk *oversight*, as opposed to risk *management*, many surveyed companies (as many as 43 percent in the non-financial sector) also included disclosure of their approach to risk *management* at the senior management level.

From this limited information, the following should be noted:

Efforts to integrate ERM Reflecting the prominence of risk issues in today's environment, more than two-thirds of the non-financial companies surveyed included a discussion of "enterprise" risk management in their disclosure. Of those companies, more than half specifically disclosed the adoption of a formal enterprise risk management (ERM) system (see "Enterprise Risk Management Framework" below). Though not discussed in detail, the ERM systems generally included a process by which management identified, monitored, and managed major risks. The remaining companies that decided not to cover enterprise risks in the filings either did not discuss their risk management approach at all or included a gen-

Chart 4

Risk Management Disclosure – Non-financial companies



Enterprise Risk Management Framework

Increasingly, boards and management teams are embracing the concept of enterprise risk management (ERM) to connect their risk oversight responsibilities with the desire to create and protect shareholder value. The ERM process was first formalized by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in guidelines released in 2004.[a] COSO's framework has since been adopted by a number of companies as a means by which to effectively manage risks across complex business units.[b]

The COSO guidelines define ERM as a process (developed under the oversight of the entity's board of directors, management and other personnel) that:

1. applies across the entire enterprise including in the creation of the entity's business strategy.
2. identifies potential risk events that may affect the entity.
3. ensures that risks are managed within the risk appetite of the entity.
4. provides reasonable means by which to measure the entity's achievement of objectives.

To implement the ERM framework, COSO highlights the following four areas:

- Understand the entity's risk philosophy and concur with the entity's risk appetite.
- Know the extent to which management has established effective enterprise risk management of the organization.
- Review the entity's portfolio of risk and consider it against the entity's risk appetite.
- Be apprised of the most significant risks and whether management is responding appropriately.

a Committee of the Sponsoring Organizations of the Treadway Commission (COSO), *Enterprise Risk Management–Integrated Framework*, September 2004. For guidelines on the role of the board of directors in the process, also see COSO, *Effective Enterprise Risk Oversight: The Role of the Board of Directors*, August 2009.

b For a number of notable case studies of ERM application driven by board members, see Matteo Tonello, *Emerging Governance Practices in Enterprise Risk Management*, The Conference Board, Working Group Report No. 1398, 2007.

eral statement that it is the responsibility of senior management to manage risk and bring the material risks to the attention of the board.

- Seventy percent of the non-financial companies surveyed used the word "enterprise" in their risk oversight disclosure, and 63 percent of those companies have a formal ERM framework in place.

The rise of the chief risk officer Those surveyed, non-financial companies that have either adopted a formal ERM system or discussed the management of "enterprise" risks in their disclosure also typically report availing themselves of a dedicated CRO or an existing officer (such as the VP of internal audit and corporate compliance) who also fulfills the same role. In most cases, the CRO (or equivalent) reports to the risk committee or audit committee. In a few cases, that person reports to the full board.

- Only three of the non-financial companies surveyed have a dedicated CRO, although six of the non-financial companies have existing officers who also fulfilled chief risk officer duties.
- One hundred percent of the financial companies surveyed have a CRO.

Even though all of the financial companies surveyed provided detailed disclosure of the firm's risk management structure and programs, surprisingly, most of them did not expressly mention "enterprise" risk in their discussion. The financial companies that discussed enterprise risks did so in the context of their ERM framework.

All of the financial companies surveyed have a dedicated CRO with detailed enterprise-wide responsibilities: in three cases the CRO reports to the risk committee or the audit committee, while in the other two the CRO reports directly to the board. This finding could indicate that even the companies that did not discuss "enterprise" risks in their disclosure may have a formal ERM-type system in place, but use a different terminology to identify it and describe it.

Other Observations

Even though the SEC rule suggests that companies address "the effect that the board's risk oversight role had on its leadership structure," only few surveyed companies actually included such disclosure. This may indicate that most issuers still have not identified any real linkage between the two aspects. Companies that included such disclosure did so in mostly conclusory terms.

Compensation risks are commonly discussed as among the risks overseen by the compensation committee. However, only a handful of companies addressed in the disclosure section on "board oversight of risk" the separate SEC requirement in new Item 402(s) of Regulation S-K that companies disclose compensation risks that are "reasonably likely to have a material adverse effect on the registrant." In the few cases where this rule was expressly addressed, the companies included an affirmative statement that no material adverse effect was likely.

All but one company provided the required board oversight of risk disclosure in a separately captioned section. The only company that did not do so included the same information within the description of the responsibilities of each of the board's committees.

Endnote

1 SEC Release No. 33-9089; 34-61175 ("Proxy Disclosure Enhancements"), December 16, 2009, available at www.sec.gov/rules/final/2009/33-9089.pdf. The rules apply to proxy and information statements, annual reports and registration statements under the Exchange Act, and registration statements under the Securities Act as well as the Investment Company Act. They do not apply to foreign private issuers. For an extensive discussion of the practical implications of the reform, see William M. Kelly and Mutya Fonte Harsch, "Directors' Duties Under the New SEC Rules on Disclosure Enhancement," *Director Notes* No. DN-005, February 2010.

2 Under The Wall Street Reform and Consumer Protection Act of 2010 (also known as the Dodd-Frank Act), the Federal Reserve is mandated to issue rules requiring bank holding companies with over $10 billion in assets to establish a risk committee of the board of directors.

Sample Risk Committee Charter*

Neither the NYSE nor Nasdaq requires a risk committee of the board of directors. Some companies, primarily financial institutions, have determined that having a separately designated risk committee is useful in helping to fulfill the board's risk oversight role. Other companies, however, might conclude that it is not necessary to have a separate risk committee and that an existing committee, typically the audit committee, should rather play a primary role in risk oversight.

Subject to the specific regulatory requirement of the Dodd-Frank Act that certain bank holding companies institute a risk committee of the board, the risk committee charter should be structured to best fit the needs of a particular company.

Presently, as a regulatory matter, risk committee members need not be independent.

In drafting a risk committee charter, attention should be paid to footnote "a" below for relevant NYSE/Nasdaq/SEC considerations, including possible corresponding changes to the audit committee or compensation committee charters, or the charters of other committees that may also share risk oversight in particular areas.

[COMPANY NAME]
A [Delaware] Corporation
(the "Company")

Risk Committee Charter[a]

Adopted _________, 20__

Purpose[b]

The Risk Committee is created by the Board of Directors of the Company (the "Board") to [assist the Board in its oversight of the Company's risk management] OR [assist the Board in its oversight of the Company's risk management and risk assessment regarding credit risk, market risk, liquidity risk, investment risk, interest rate risk and funding risk].

Membership

The Risk Committee shall consist of at least [three] members. The [Board] [Nominating and Corporate Governance Committee][c] shall recommend nominees for appointment to the Committee annually and as vacancies or newly created positions occur. Committee members shall be elected by the Board and may be removed by the Board at any time. The [Nominating and Corporate Governance Committee shall recommend to the Board, and the Board shall designate,][Board shall designate][d] the Chairman of the Committee.

Responsibilities[e]

In addition to any other responsibilities, which may be assigned from time to time by the Board, the Risk Committee is responsible for the following matters.

Risk Management Processes

Review and discuss with management the Company's [risk management and risk assessment processes][enterprise risk management framework], including any policies and procedures for the identification, evaluation and mitigation of major risks of the Company.

Receive periodic reports from management [and the internal risk management function][chief risk officer] as to efforts to monitor, control and mitigate major risks.

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* Prepared by Ning Chiu, a counsel in Davis Polk's corporate department who specializes in corporate governance matters.

a NYSE Sections 303A.07(b)(iii)(D) requires the audit committee to discuss policies with respect to risk assessment and risk management. According to the commentary, the audit committee must discuss guidelines and policies to govern the process by which the CEO and senior management assess and manage the listed company's exposure to risk. The audit committee should discuss the listed company's major financial risk exposures and the steps management has taken to monitor and control such exposures. The commentary indicates that while the audit committee is not required to be the sole body responsible for risk assessment and management, the committee must discuss guidelines and policies to govern the process by which risk assessment and management is undertaken. The commentary recognizes that many companies, particularly financial companies, manage and assess their risk through mechanisms other than the audit committee. The commentary goes on to state that the processes these companies have in place should be reviewed in a general manner by the audit committee, but they need not be replaced by the audit committee. Nasdaq does not have any particular requirements related to board or committee oversight of risk.

If this Risk Committee Charter is adopted, corresponding changes may need to be made to the Audit Committee charter or the charter of any other committee that is also responsible for specific elements of risk oversight, such as the Compensation Committee.

Item 407(h) of Regulation S-K requires disclosure of the extent of the board's role in the risk oversight of the company, such as how the board administers its oversight function, and the effect that this has on the board's leadership structure.

b Depends upon whether the Risk Committee is responsible for oversight of a company's general risk areas, or whether the Committee is responsible for oversight of specific risk areas.

c Depends upon how the Board chooses to assign this responsibility.

d Same as preceding footnote.

e Subject to the Dodd-Frank Act, with respect to certain bank-holding companies, the Risk Committee's responsibilities may be established by the Board. In addition, a regulated financial institution may wish to include specific responsibilities with respect to certain areas, such as risk tolerance or risk metrics.

Sample Risk Committee Charter continued

Review certain major categories of risk exposure of the Company such as operational, market, credit, interest rate, liquidity, and reputational risks, against any benchmarks or methodologies as appropriate.

[Evaluate senior management's performance in complying with risk-related policies and procedures].

Risk Management Function

[At least annually,] the Risk Committee shall evaluate the performance, responsibilities, budget, and staffing of the Company's risk management function.[f]

[At least annually,] the Risk Committee shall evaluate the performance of the [Chief Risk Officer][g] [senior officer or officers] responsible for the risk management function of the Company, and make recommendations to the Board and management regarding the responsibilities, [compensation], retention or termination of such officer or officers.

Coordination

The Chairman of the Risk Committee [shall coordinate with the Chairman of the Audit Committee and the Chairman of the Compensation Committee as necessary] OR [shall coordinate with the Chairman of the Audit Committee with respect to the Audit Committee's responsibilities as to risk assessment and risk management and the Chairman of the Compensation Committee as to the Compensation Committee's responsibilities with respect to the review and evaluation of risks in compensation arrangements].

Reporting to the Board

The Risk Committee shall report to the Board periodically. This report shall include a review of risk oversight processes, any issues that arise with respect to management's identification, review and mitigation of the Company's risks, the performance of the risk management function, and any other matters that the Risk Committee deems appropriate or is requested to include by the Board.

At least annually, the Risk Committee shall evaluate its own performance and report to the Board on such evaluation.

f If the company has a separate risk management function.

g If the company has a chief risk officer. Some companies may have a chief risk officer reporting directly (or on a dotted-line basis) to the Risk Committee.

The Risk Committee shall periodically review and assess the adequacy of this charter and recommend any proposed changes to the [Nominating and Corporate Governance Committee][Board].

Authority and Delegations

The Risk Committee is authorized (without seeking Board approval) to retain special legal, accounting, or other advisors and may request any officer or employee of the Company or the Company's outside counsel or independent auditor to meet with any members of, or advisors to, the Risk Committee.

The Risk Committee shall have available appropriate funding from the Company as determined by the Risk Committee for payment of:

- compensation to any advisers employed by the Risk Committee; and
- ordinary administrative expenses of the Risk Committee that are necessary or appropriate in carrying out its duties.

The Risk Committee may delegate its authority to subcommittees or the Chairman of the Risk Committee when it deems appropriate and in the best interests of the Company.

Procedures

The Risk Committee shall meet as often as it determines is appropriate to carry out its responsibilities under this charter, but not less frequently than quarterly. The Chairman of the Risk Committee, in consultation with the other committee members, shall determine the frequency and length of committee meetings and shall set meeting agendas consistent with this charter.

Limitations Inherent in the Risk Committee's Role

While the Risk Committee is responsible for reviewing the Company's oversight framework (i.e., policies and procedures with respect to risk assessment and management), it is the responsibility of the CEO and senior management to assess and manage the Company's exposure to risk.

Appendix 1

Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is “enterprise risk management” discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
3M	No.	Audit Committee has primary responsibility for risk oversight. Audit Committee required to discuss policies and procedures with respect to risk assessment and risk management, the company’s major risk exposures and the steps to address the risk. Compensation Committee is responsible for risks associated with compensation practices, including an annual review of the company’s risk assessment of its compensation and policies for its employees. Finance Committee reviews risks associated with the company’s capital structure, credit ratings and its cost of capital, long-term benefit obligations and its use of or investment in financial products, including derivatives used to manage risk related to foreign currencies, commodities and interest rates. Nominating and Governance Committee reviews risks associated with the overall governance and succession planning process to ensure that the company has a slate of future, qualified candidates for key management.	Board receives minutes and summaries of matters discussed in each of the committees that oversee risk. The CEO brings key business issues and risks to the board’s attention. Board may receive reports from executives responsible for managing a particular risk on how the risk is being managed and mitigated.	Not discussed.	No. The VP and General Auditor is responsible for leading the formal risk assessment and management process. Reports to Audit Committee.	The VP and General Auditor, through consultation with the company's senior management, periodically assesses the major risks facing the company and works with those executives responsible for managing each specific risk. The VP and General Auditor periodically reviews with the Audit Committee the major risks facing the company and the steps management has taken to monitor and mitigate those risks. The executive responsible for managing a particular risk may also report to the full board on how the risk is being managed and mitigated.	Yes. See “Risks delegated to committees – Compensation Committee.”
ALCOA	No.	Audit Committee oversees risk pertaining to (1) enterprise-wide risk management, which focuses primarily on the relationship between the commodity pricing of aluminum on the London Metal Exchange and major cost inputs, including foreign exchange rates and energy and (2) treasury risks (insurance, credit and debt), financial and accounting, legal and compliance risks, information technology security risks and other risk management functions. Public Issues Committee considers	Board considers strategic risks and opportunities and regularly receives detailed reports from the committees regarding risk oversight in their areas of responsibility. Board oversees processes established to report and monitor systems for material risks applicable to the company.	Yes. See “Risks delegated to committees – Audit Committee.”	None specified.	It is management’s responsibility to manage risk and bring to the board’s attention the most material risks to the company.	Yes. See “Risks delegated to committees – Compensation and Benefits Committee.” Statement that company determined that it is not reasonably likely that compensation and benefit plans

Appendix 1 continued

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ALCOA *continued*		risks related to the company's reputation and reviews risks related to the sustainability of its operations. Governance and Nominating Committee considers risks relating to succession planning and oversees the appropriate allocation of responsibility for risk oversight among the committees of the board. Compensation and Benefits Committee considers risks related to the attraction and retention of talent and risks relating to the design of compensation programs and arrangements.					would have a material adverse effect on the company.
AMERICAN EXPRESS	Yes.	Audit and Risk Committee (1) meets regularly in executive session with the CRO with regard to the company's risk management processes, controls and capabilities and (2) approves the ERM policy as well as risk policies in specific risk areas. Compensation Committee oversees executive compensation arrangements, including the company's actions to attract and retain executive talent, foster the appropriate linkage between pay and performance and develop compensation programs that are aligned with the company's risk management profile. Meets with the CRO to assess the effectiveness of the design and operation of the company's incentive compensation programs in controlling excessive risk taking.	Board oversees enterprise risks (unless the risk falls within the purview of a particular committee). Board monitors the "tone at the top" and culture of the company, oversees strategic risks through regular and comprehensive reviews of the company's strategies and plans and reviews specific risks as needed. Board approves decisions regarding major strategic initiatives, such as acquisitions and divestitures, major investments, financings and capital commitments.	Yes. The company's ERM process is used to aggregate, monitor, measure and manage risks. The ERM approach is designed to enable the board to establish a mutual understanding with management of the effectiveness of the company's risk management practices and capabilities, to review the company's risk exposure and to elevate certain key risks for discussion at the board level. ERM program is overseen by the CRO. The ERM Policy defines risk management objectives, risk appetite, risk limits and escalation triggers, and establishes the internal governance structure for managing	Yes. The CRO is an executive officer and a member of senior management. Reports to the Audit and Risk Committee.	Management identifies enterprise risks. There are individual management committees, e.g., ERM Committee, chaired by the CRO, and the Asset-Liability Committee, chaired by the CFO, which are responsible for implementing the ERM Policy across the company. The Audit and Risk Committee receives regular reports on risk management from the CRO and senior risk leaders in the areas of finance, funding and liquidity, compliance, fraud, technology and information security, and privacy, as well as on risk management practices generally.	Yes. See "Risks delegated to committees – Compensation Committee."

Appendix 1 continued

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American Express *continued*				risks. The ERM Policy focuses on the major risks that are relevant to the company, given its business model: credit risk (institutional and individual), operational risk, market risk and reputational risk.		See also "Is 'enterprise risk management' discussed?"	
at&t	No.	Audit Committee reviews and discusses with management the company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies. Also receives regular reports on completed internal audits of the financial, operating and compliance risk areas. Finance/Pension Committee reviews policies designed by management regarding financial and market risk and actions taken by management to control the risk (e.g., the nature and extent of insurance coverage, interest rate and foreign currency exposure, counterparty risk).	Board oversees and reviews certain aspects of the company's risk management efforts. Annually, the board reviews the company's strategic business plans, which includes evaluating the objectives of and risks associated with these plans (e.g., competitive, technology, economic).	Not discussed.	None specified, but disclosure states that company's chief audit executive meets annually in executive session with the Audit Committee. The chief audit executive reviews with the Audit Committee each year's annual internal audit plan, which is focused on significant areas of financial, operating and compliance risk.	Assessing and managing risk are the responsibilities of the management of AT&T. Members of the Finance and Compliance groups are responsible for managing risk in their areas and reporting regularly to the Audit Committee.	No.
Bank of America	Yes.	Enterprise Risk ("ER") Committee (1) oversees senior management's identification, planning for and management of material risks facing the company, (2) oversees establishment by management of risk policies and guidelines and systems to support control of market, interest rate and liquidity risk, (3) reviews management strategy, policy procedure for managing market risk, interest rate risk, liquidity risk and reputational risk and (4) oversees management activities with respect to capital management and liquidity	Board approves company's articulation of its risk appetite annually and approves, at a high level, following proposal by management, the company's framework for managing risk.	Yes, see "Risks delegated to committees." Audit, Credit and ER committees work in tandem to provide enterprise-wide oversight of risk.	Yes, the CRO is responsible for instituting risk management practices consistent with overall business strategy and risk appetite. Reports to CEO.	See "Is there a Chief Risk Officer?" GC manages legal risk and reports to CEO. Corporate General Auditor assesses the company's control environment and is independent of management. Reports directly to Audit Committee and administratively to	Yes. See "Risks delegated to committees – Compensation Committee."

Appendix 1 continued

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Bank of America *continued*		planning. Credit Committee (1) oversees credit exposures on enterprise-wide basis, (2) oversees management systems that support measurement and control of credit risk, (3) oversees management's response to trends in credit risk and (4) coordinates the oversight of credit risk with ER Committee. Compensation Committee (1) meets regularly with senior risk officers to review and evaluate risk in employee compensation programs and (2) discusses compensation risk for purposes of certifying that compensation programs do not drive inappropriate risks to company. Audit Committee (1) reviews with management and the General Counsel, the nature and status of significant legal matters and legal risks and (2) coordinates with ER Committee with respect to company's overall management and handling of risk in order to assist with operational and legal/compliance risk.				CEO.	
Boeing	No.	Audit Committee (1) discusses the company's overall risk assessment and risk management practices, per its charter, (2) performs a central oversight role with respect to financial and compliance risks and (3) reports on its findings at each regularly scheduled meeting of the full board after meeting with the SVP, Office of Internal Governance, the Corporate Auditor and the independent auditor, Deloitte & Touche LLP. Finance Committee assesses risks related to capital structure, significant	Board responsible for consideration and oversight of risks. Regularly reviews material strategic, operational, financial, compensation and compliance risks with senior management and in conjunction with its committees.	Not discussed.	None specified.	Not specified.	No.

Appendix 1 continued

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BOEING *continued*		financial exposures, risk management and major insurance programs, employee pension plan policies and performance and regularly evaluates financial risks associated with such programs.					
CAT	No.	Audit Committee reviews the company's risk assessment and risk management policies and procedures at least annually, including its major financial risk exposures and steps taken to monitor and control such exposures. Compensation Committee reviews risks created by compensation plans.	The risk oversight function is administered both in full board discussions and in individual committees that are tasked by the board with oversight of specific risks. Board oversees enterprise risk as part of its role in reviewing and overseeing the implementation of the company's strategic plans and objectives. Board and its committees regularly receive information and reports from management on the status of the company and the risks associated with the company's strategy and business plans.	Yes. See "Risks reviewed at the board level without committee."	None specified.	Not specified.	See "Risks delegated to committees – Compensation Committee."
Chevron	No.	Audit Committee assists board in monitoring the company's risk exposure and developing guidelines and policies to govern processes for managing risks and discusses its policies with respect to risk assessment and risk management in the context of compliance and internal controls. Receives annual reports from the company's Treasury Department. Board Nominating and Governance Committee assists board in monitoring risks incident to the company's governance structures	Board reviews portfolio, capital allocation and geopolitical risks in the context of its annual strategy session and the annual business plan and capital budget review. Board receives routine reports from management on risk matters in the context of the company's strategic, business and operational planning and decision making.	Not discussed.	None specified.	Management manages and monitors risks at all levels of the company, including operating companies, business units, corporate departments and service companies, and regularly reports to the board through presentations from various centers of management level risk expertise, including Corporate Strategic Planning, Legal,	Yes. See "Risks delegated to committees – Management Compensation Committee."

Appendix 1 continued

Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is “enterprise risk management” discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
Chevron *continued*		and processes. In connection with an annual evaluation of the company’s governance practices, the Committee discusses risk management in the context of general governance matters, including among other topics, board and management succession planning, delegations of authority and internal approval processes, stockholder proposals and activism, and D&O liability insurance. Public Policy Committee assists board in monitoring risks associated with the company’s role in the communities in which it operates. Routinely discusses risk management in the context of, among other things, legislative initiatives, environmental stewardship, employee relations, government and nongovernment organization relations and the company’s reputation. Management Compensation Committee assists board in monitoring risks associated with compensation programs and practices. Assisted by its own independent compensation consultant. Annually reviews the design and goals of compensation programs and practices in the context of possible risks to the company’s financial and reputational well-being.				Corporate Compliance, Health Environment and Safety, Global Exploration and Reserves, Corporation Finance, and others.	
Cisco Systems *Proxy filing precedes effective date of new SEC disclosure rules.*	No.	Finance Committee reviews insurance risk management policies and equity risk management policies and programs. Compensation Committee reviews compensation risk.	Not discussed.	Not discussed.	Not discussed.	Not discussed.	Yes. Disclosure includes statement that stock ownership guidelines for executive officers and directors discourage excess and unnecessary risk taking.

Appendix 1 continued

Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
Cisco Systems *Proxy filing precedes effective date of new SEC disclosure rules.* *continued*							The company's executive compensation is structured to prevent inappropriate risk taking by executives. The Compensation Committee believes that the focus on worldwide revenue and operating income growth as the performance targets encourages management to take a balanced approach that focuses on corporate profitability.
Citi	Yes.	Risk Management and Finance Committee enhances the board's oversight of risk management. Responsibilities include (1) reviewing risk management and compliance policies and programs for, and reports on, the company and its subsidiaries, (2) approving and adjusting risk limits subject to ratification by the board and (3) consulting with management on the effectiveness of risk identification, measurement and monitoring processes and the adequacy of staffing and action plans, as needed. Compensation Committee reviews compensation programs to ensure that they do not, among other things,	Board oversees the company's global risk management framework. Board receives a risk report from the CRO at each regularly scheduled board meeting, with respect to the company's approach to management of major risks, including management's risk mitigation efforts, where appropriate.	Yes. Risk Management and Finance Committee reports to the board regarding the company's risk profile, as well as its ERM framework including the significant policies, procedures and practices employed to manage risks in the company's businesses.	Yes. The CRO leads Global Risk Management, a company-wide function that is responsible for an integrated effort to identify, assess and manage risks that may affect the company's ability to execute on its corporate strategy and fulfill its business objectives. Reports primarily to the board. See "Risks reviewed at	Management is responsible for executing the company's risk management policies. See "Is there a Chief Risk Officer?"	Yes. See "Risks delegated to committees – The Compensation Committee."

Appendix 1 continued

Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
Citi *continued*		encourage unnecessary or excessive risk-taking.			the board level without committee."		
Coke	No.	Board implements risk oversight function both as a whole and through committees. Audit Committee oversees risks related to the company's financial statements, the financial reporting process, accounting and legal matters. Oversees the internal audit function and the company's ethics programs, including the Code of Business Conduct. Compensation Committee evaluates the risks and rewards associated with the company's compensation philosophy and programs. Reviews and approves compensation programs with features that mitigate risk without diminishing the incentive nature of the compensation. Finance Committee oversees certain financial matters and risks relating to pension plan investments, currency risk and hedging programs, mergers and acquisitions and capital projects. Public Issues and Diversity Review Committee oversees issues that could pose significant reputational risk to the company. Management Development Committee oversees management development and succession planning across senior management positions.	Board seeks to understand and oversee critical business risks. Risks are considered in virtually every business decision and as part of the company's business strategy. Effective risk oversight is an important priority of the board. The board has implemented a risk governance framework to understand critical risks in the company's business and strategy; allocate responsibilities for risk oversight among the full board and its committees; evaluate the company's risk management processes and see that they are functioning adequately; facilitate open communication between management and directors; and foster an appropriate culture of integrity and risk awareness. Annually, at least one meeting of the board is dedicated primarily to evaluating and discussing risk, risk mitigation strategies and the company's internal control environment. Topics include financial risks, political and regulatory risks, legal risks, supply chain and quality risks, information technology risks, economic risks and risks related to the company's transformation	Yes. The company has robust internal processes and a strong internal control environment to identify and manage risks and to communicate with the board, including an ERM program.	No. The Risk Management Committee is cochaired by the CFO and the GC.	The company has robust internal processes and a strong internal control environment to identify and manage risks and to communicate with the board. These include an enterprise risk management program, a risk management committee cochaired by the CFO and the GC, regular internal management disclosure committee meetings, Code of Business Conduct, robust product quality standards and processes, a strong ethics and compliance office and a comprehensive internal and external audit process.	Yes. See "Risks delegated to committees – Compensation Committee."

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Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is “enterprise risk management” discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
Coke *continued*			efforts. The board also discusses risk throughout the year in relation to significant risks and specific proposed actions.				
DuPont	No.	Each committee plays a key role in overseeing the company’s management of risks within the committee’s area of focus. Compensation Committee oversees management of risks relating to executive compensation practices. Audit Committee oversees management of accounting, auditing, external reporting and internal control risks. Corporate Governance Committee addresses risks associated with director independence and potential conflicts of interest. Environmental Policy Committee focuses on risks associated with emerging regulatory developments related to the environment. Science and Technology Committee considers key research and development initiatives and the risks related to those programs.	Board regularly reviews and discusses with members of management information regarding the company’s business disruption, economic, environmental, legal, regulatory, reputational, strategic, technological and other risks, their potential impact and the company’s risk mitigation efforts. Board regularly informed by its committees about relevant risks, enabling the board to coordinate risk oversight and relationships among the various risks.	Not discussed.	None specified.	Not specified.	Yes. See “Risks delegated to committees – Compensation Committee.”
Exxon	No.	Audit Committee oversees risks associated with financial and accounting matters, including compliance with legal and regulatory requirements, and the company’s financial reporting and internal control systems. Board Affairs Committee oversees risks associated with corporate governance, including board structure	Responsibility for risk oversight rests with the board. Committees help the board carry out this responsibility by focusing on specific key areas of risk inherent in the business. Board receives regular updates from the committees and at least annually	Not discussed.	None specified.	Not specified.	Yes. See “Risks delegated to committees – Compensation Committee.”

Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
EXXON *continued*		and director succession planning. Compensation Committee helps ensure that the company's compensation policies and practices support the retention and development of executive talent with the experience required to manage risks inherent to the business and do not encourage or reward excessive risk-taking by executives. Finance Committee oversees risks associated with financial instruments, financial policies and strategies and capital structure. Public Issues and Contributions Committee oversees operational risks such as those relating to employee and community safety, health, environmental and security matters.	participates in reviews with management addressing the progress of significant projects and operational activities. Updates are measured against benchmark expectations, all of which reflect identified risk factors and the impact of those identified risks on expected outcomes and results.				
General Electric	No.	Responsibility for the oversight of specific risks has been delegated to board committees. Audit Committee oversees risk policies and processes relating to the financial statements and financial reporting processes, as well as key credit, liquidity, and market risks and compliance, and the guidelines, policies and processes for monitoring and reporting. Public Responsibilities Committee oversees risks related to public policy initiatives, the environment and similar matters. Management Development and Compensation Committee monitors risks associated with management resources, structure and succession planning.	Board has overall responsibility for risk oversight with focus on most significant risks facing the company. At year-end, management and the board jointly develop a list of major risks to prioritize in the next year. The board and its committees dedicate a portion of their meetings to review and discuss specific risk topics in more detail. Strategic and operational risks are presented and discussed in the context of the CEO's report on operations to the board and regularly scheduled meetings.	Yes. The CRO oversees and coordinates risk assessment and mitigation on an enterprise-wide basis.	Yes. The CRO leads the Corporate Risk Function, which identifies key business risks, ensuring appropriate management of these risks within stated limits and enforcement through policies and procedures. Reports to the Corporate Risk Committee, a management committee composed of the Chairman and CEO and other	See "Is there a Chief Risk Officer?" In addition, the Policy Compliance Review Board, which meets between 12 and 14 times a year is chaired by the GC and includes the CFO and other senior level functional leaders.	Yes. See "Risks delegated to committees – Management Development and Compensation Committee."

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Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
General Electric *continued*		Nominating and Corporate Governance Committee oversees risks relating to governance structure and processes and risks arising from related-person transactions.			senior level business leaders. The Corporate Risk Committee reports to the board.		
Goldman Sachs	No.	Audit Committee regularly receives, reviews and discusses with management presentations and analyses, the company's aggregate risk exposures, including market, credit and operational risks and key information involving the company's funding and liquidity risk position. Audit Committee interacts frequently with the CRO and other key risk management executives, from both the control and business sides of the firm.	The board's oversight of the company's risk management process is effected primarily through the Audit Committee. The board reviews the company's strategy, which bolsters its ability to oversee the company's risk management process.	Not discussed.	Yes. The CRO is responsible for leading the company's overall risk management effort. Interacts frequently with Audit Committee and Compensation Committee. Reports to Audit Committee.	See "Is there a Chief Risk Officer?"	Yes. The company reviews its firm-wide compensation programs and policies to ensure that there are no risks arising from such programs and policies that are reasonably likely to have a material adverse effect on the firm. The CRO, the company's independent compensation consultant and senior members of both the revenue and control divisions are involved in this review process. In addition, the company's Compensation Committee reviews the company's compensation programs for consistency with the safety and soundness of our firm. Since the Compensation

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Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
Goldman Sachs *continued*							Committee includes all of the members of the Audit Committee, it is provided with a complete picture of the risk management process.
hp *Proxy filing precedes effective date of new SEC disclosure rules.*	No.	Audit Committee assists with risk assessment and risk management. Finance and Investment Committee reviews risk concentration.	Not discussed.	Not discussed.	Not discussed.	Not discussed.	Not discussed.
The Home Depot	No.	Audit Committee has primary responsibility for overseeing risk assessment and management, including the company's major financial exposures and the steps management has taken to monitor and control such exposures. Stays apprised of significant actual and potential risks faced by the company in part through review of quarterly reports from the Enterprise Risk Council ("ERC") and detailed presentations, at least annually, from the chair of the ERC regarding the company's risk assessment and management process. Also stays apprised of FCPA and anti-bribery risk from FCPA Oversight Committee. Leadership Development and Compensation Committee reviews risks that may be implicated by executive compensation programs and monitors the independence of the committee's compensation consultant. Nominating and Corporate Governance Committee oversees	Audit Committee reports to board at each quarterly board meeting. Board and Audit Committee receive presentations throughout the year from management regarding specific potential risks and trends as necessary. At each board meeting, Chairman and CEO address in a director-only session matters of particular importance or concern, including any significant areas of risk requiring board attention. Annually, through dedicated sessions focusing entirely on corporate strategy, the full board reviews in detail the company's short- and long-term strategies, including consideration of significant risks facing the company and	Yes. The ERC, composed of leaders from functional areas of the company, meets at least quarterly to coordinate information sharing and mitigation efforts for all types of risks. ERC reports to Audit Committee. FCPA Oversight Committee oversees enterprise-wide compliance with the FCPA and the anti-bribery laws of the jurisdictions in which we conduct business.	No. Chair of ERC is the VP of Internal Audit and Corporate Compliance. Reports the ERC's risk analyses to senior management regularly and attends each Audit Committee meeting.	Audit Committee relies on ERC (which is composed of leaders from the functional areas of the company and meets at least quarterly to coordinate information sharing and mitigation efforts for all types of risks) and the FCPA Oversight Committee.	No. See "Risks delegated to committees – Leadership Development and Compensation Committee."

Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
THE HOME DEPOT *continued*		risks related to governance policies and practices, including review and approval of any related party transactions and relationships involving directors and executive officers. Infrastructure Committee reviews risks related to corporate infrastructure.	their potential impact.				
IBM	No.	Each of three board committees (Audit, Directors and Corporate Governance and Executive Compensation and Management Resources) examines various components of enterprise risk as part of its responsibilities.	Board is responsible for overseeing management in the execution of its responsibilities and for assessing the company's approach to risk management. Overall review of risk is inherent in the board's consideration of the company's long-term strategies and in the transactions and other matters presented to the board, such as capital expenditures, acquisitions, divestitures and financial matters.	Yes. See "Risks delegated to committees."	None specified.	Senior management is responsible for assessing and managing the company's various exposures to risk on a day-to-day basis, including the creation of appropriate risk management programs and policies.	No.
intel	No.	Audit Committee oversees issues related to internal control over financial reporting. Finance Committee oversees issues related to the company's risk tolerance in cash-management investments. Compensation Committee oversees risks related to compensation programs.	Board is periodically briefed by management on risks that the company faces. In some cases, as with risks of new technology and risks related to product acceptance, risk oversight is addressed as part of the full board's engagement with the CEO and management. Board members assess and oversee the risks as a part of their review of the related business, financial or other activity of the company. The	Yes. See "Risks reviewed at the board level without committee."	None specified.	Management responsible for identifying risk and risk controls related to significant business activities; mapping the risks to company strategy; and developing programs and recommendations to determine the sufficiency of risk identification, the balance of potential risk to potential reward, the appropriate manner in	Yes. The company concluded that its compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the company. Detailed disclosure of analysis used to reach this

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Intel *continued*			full board also receives specific reports on enterprise risk management, in which the identification and control of risk are the primary topics of the discussion.			which to control risk and the support of the programs discussed below and their risk to company strategy. Management also provides briefs to the board on the significant voluntary and involuntary risks that the company faces and how the company is seeking to control risk if and when appropriate.	conclusion followed.
Johnson & Johnson	No.	Audit Committee meets in private sessions with each of the CFO, VP Human Resources and General Counsel, Chief Compliance Officer, VP Corporate Internal Audit, and representatives of the company's independent auditors at the conclusion of every regularly scheduled meeting, where aspects of risk management are discussed.	Oversight of risk management is ultimately the responsibility of the full board. Board receives regular reports on aspects of the company's risk management from senior representatives of the company's independent auditors. Board meets annually with members of management with primary responsibility for management of risk in their respective areas of responsibility, including the Chairman/CEO; CFO; Controller; Treasurer; VP Human Resources and General Counsel; Corporate Secretary; Chief Compliance Officer; VP Corporate Affairs, Government Affairs & Policy, Worldwide Operations, Science & Technology, Corporate Internal Audit and the Worldwide Chairman and Chief Compliance Officer of each of the company's business segments.	Not discussed.	None specified.	See "Risks reviewed at the board level without committee."	No.

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Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
JPMorgan	Yes.	Risk Policy Committee oversees senior management risk-related responsibilities including reviewing management policies and performance against the firm's policies and benchmarks. Audit Committee reviews with management the system of internal controls and financial reporting relied upon to provide reasonable assurance of compliance with the firm's operational risk management processes. Compensation Committee reviews the firm's compensation practices and the relationship among risk, risk management and compensation in light of the firm's objectives. Each committee oversees reputation risk issues within their scope of responsibility.	Board exercises oversight of risk management principally through the Risk Policy Committee and the Audit Committee. However, the board reviews selected risk topics directly as circumstances warrant.	Not discussed.	Yes. The CRO heads Risk Management and is a member of the firm's Operating Committee. Reports to the CEO and the board, primarily through the Risk Policy Committee.	Each line of business is responsible for managing its own risks, with its own risk committee and a chief risk officer. Risk Management is responsible for providing an independent firmwide function of risk management and controls and is headed by the firm's CRO. The Chief Investment Office and Corporate Treasury are responsible for managing the firm's liquidity, interest rate and foreign exchange risk. Legal and Compliance has oversight for legal and fiduciary risk.	Yes. See "Risks delegated to committee – Compensation Committee."
KRAFT	No.	Audit Committee reviews and discusses risk assessment and risk management guidelines, policies and processes by utilizing the company's ERM approach. After management reviews key risks with Audit Committee, the committee allocates responsibility to board or other committees depending on which is in the best position to review and assess both the risk exposures and the steps management has taken to monitor and control those exposures. Finance Committee reviews and reports to the board on financial risk management activities, such as foreign exchange, commodities,	Board responsible for overseeing the overall risk assessment and management processes. Board reviews food safety policies, procedures and programs, including those related to supply chain. Board also reviews strategies related to competition, including from private label and customer concentration.	Yes. See "Risks delegated to committees – Audit Committee." ERM approach designed in part to ensure that the board and relevant committees receive advice about and understand the company's risk management process, the participants in the process and the information gathered through the approach.	None specified.	Annually, management identifies key risks including strategic, financial, operational, legal and regulatory risks. Management reviews these risks with the Audit Committee.	Yes. See "Risks delegated to committees – Human Resources and Compensation Committee."

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KRAFT *continued*		interest rate exposure, insurance programs and terms of customer financing. Human Resources and Compensation Committee reviews compensation policies and practices for employees, including non-executive and executive officers, as they relate to risk management practices and risk-taking incentives.					
McDonald's	No.	Audit Committee considers audit, accounting and compliance risk and receives reports from the head of internal audit, the head of corporate tax, the General Counsel, the Chief Compliance Officer and the Chief Information Officer. Responsible for review of the company's major risk exposures (whether financial, operational or otherwise) and the steps management has taken to monitor and control such exposures, and for evaluating management's process to assess and manage the company's enterprise risk issues. Compensation Committee considers level of risk implied by compensation programs, including incentive compensation programs in which CEO and other employees participate. Governance Committee monitors potential risks to the effectiveness of the board, notably director succession and board composition and the principal policies that guide the company's governance. Corporate Responsibility Committee reviews risks to the business that may be entailed by trends in corporate social responsibility. Finance Committee reviews various	Board as a whole has responsibility for risk oversight, but committees also oversee the company's risk profile and exposures relating to matters within their scope of authority and report to the board about their deliberations. Board actively engaged in overseeing the company's strategic direction and objectives, taking into account the company's risk profile and exposures. Board conducts an annual in-depth review of the business, which includes consideration of strategic, operational, competitive, financial, compliance and other risk exposures. Board also regularly reviews leadership development initiatives and short- and long-term succession plans for the CEO and other senior management positions, including in the event of unanticipated vacancies in those offices.	Yes. See "Risks delegated to committees – Audit Committee."	None specified.	Not specified.	Yes. See "Risks delegated to committees –Compensation Committee."

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Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
McDonald's *continued*		financial policies implemented to manage financial risk exposures, such as those pertaining to the company's use of derivative instruments.					
MERCK	No.	Each committee of the board oversees specific areas of risk relevant to the committee through direct interactions with the CEO, members of the Executive Committee and the heads of business units and corporate functions. Audit Committee oversees risk relating to Finance, IT, Business Integrity and Sarbanes-Oxley reporting through its interactions with the CFO, Controller, and Head of Internal Audit. Audit Committee also oversees and reviews the ERM process to ensure it is robust and functioning effectively.	Through the ERM process, the full board has oversight of the most significant risks facing the company. Board committees may elevate certain risks to the board for consideration. Material risks may also be elevated through the CEO, Executive Committee and Chief Strategy Officer to the full board.	Yes. The ERM process was established to ensure a complete company-wide approach to risk over five distinct but overlapping core areas: (1) strategy (macro risks which may impact the company's ability to achieve long-term business objectives); (2) operations (risks in operations which may impact the company's ability to achieve business objectives); (3) compliance (risks related to compliance with laws, regulations and company policies); (4) reporting (risks to maintaining accurate financial statements and timely, complete financial disclosures) and (5) reputation and responsibility (risks which may impact the company's reputation or the well-being of the company or its employees). Goal of the ERM process is to provide an ongoing process, effected at all levels of the company across each business unit and corporate	None specified.	The CEO, members of the Executive Committee and the heads of business units and corporate functions interact with the board committees that oversee specific areas of risk.	No.

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MERCK *continued*				function to identify and assess risk, monitor risk, and agree on mitigating action.			
Microsoft *Proxy filing precedes effective date of new SEC disclosure rules.*	No.	Audit Committee responsible for inquiring about significant risks, reviewing our policies for risk assessment and risk management and assessing the steps management has taken to control these risks. Finance Committee responsible for policies for managing financial risk.	Not discussed.	Not discussed.	Not discussed.	Not discussed.	No.
Morgan Stanley	Yes.	Risk Committee (comprising solely nonmanagement directors) assists the board in oversight of (1) the company's risk governance structure, (2) the company's risk management and risk assessment guidelines and policies regarding market, credit and liquidity and funding risk, (3) the company's risk tolerance, including risk tolerance levels and capital targets and limits and (4) the performance of the CRO. Audit Committee retains responsibility for oversight of certain aspects of risk management, including review of the major operational, franchise, reputational, legal and compliance risk exposures of the company and the steps management has taken to monitor and control such exposure, as well as guidelines and policies that govern the process for risk assessment and risk management. Compensation, Management Development and Succession Committee ("CMDS") works with the CRO to evaluate whether	Board has oversight for the company's ERM framework and is responsible for helping to ensure that the company's risks are managed in a sound manner. The Risk Committee, Audit Committee and the CRO report to the board on a regular basis.	Not discussed.	Yes. See "Risks delegated to committees – Risk Committee."	The firm Risk Committee, a management committee appointed and chaired by the CEO that consists of the most senior officers of the company, including the CRO, Chief Legal Officer and CFO,oversee the company's global risk management structure. Responsibilities include oversight of the company's risk management principles, procedures and limits and the monitoring of capital levels and material market, credit, liquidity and funding, legal, operational, franchise and regulatory risk matters and other risks, as appropriate, and the steps management has taken to monitor and	Yes. See "Risks delegated to committees – CMDS Committee."

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Morgan Stanley *continued*		compensation arrangements encourage unnecessary or excessive risk-taking and whether risks arising from the company's compensation arrangements are reasonably likely to have a material adverse effect on the company.				manage such risks.	
Pfizer	No.	Audit Committee primarily responsible for overseeing ERM program. Meeting agendas include discussions of individual risk areas throughout year plus ERM process annually. Also has primary responsibility for compliance program. Compensation Committee considers the risks associated with the company's compensation policies and practices, with respect to both executive compensation and compensation generally. Each of the Corporate Governance and Science & Technology Committees oversees risks associated with its respective area of responsibility.	Board executes risk oversight responsibility directly and through its committees. Board considers specific risk topics, including risks associated with the company's strategic plan, capital structure and development activities. Board kept abreast of committees' risk oversight via reports of the committee chairman to the full board. Board receives detailed regular reports in connection with every regular board meeting, from heads of principal business and corporate functions that include discussions of risks and exposures in their respective areas of responsibility. Reports discussed, as necessary, at board meetings. Board routinely informed of developments that could affect risk profile.	Yes. Audit Committee has responsibility for overseeing the company's ERM program. Audit Committee discusses the ERM process annually.	No. The company's Chief Internal Auditor facilitates company's ERM program as part of strategic planning process under executive sponsorship of SVP and CFO and SVP and GC. Reports independently to Audit Committee.	Not specified.	Yes. See "Risks delegated to committees – Compensation Committee."

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Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
P&G *Proxy filing precedes effective date of new SEC disclosure rules.*	No.	Audit Committee responsible for the company's overall risk management process. Audit Committee charter states that the Audit Committee's review of risk management includes discussion of the following: guidelines and policies to govern risk assessment and risk management; the company's major risk exposures and the steps company management has taken to monitor and control such exposures; the status of the security for the company's electronic data-processing information systems, and the general security of the company's people, assets and information systems; the status of the company's financial instruments and the company's pension and insurance programs.	Not discussed.	Not discussed.	Not discussed.	Not discussed.	Not discussed.
TRAVELERS	Yes.	Risk Committee oversees the company's ERM activities generally. Receives reports from the company's management risk committee and the CRO regarding the interrelationships of risks, which enables a high degree of coordination between management and the board. Responsible for oversight of risks related to business operations including insurance underwriting and claims, reinsurance, catastrophe risk, credit risk in insurance operations, information technology and business continuity plans. Audit Committee oversees risks related to integrity of financial statements, including preparation and presentation and oversight of the process for establishing insurance reserves. Investment and Capital Markets Committee assists board in	Board reviews at least annually, significant risks that management, through ERM, has identified and then evaluates the allocation among various committees for each identified risk. Each committee periodically reports to board on its risk oversight activities.	Yes. The board's Risk committee is primarily responsible for the enterprise risk management program, but all board committees and a separate risk management committee are all involved in ERM. ERM is a company-wide initiative that involves the board and management identifying, assessing and managing risk that could affect the company's ability to fulfill business objectives or execute corporate strategy.	Yes. The CRO reports to Risk Committee.	A separate management risk committee reports to the board's Risk Committee. See "Is enterprise risk management discussed?"	

Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
TRAVELERS *continued*		exercising oversight of company's management of investment portfolio (including credit risk monitoring) capital structure, financing arrangements and liquidity. Compensation Committee oversees risks related to compensation programs including formulation, administration and regulatory compliance. Nominating & Corporate Governance Committee oversees risks related to corporate governance matters, succession planning, director independence and related-person transactions. Each committee is responsible for monitoring reputational risk to the extent arising out of allocated subject matter.					
United Technologies	No.	Audit Committee assists board in oversight of company's policies and practices to assess and manage exposure to risk. Audit Committee reviews company's major financial risk exposures and a number of operational, compliance, reputational and strategic risks, including steps to monitor and manage those risks. Also discusses company's overall risk policies and practices for ERM, including the delegation of oversight for additional areas of risk to other board committees. All other committees are responsible for oversight of risk management practices for categories of risks relevant to their functions. Finance committee oversees financial, capital and insurance risks.	Board as a group reviews risk management practices and a number of significant risks in the course of its review of corporate strategy, business plans, reports of board committee meetings and other presentations.	Yes. The company has adopted enterprise risk management policies based on the Integrated Framework of the Committee of Sponsoring Organizations ("COSO"). Under the company's policies, the presidents of each major business unit are responsible for identifying risks that could affect achievement of business goals and strategies, for assessing the likelihood and potential impact of significant risks, for prioritizing risks and actions to be taken in response and for	No. Per the company's ERM policy, the relevant presidents of major business units report to relevant committees and board. See "Is 'enterprise risk management' discussed?"	See "Is 'enterprise risk management' discussed?"	See "Risks delegated to committees – Compensation Committee."

Appendix 1 continued

Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
United Technologies *continued*		Public issues review committee oversees risk management policies and practices with regard to social responsibility, reputation, safety and the environment. Compensation Committee oversees compensation policies and practices as they relate to risk management.		regularly reporting to the CEO on actions to monitor and manage significant risks in order to remain within the company's range of risk tolerance. The CEO, CFO and GC periodically report on the company's risk management policies and practices to relevant board committees and to the full board.			
Verizon	No.	Each committee oversees management of risks that fall within its area of responsibility. Audit Committee reviews risk management and controls, including identifying and monitoring high-priority risks and developing effective mitigation strategies which management incorporates into its strategic decision making. Oversees operation of the company's ERM program. Meets privately with representatives from the company's independent registered public accounting firm, the SVP – Internal Audit and the GC. Provides reports to the board. Human Resources Committee considers the impact of the company's executive compensation program and the incentives created by the compensation awards that it administers, on the company's risk profile.	Board oversees management of risks inherent in operation of company's business and implementation of its strategic plan. Board performs this oversight role by using several different levels of review. In connection with its reviews of the operations of the company's business units and corporate functions, board addresses the primary risks associated with those units and functions.	Yes. Verizon has a robust ERM program. Audit Committee oversees ERM program, including the identification of the primary risks to the company's business and interim updates of those risks, and periodically monitors and evaluates the primary risks associated with particular business units and functions.	No. The SVP-Internal Auditing assists company in identifying, evaluating and implementing risk management controls and methodologies to address identified risks. Reports directly to Audit Committee.	Not specified.	Yes. The company reviews its compensation policies and procedures, including the incentives that they create and factors that may reduce the likelihood of excessive risk taking, to determine whether they present a significant risk to the company. Based on this review, the company concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the company.

Appendix 1 continued

Company (non-financial institution)	Formal Risk Committee/ Charter? (Y / N)	Risks delegated to committees (include name of committee and description of risks)	Risks reviewed at the board level without committee	Is "enterprise risk management" discussed? If yes, how?	Is there a Chief Risk Officer? If yes, to whom does he or she report?	Approach to allocation of risk to management	Compensation risk included in general risk discussion? If yes, how?
Verizon *continued*							See "Risks delegated to committees – Human Resources Committee."
Wal-Mart	No.	Audit Committee reviews and discusses with management the company's processes and policies with respect to risk assessment and risk management, including company's ERM program. Other board committees receive risk management updates on matters in which they are responsible for oversight.	Board receives information from management on a variety of matters, including operations, legal, regulatory, finance, reputation and strategy and any material risks involved in each matter. If a board committee (rather than the full board) receives an update from management on a particular matter, the chairperson of the relevant committee reports on the discussion to the full board during the board committee reports portion of the next board meeting. This enables the board and board committees to coordinate the risk oversight role.	Yes. See "Risks delegated to committees – Audit Committee."	None specified.	Members of management review and discuss risk management with board and provide board (or relevant board committee) with updates on company's risk management practices.	No.
Walt Disney *Proxy filing precedes effective date of new SEC disclosure rules.*	Not discussed.	Not discussed.	Not discussed.	Not discussed.	Not discussed.	Not discussed.	Not discussed.

About the Authors

Louis L. Goldberg is a member of Davis Polk's corporate department, practicing in the mergers and acquisitions group. His practice focuses on public and private mergers and acquisitions, private equity transactions, board and corporate governance advice, joint ventures, spinoffs and defensive assignments. Mr. Goldberg is recognized as a leading lawyer in several legal industry publications, including *Chambers Global: The World's Leading Lawyers for Business*. He is a *magna cum laude* graduate of the University of Cape Town Faculty of Law and earned a LL.M. degree from the University of Cambridge.

Mutya Fonte Harsch is an associate in Davis Polk's mergers and acquisitions group and a practice resources editor for the firm. She has published a number of articles on mergers and acquisitions matters and corporate governance issues. Before rejoining the firm, she was Assistant General Counsel to Warner Chilcott. Ms. Harsch is admitted to the bars of California and New York. She earned a B.A., with honors, from the University of California at Berkeley and a J.D. from the University of California at Berkeley (Boalt Hall) Law School.

About the Series Director

Matteo Tonello is director, corporate governance research, at The Conference Board in New York. For The Conference Board, Tonello has conducted governance and risk management analyses and research in collaboration with leading corporations, institutional investors, and professional firms. Also, he has participated as a speaker and moderator in educational programs on governance best practices. Recently, Tonello served as the co-chair of The Conference Board's Expert Committee on Shareholder Activism and as a member of the Technical Advisory Group to The Conference Board Task Force on Executive Compensation. Before joining The Conference Board, he practiced corporate law at Davis Polk. Tonello is a graduate of Harvard Law School and the University of Bologna.

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The Conference Board **www.conferenceboard.org**
The Americas 845 Third Avenue, New York, NY 10022-6600, United States / Tel + 1 212 759 0900 / Fax + 1 212 980 7014
Asia-Pacific SINGAPORE 8 Eu Tong Sen Street #22-81, The Central, Singapore 059818
HONG KONG Suite No. 2-3, 18/F, Queen's Place, 74 Queen's Road Central, Hong Kong SAR / Tel + 852 2804 1000 / Fax + 852 2869 1403
China Beijing Representative Office, 7-2-72 Qijiayuan, 9 Jianwai Street, Beijing 100600 P.R. China / Tel + 86 10 8532 4688 / Fax + 86 10 8532 5332 / www.conferenceboard.cn
Europe Chaussée de La Hulpe 130, box 11, B-1000 Brussels, Belgium / Tel + 32 2 675 54 05 / Fax + 32 2 675 03 95
South Asia A-701 Mahalaxmi Heights, Keshavrao Khadye Marg, Mahalaxmi (East), Mumbai 400 011 INDIA / Tel + 91 99 87548045