

*As revised at the November 17, 2002 Board of Directors' Meeting*

## **I. PURPOSE**

The Audit and Finance Committee ("AFC") is appointed by the Board of Directors to assist the Board (1) in fulfilling its audit oversight responsibilities and (2) in the review and approval of corporate financial policy and strategy.

In its audit oversight role, the AFC shall have the following primary duties and responsibilities:

- To review the integrity of the Corporation's financial statements, financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance;
- To assist the Board in its oversight of the Corporation's compliance with legal and regulatory requirements;
- To review the independence, qualifications and performance of the Corporation's independent auditor and internal auditing department;
- To provide an avenue of communication among the independent auditor, management, the internal auditing department, and the Board of Directors; and
- To prepare the report that SEC rules require to be included in the Corporation's annual proxy statement.

In its role overseeing financial policy and strategy, the AFC shall be responsible for the review and oversight of the following areas:

- Capital Structure;
- Financial Operations;
- Banking;
- Employee Benefit Plan Assets and Investment Strategy; and
- Financial Organization.

The AFC shall have the authority to conduct any investigation appropriate to fulfilling its responsibilities and it shall have direct access to the independent auditor as well as to anyone in the Corporation. In fulfilling its audit oversight responsibilities, the AFC shall have the ability to retain, at the Corporation's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

## **II. AUDIT AND FINANCE COMMITTEE COMPOSITION AND MEETINGS**

The AFC shall be composed of three or more directors as determined by the Board, each of whom shall be independent nonemployee directors, free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the AFC shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the AFC shall have accounting or

related financial management expertise. AFC members shall be appointed by the Board, which shall also elect one AFC member as Chairman of the AFC.

The AFC shall meet at least four times annually, or more frequently as circumstances dictate. An agenda shall be circulated in advance of each meeting. The AFC should meet regularly and privately in executive session and separately with management, the director of the internal audit department, the independent auditor and as a committee to discuss any matters that the AFC or any of these groups believe should be discussed. In addition, the Chairman of the AFC should communicate with management and the independent auditor quarterly to review the Corporation's financial statements and significant findings based upon the auditor's limited review procedures.

**III. AUDIT AND FINANCE COMMITTEE RESPONSIBILITIES AND DUTIES**

A. Audit Oversight. In its audit oversight role, the AFC shall have the following responsibilities and duties:

Review Procedures

1. Review and reassess the adequacy of this Charter at least annually. Submit the Charter to the Board of Directors for approval and have the document published at least every three years in accordance with SEC regulations.
2. In consultation with management, the independent auditor and the internal auditors, consider the integrity of the Corporation's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the independent auditor and the internal auditing department, together with management's responses thereto.
3. Review and discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Review should include discussion with management and independent auditor of significant issues regarding accounting principles, practices and judgments. Discuss any significant changes to the Corporation's accounting principles and any items required to be communicated by the independent auditor in accordance with SAS 61. The Chairman of the AFC may represent the entire AFC for purposes of this review. It is management's responsibility to prepare financial statements in accordance with GAAP and to ensure that financial statements filed with the SEC fairly and accurately represent the financial condition of the Corporation. Furthermore, management is charged with fully briefing the Committee on significant issues regarding accounting principles, practices and judgments.
4. Review and discuss with management and the independent auditor: (a) any material arrangements or transactions that are not reflected on the Corporation's financial

statements and (b) any material related party transactions involving terms that differ from those that would typically be negotiated with independent parties.

Independent Auditor

5. Sole authority and responsibility to retain and terminate the Corporation's independent auditor and to annually reconfirm their appointment and, where necessary, their discharge. The independent auditor is ultimately accountable to the AFC and the Board of Directors. Review the independence and performance of the independent auditor.
6. Approve the fees and other significant compensation to be paid to the independent auditors. The Committee is directly responsible for the oversight of the independent auditor and has sole authority and responsibility for their appointment, termination and compensation (subject, if applicable, to shareholder ratification). The independent auditor will report directly to the Committee and the Committee will be responsible for the resolution of any disagreements between management and the independent auditor regarding financial reporting.

The Committee shall approve all audit fees and terms and all non-audit services provided by the independent auditor, and shall consider whether these services are compatible with the auditor's independence. Any member of the Committee, who is an independent member of the Board of Directors, may approve additional proposed non-audit services that arise between Committee meetings provided that the decision to pre-approve the service is presented at the next scheduled Committee meeting.

In evaluating non-audit services, the Committee will weigh such factors as the benefits provided by the auditor's familiarity with the Corporation, its controls, processes, tax position, and overall business strategy, and the extent to which the services may provide insight to the accounting firm in performing the audit of the Corporation.

The Committee will establish policies and procedures for the engagement of the independent auditor to provide non-audit services.

In connection with the annual proxy statement, the Committee will consider and report whether the provision of non-audit services is compatible with the auditor's independence.

7. The Committee shall, at least annually, obtain and review a report by the independent auditors describing: (a) the outside auditors' internal quality control procedures (b) any material issues raised by the most recent internal quality-control review or peer review of the outside auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the outside auditors, and any steps taken to deal with any such issues.
8. On an annual basis, review and discuss with the independent auditor all significant relationships they have with the Corporation.

9. Review the independent auditor's audit plan. Discuss scope, staffing, locations, reliance upon management and internal audit and general audit approach.
10. Consider the independent auditor's judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting, including any audit problems or difficulties and management's response.
11. Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
12. Review and approve in advance the hiring as an employee of the Corporation any employee or former employee of the Corporation's independent auditor.

Internal Audit Department and Legal Compliance

13. Review the budget, plan, changes in plan, activities, organizational structure, and qualifications of the internal audit department, as needed.
14. Review the appointment, performance and when necessary replacement of the senior internal audit executive.
15. Review significant reports prepared by the internal audit department, together with management's response and follow-up to these reports.
16. On at least an annual basis, review with the Corporation's counsel any legal matters that could have a significant impact on the Corporation's financial statements, compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

Other AFC Audit Oversight Responsibilities

17. Annually prepare a report to stockholders as required by the SEC. The report should be included in the Corporation's annual proxy statement.
18. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the AFC or the Board deems necessary or appropriate.
19. Maintain minutes of meetings and regularly report to the Board of Directors on significant results of the foregoing activities.
20. Establish, review and update periodically the Corporation's Code of Ethics and ensure that management has established a system to enforce this Code.
21. Through the Corporation's Chief Ethics Officer pursuant to the procedures set forth in the Corporation's Code of Ethics, manage the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting

controls, or audit matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

22. Annually review policies and procedures, audit results associated with directors' and officers' expense accounts and perquisites and evaluate the performance of the AFC. Annually review a summary of directors' and officers' related party transactions and potential conflicts of interest.

**B. Finance Oversight. In its finance oversight role, the AFC shall have the following responsibilities and duties:**

Capital Structure

1. Review and recommend to the Board approval of the capital structure and the financing plan for the year including approval of short-term and long-term debt programs.
2. Review dividend strategy.
3. Review financing strategies for product/business acquisitions and divestitures of more than \$10 million.
4. Review interest rate and currency exposure management and hedging strategies and monitor performance.
5. Review and evaluate financial management strategies designed to enhance stockholder value.
6. Review cash flow forecasts on quarterly basis.
7. Review strategy for investment of corporate funds and monitor performance.
8. Review balance sheet performance.
9. Review recommendations regarding stock splits and treasury share purchases.
10. Review periodically the geographical source of the Corporation's earning power and the location of the Corporation's principal assets.

Financial Operations

11. Review long-term tax strategy, the annual tax rate calculation and the repatriation of Corporation earnings. Monitor effects of U.S. and international tax regulations.
12. Review risk assessment, risk management and insurance programs.

Banking

13. Review the major commercial banking, financial consulting and other financial relations of the Corporation to assure adequacy of coverage.

Employee Benefit Plans

14. Review the performance of the Corporate Benefits Committee with respect to plan actuarial assumptions, accounting determinations, funding levels, asset investment and allocation strategies, manager and trustee selection and overall operations.
15. Review areas of peripheral overlap with the Organization and Compensation Committee.

Financial Organization

16. Review and evaluate the Corporation's financial organization, staffing thereof, and succession planning.