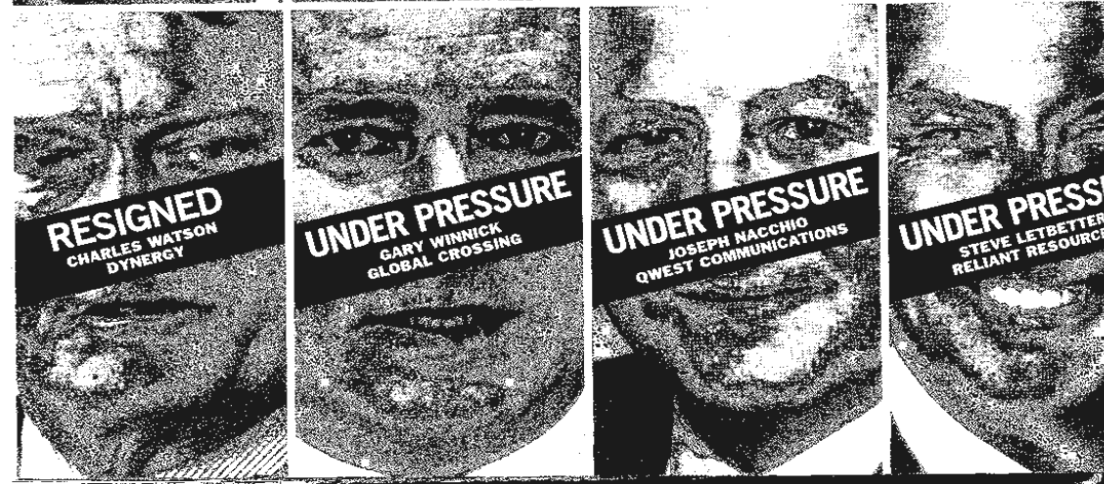




# Corporate Governance

StrategyOne/Edelman PR Worldwide



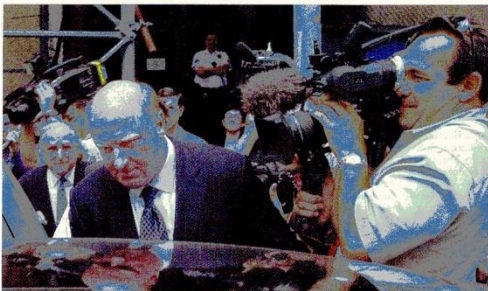
---

# **THE SITUATION: CONFIDENCE IN BUSINESS IN TAILSPIN**



# Every Week, A New "Enron"

## News: Analysis & Commentary



**COURT DATE**  
Kozlowski (left) is charged with tax evasion. DA Morgenthau (above) with a photo of a Monet

### FINANCE

## CAN TYCO SURVIVE THE CEO'S MATH?

Its problems will worsen if CIT triggers a huge writedown

lion shares. Rob Plaza, an analyst at Morningstar Inc., believes that if the CIT sale goes badly, "there is a very real risk of a Chapter 11 filing."

Tyco Executive Vice-President J. Brad McGee argues that Tyco has the wherewithal to handle its \$2.4 billion debt load. "The concept of Chapter 11 is very remote," he says. But critics worry that will no longer be the case if Tyco is forced to take a huge haircut on the value of its assets. Since mid-2000, Tyco has spent some \$24 billion on acquisitions. The amount of goodwill on Tyco's

The Emperor of Greed

What's Cool in Tech

Home Depot's CEO Has Something to Prove

# FORTUNE

DISPLAY UNTIL JULY 1, 2002 / \$4.99

# System Failure

Corporate America, we have a crisis.  
ways to restore investor confidence.

## Goldman Chief Urges Reforms In Corporations

By PATRICK MCGEEHAN

WASHINGTON, June 5 — In a rare public appearance, the chairman and chief executive of Goldman Sachs, Henry M. Paulson Jr., called for changes today in how public companies are run, audited and regulated to help restore investor confidence.

Mr. Paulson said faith in corporate executives was at a low and was forestalling a recovery in financial markets. He proposed several measures to rebuild trust, including restrictions on the ability of chief executives to sell shares of their own companies.

Tracing the crisis back to the collapse of the Enron Corporation last fall, Mr. Paulson said during a lunch meeting at the National Press Club here. "I cannot think of a time when

## America's Corporate meltdown

WorldCom faces fraud charges in the latest scandal to shake consumer and investor faith

## WORLD COM

WorldCom Admits overstating cash flow by \$3.9 billion in past five quarters.



Adelphia Cable company's dealings with founder, family questioned.



Enron Partnerships started accounting scandal.



Dynegy CEO resigns after energy traders are questioned.



Arthur Andersen: Convicted of obstructing justice in Enron case.



Global Crossing: Telecom giant under SEC probe for accounting.



Rite Aid: Former executives indicted in scheme to inflate profits.



ImClone Systems: Bio-tech ex-CEO faces insider-trading charges.



Tyco International: Ex-CEO charged with evading taxes on art.

www.usatoday.com

USA TODAY

# Money

SECTION B

Thursday, June 27, 2002

## Moneyline

### Wednesday markets



Index	Close	Change
Nasdaq composite	1429.33	↓ 5.34
Standard & Poor's 500	973.53	↓ 2.61
Treasury bond, 30-year yield	5.43%	↓ 0.03
Treasury note, 10-year yield	4.74%	↓ 0.08
USA TODAY Internet 50	66.94	↓ 0.54
e-Business 25	63.41	↓ 0.54
e-Consumer 25	83.07	↓ 1.09
Oil, light sweet crude, barrel	\$26.76	↓ 0.44
Euro (dollar per euro)	\$0.9118	↓ 0.0135
Yen per dollar	119.15	↓ 2.25

Large U.S. airports  
international airports  
in first quarter:  
(number of passengers)

Tokyo: 426,355  
London Heathrow: 395,300  
Toronto Pearson International: 321,976  
Paris Charles de Gaulle: 268,721

### Business travel

By Alison Maxwell

**Airport rules:** Airline club members must now have a scheduled meeting in order to pass through security checkpoints without a day-of-departure ticket, the Transportation Security Administration says. They must call the club in advance to schedule a meeting so they can be placed on a daily security checkpoint list. The TSA changed the policy after officials discovered that some club members were using their membership cards to pass through security for reasons other than business. The TSA has also banned passengers from bringing open food and beverage containers through security checkpoints.

► More travel news at travel.usatoday.com

TRAVEL MADE EASY

Every Day Deals. The low fares you want, whenever you want.

Find great low fares every day of the year with Every Day Deals from Northwest Airlines. See page 12A.

nwa.com 1-800-225-2255

NORTHWEST AIRLINES

### WorldCom's wrong numbers

## WorldCom in 'death spiral'

Most experts see telecom headed into bankruptcy protection

## Rivals may snag best customers

By Paul Davidson

USA TODAY

WorldCom's lucrative business customers could

### Top bankruptcy filings

If WorldCom files Chapter 11, it would be the largest bankruptcy filing ever, at \$103.8 billion in assets.

Total assets, pre-bankruptcy filing

Enron: \$73.4 billion

WorldCom: \$103.8 billion

Financial Corp. of America: \$33.0 billion

Global Crossing: \$25.4 billion

Source: Bankruptcy.com, USA Today research

More coverage

By Thor Valdemar and Andrew Backover  
USA TODAY

Bankruptcy court may be the only refuge for WorldCom.

After disclosing what could be one of the biggest accounting frauds in corporate history, the nation's No. 2 long-distance provider has set off a chain of events that could see it filing for Chapter 11 bankruptcy-court protection within months, if not weeks.

During a conference call Wednesday morning that lasted less than an hour, 21 creditor banks met to discuss the potential in-

Cover

---

# **UNDERSTANDING THE IMPACT: POLL RESULTS**

# Methodology

---

- Research among 850 Opinion Leaders
  - 400 U.S. Opinion Leaders
  - 450 European Opinion Leaders across the U.K, France and Germany
- Opinion Leaders are respondents:
  - Aged 35-64
  - Household income \$100K+ in US, \$75K+ in Europe
  - College educated
  - Business and Media Attentive
- Interview averaged 20 minutes in duration
- Research conducted June 10-24, 2002

# Executive Summary

---

- Favorability and trust have hit plateau...but it is a low plateau
  - European audience more cynical than US, but US audience is catching up
- Problems are perceived to be pervasive, businesses ability to monitor and fix are doubted
  - Elites assume shady behavior behind board doors
  - C-Suite (high level, board?) transparency is needed...above and beyond
- American business and brands are burdened by policy issues (European perception under influence)

---

# **MEASURING ATTITUDES: THE BIG PICTURE**

---

**Business (in general) retains some equity in hostile environment....**



**In the face of the storm, US opinion leaders have not yet lost favorability/trust toward business.**



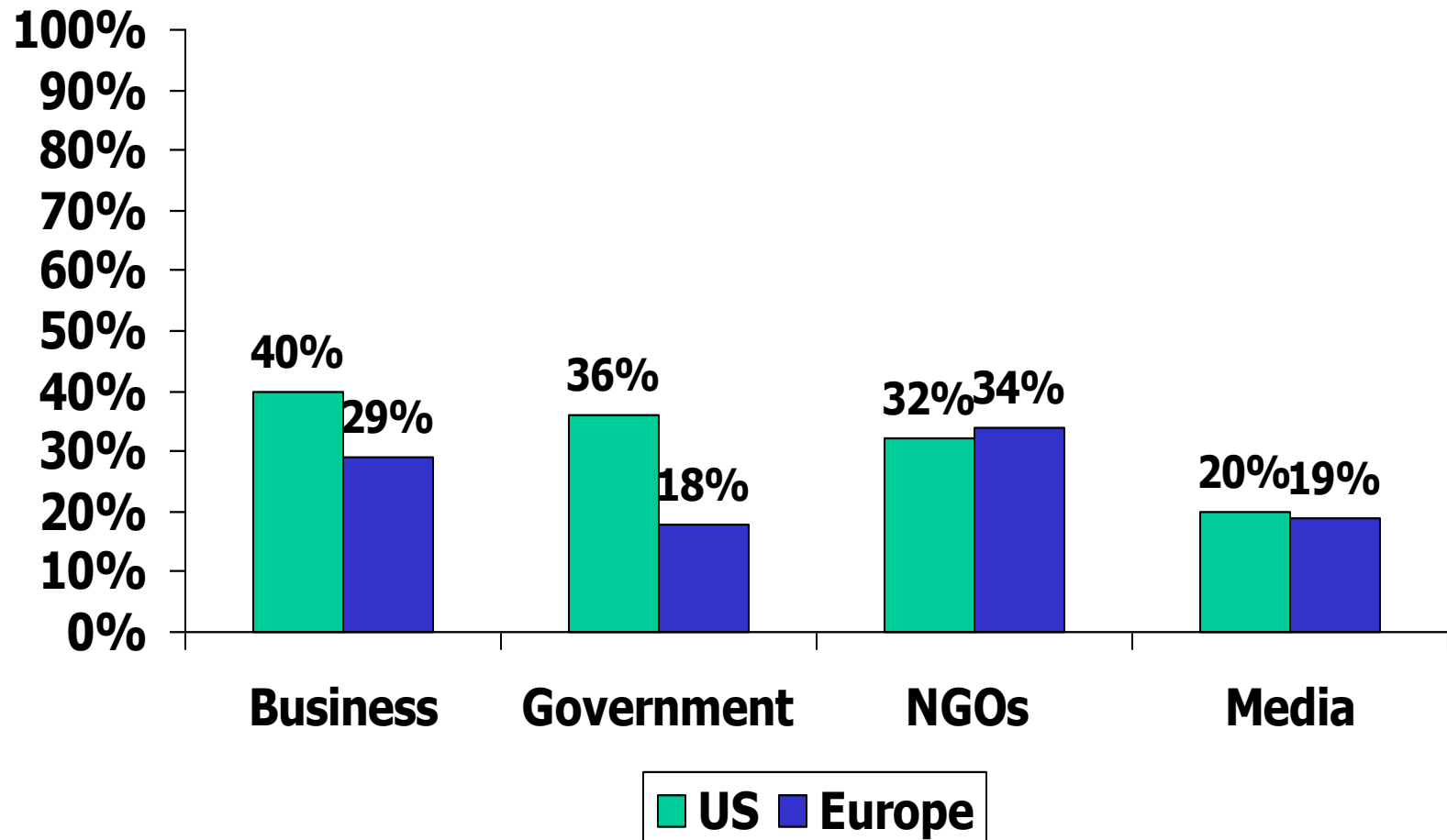
**Perception of “business” is sound...but the system is flawed.**

---

**However, we are seeing a post 9/11  
ebbing of favorability/trust toward  
government.**

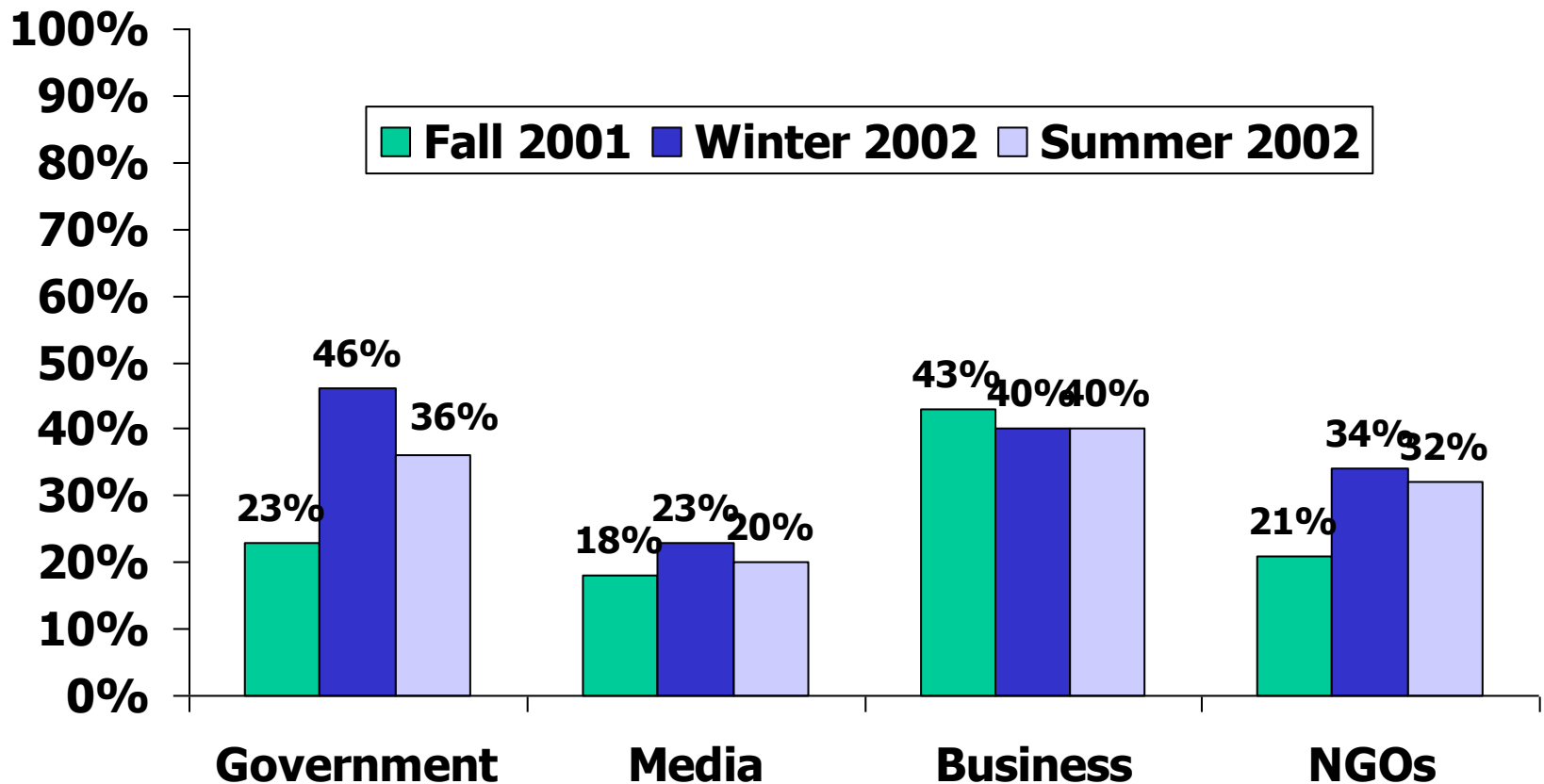
# Favorability Toward Institutions

*Please tell me your opinion of each of the following using a 5-point scale where one means you have a "Very Unfavorable Opinion of Them" and five means you have a "Very Favorable Opinion of Them". [Top 2 boxes shown]*



# US Favorability (Tracked)

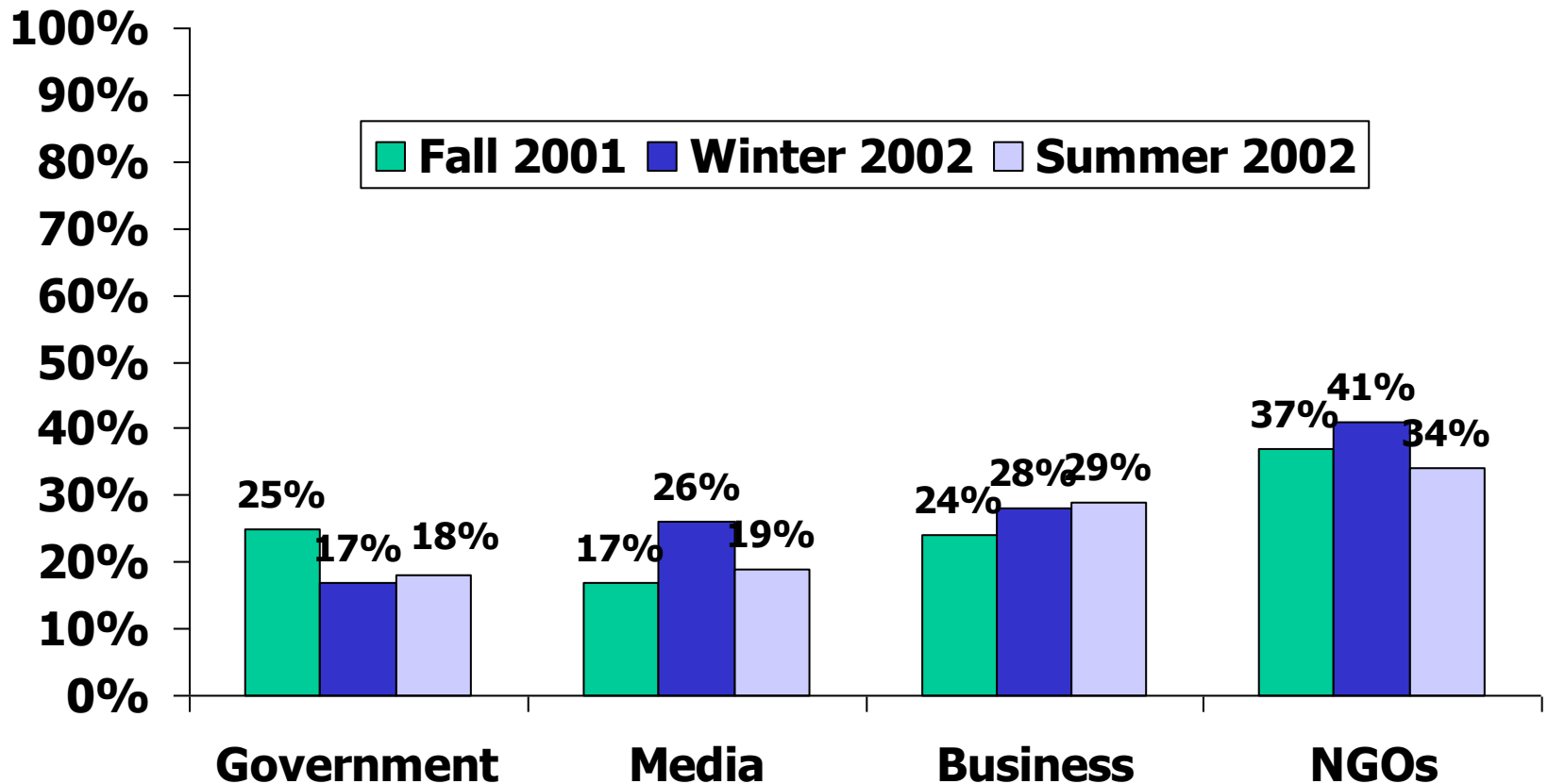
*Please tell me your opinion of each of the following using a 5-point scale where one means you have a "Very Unfavorable Opinion of Them" and five means you have a "Very Favorable Opinion of Them". [Top 2 boxes shown]*





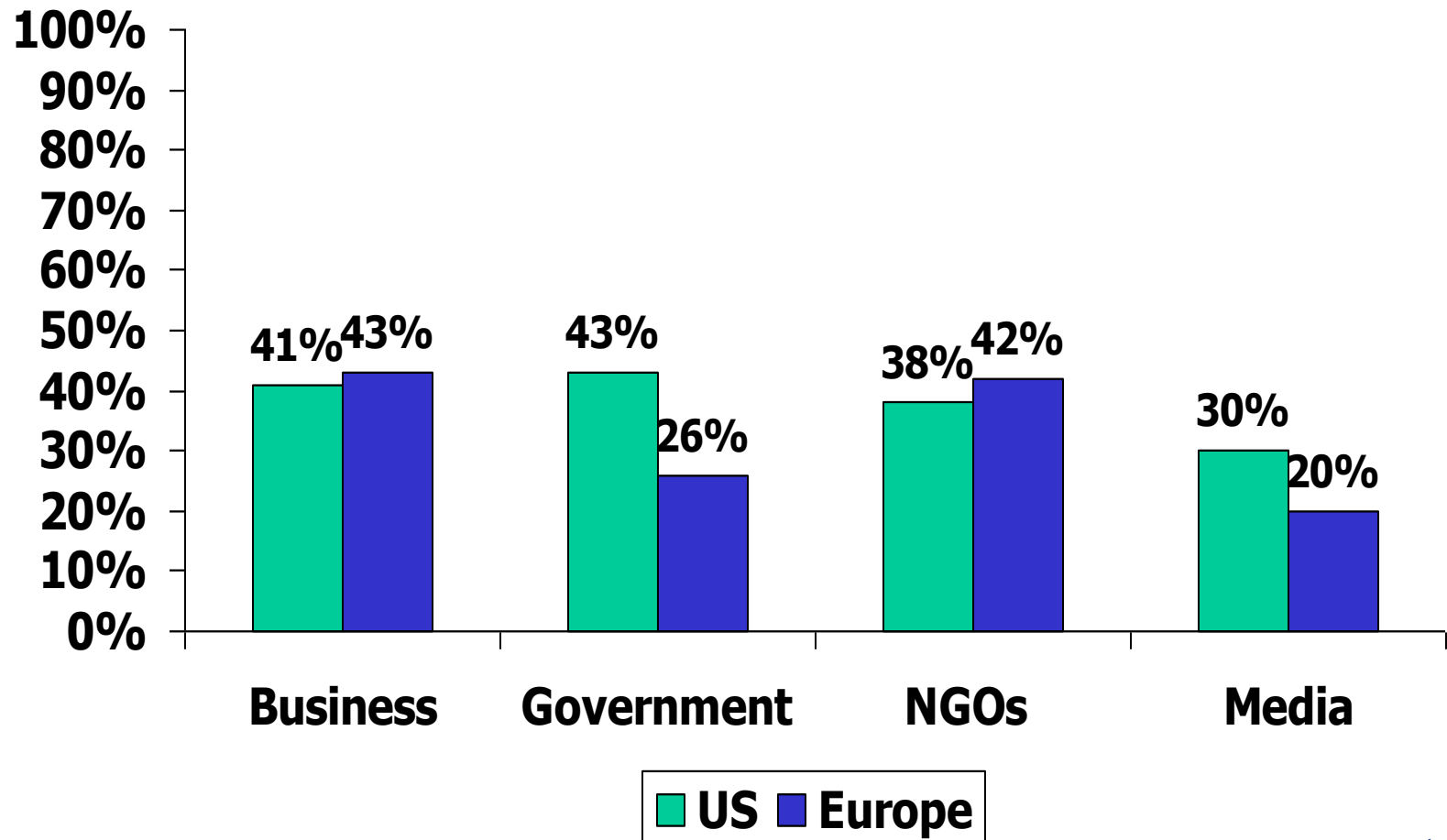
# European Favorability (Tracked)

*Please tell me your opinion of each of the following using a 5-point scale where one means you have a "Very Unfavorable Opinion of Them" and five means you have a "Very Favorable Opinion of Them". [Top 2 boxes shown]*



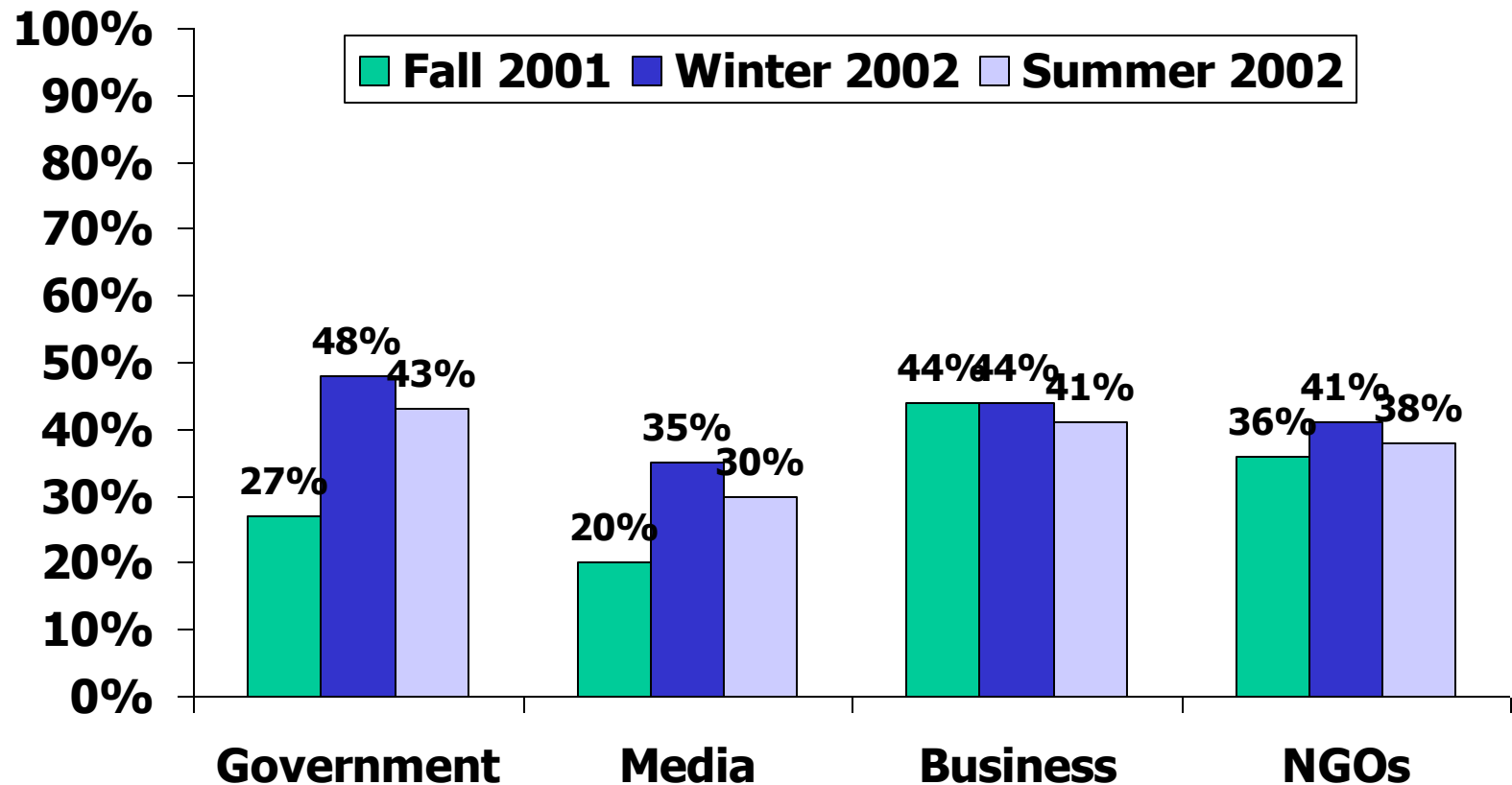
# Trust in Institutions

*Now I would like you to tell me how much you TRUST each to do what is right.  
Please use a 9-point scale where one means that you "DO NOT TRUST THEM AT ALL"  
and nine means that you "TRUST THEM A GREAT DEAL". [TOP FOUR BOXES SHOWN]*



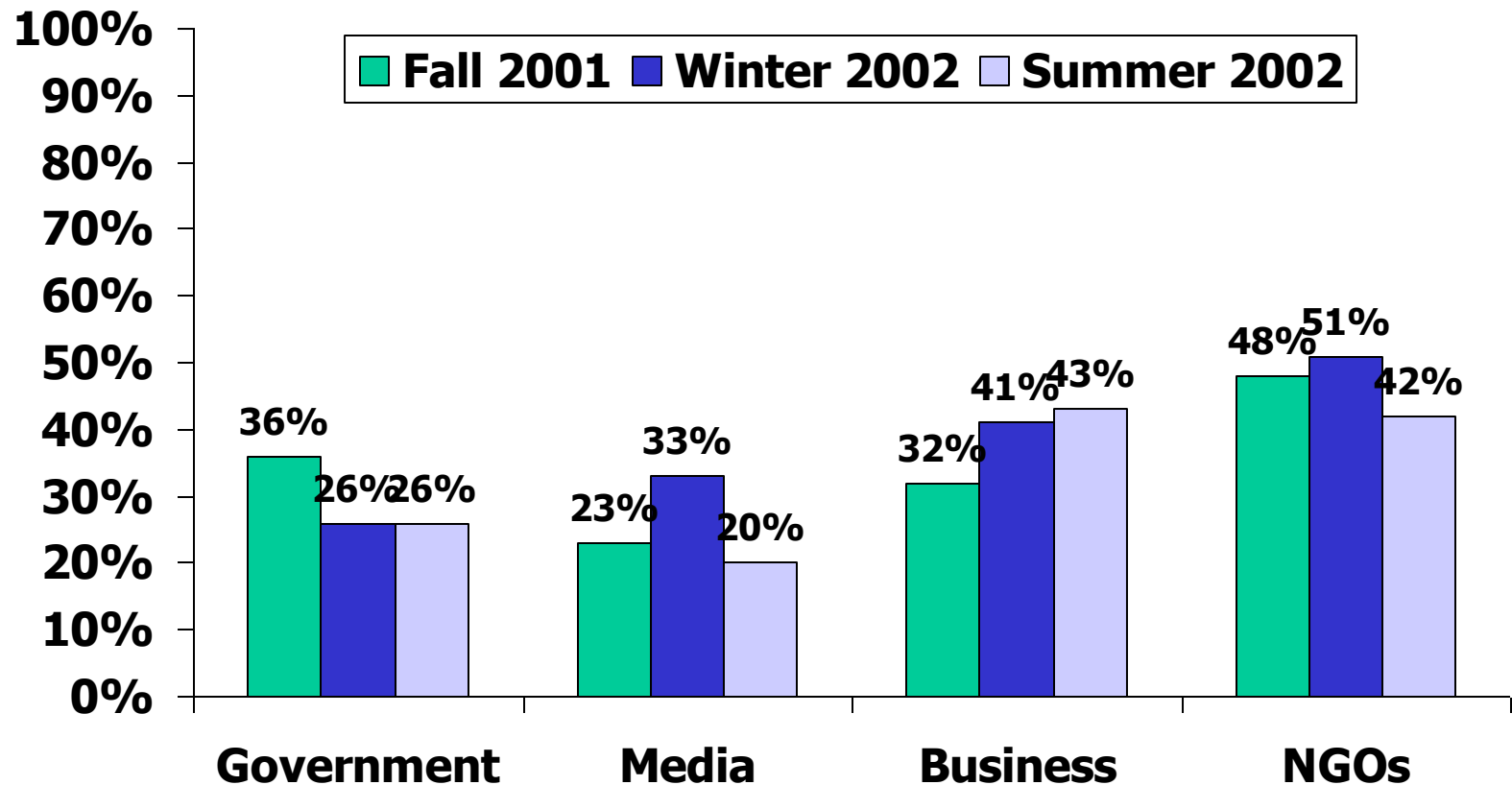
# US Trust in Institutions (Tracked)

*Now I would like you to tell me how much you TRUST each to do what is right. Please use a 9-point scale where one means that you "DO NOT TRUST THEM AT ALL" and nine means that you "TRUST THEM A GREAT DEAL". [TOP FOUR BOXES SHOWN]*



# European Trust in Institutions (Tracked)

*Now I would like you to tell me how much you TRUST each to do what is right. Please use a 9-point scale where one means that you "DO NOT TRUST THEM AT ALL" and nine means that you "TRUST THEM A GREAT DEAL". [TOP FOUR BOXES SHOWN]*





# Specific services, however, have taken hit....

## Accountability for Accountants

Enron, Tyco, Adelphia, Global Crossing: These days, business news can resemble a financial police blotter. The erosion of credibility of many corporations continues, as the Enron affair has unleashed a rash of allegations of dubious accounting practices, and of market insiders corrupted by conflicts of interest. These revelations of trouble at individual companies will continue to rattle the entire stock market so long as Congress and regulators refuse to shore up safeguards against corporate chicanery.

Yesterday Dennis Kozlowski, the beleaguered chief executive of Tyco International, the industrial conglomerate that has been the subject of numerous inquiries into its business practices, resigned in disgrace. Microsoft agreed to alter some of its accounting practices that the Securities and Exchange Commission claimed had been used to massage its profit reports. The software giant's behavior had more to do with its manipulation of the timing of reporting revenues than with any outright fraud.

Most companies, to be sure, remain honest, but it is hard for investors to be confident of this in an environment made all the more uncertain by the realization that the system's financial cops have not been on the beat. This point has been driven home by the ongoing trial of Arthur Andersen for its

involvement in the Enron demise and other allegations of improper behavior by auditors and supposedly independent boards of directors.

That is why Congress must act aggressively to restore the integrity of the market. On the key issue of bolstering auditors' independence, a weak reform bill passed in April by the House of Representatives is the legislative equivalent of prescribing an aspirin for a brain tumor.

By contrast, a Senate bill written by Paul Sarbanes, a Maryland Democrat, would restrict accounting firms' ability to provide consulting services to clients whose books they audit, and would create a powerful and independent oversight body capable of setting and enforcing rules for the profession. The bill, endorsed by Paul Volcker, the former Federal Reserve Board chairman who tried to rescue Arthur Andersen earlier this year, would also require the rotation of a company's main auditor every five years and would curb individual accountants' ability to get hired away by clients they are auditing.

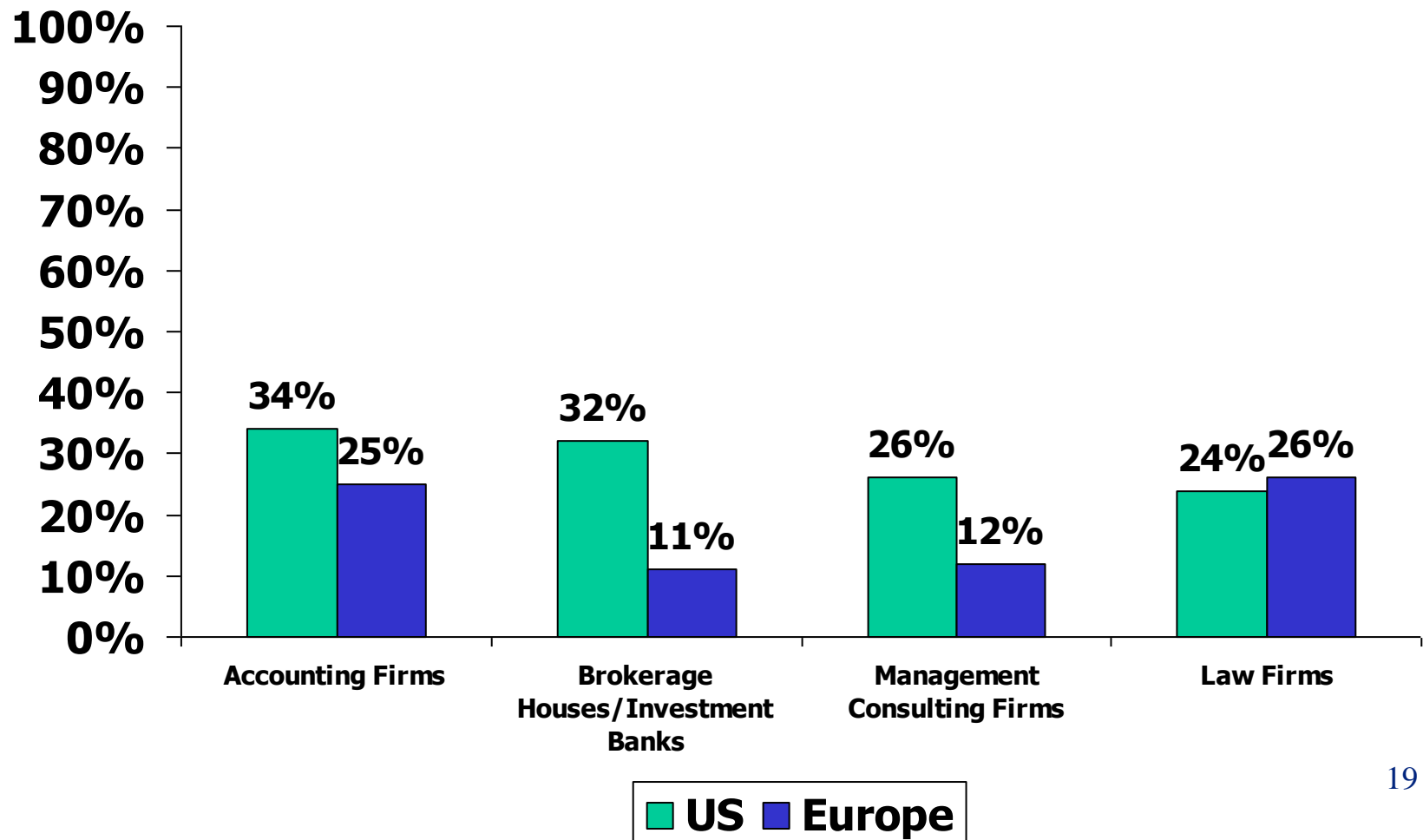
Senator Sarbanes has been unable to get this sensible proposal voted out of the Senate Banking Committee he heads, but will try again this week. Senators from both parties should support his effort if they are serious about wanting to restore public confidence in financial markets.

---

**Trust in consulting/advisory services in almost negligible (especially in Europe)...lower than business in general**

# Trust in Advisory Services

*Now I would like to focus on your trust in industries that provide advisory services to businesses. Please tell me how much you TRUST businesses in each of the following industries to do what is right. Please use a 9-point scale where one means that you "DO NOT TRUST THEM AT ALL" and nine means that you "TRUST THEM A GREAT DEAL". [TOP FOUR BOXES SHOWN]*



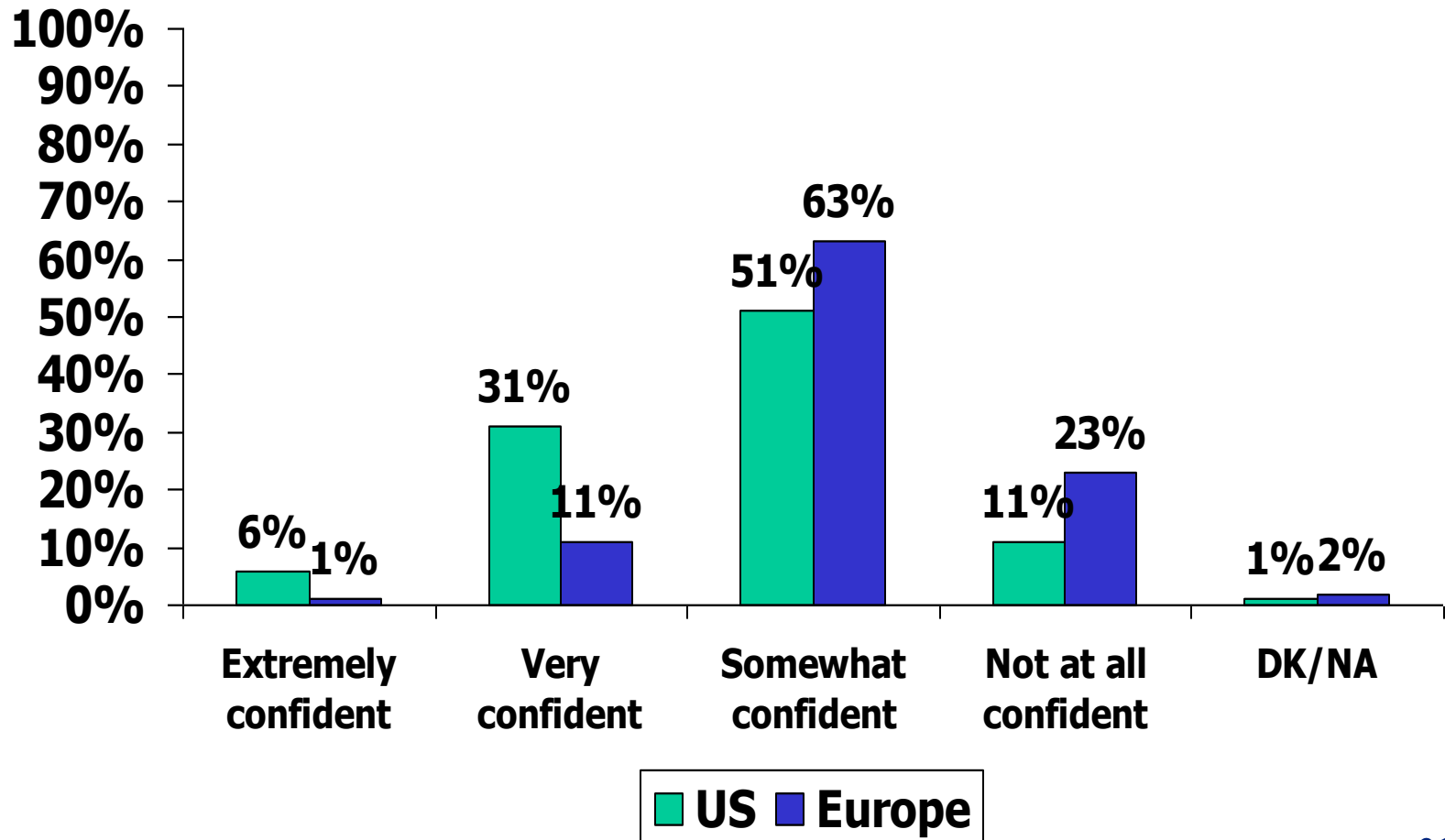
---

**Low market confidence....**



# Confidence in Financial Markets

*How much confidence would you say you have in the financial markets? Would you say that you are extremely confident, very confident, somewhat confident, or not at all confident?*

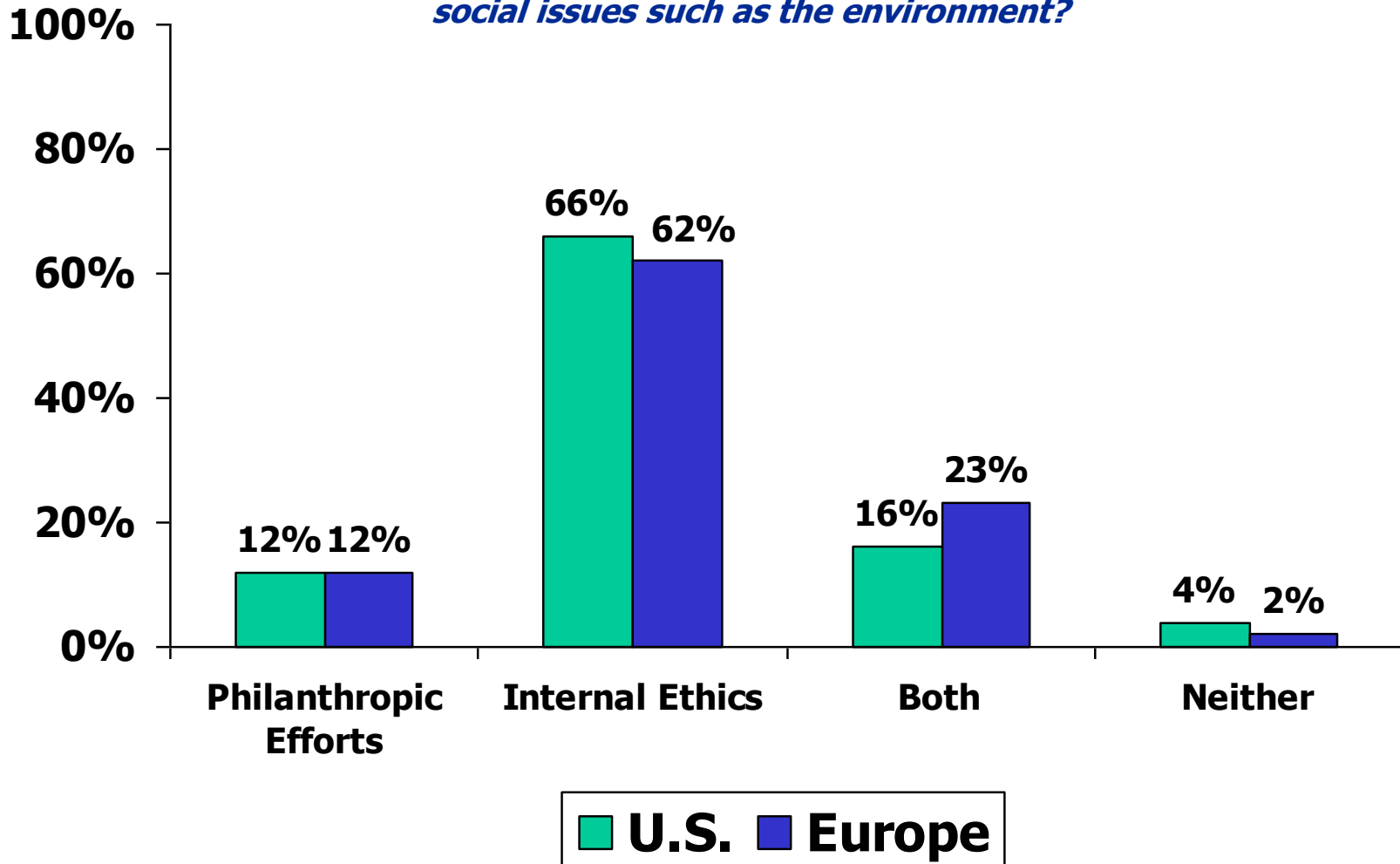


---

**Corporate responsibility is an internal issue (ethics)...Corporate philanthropy is an external issue (global)**

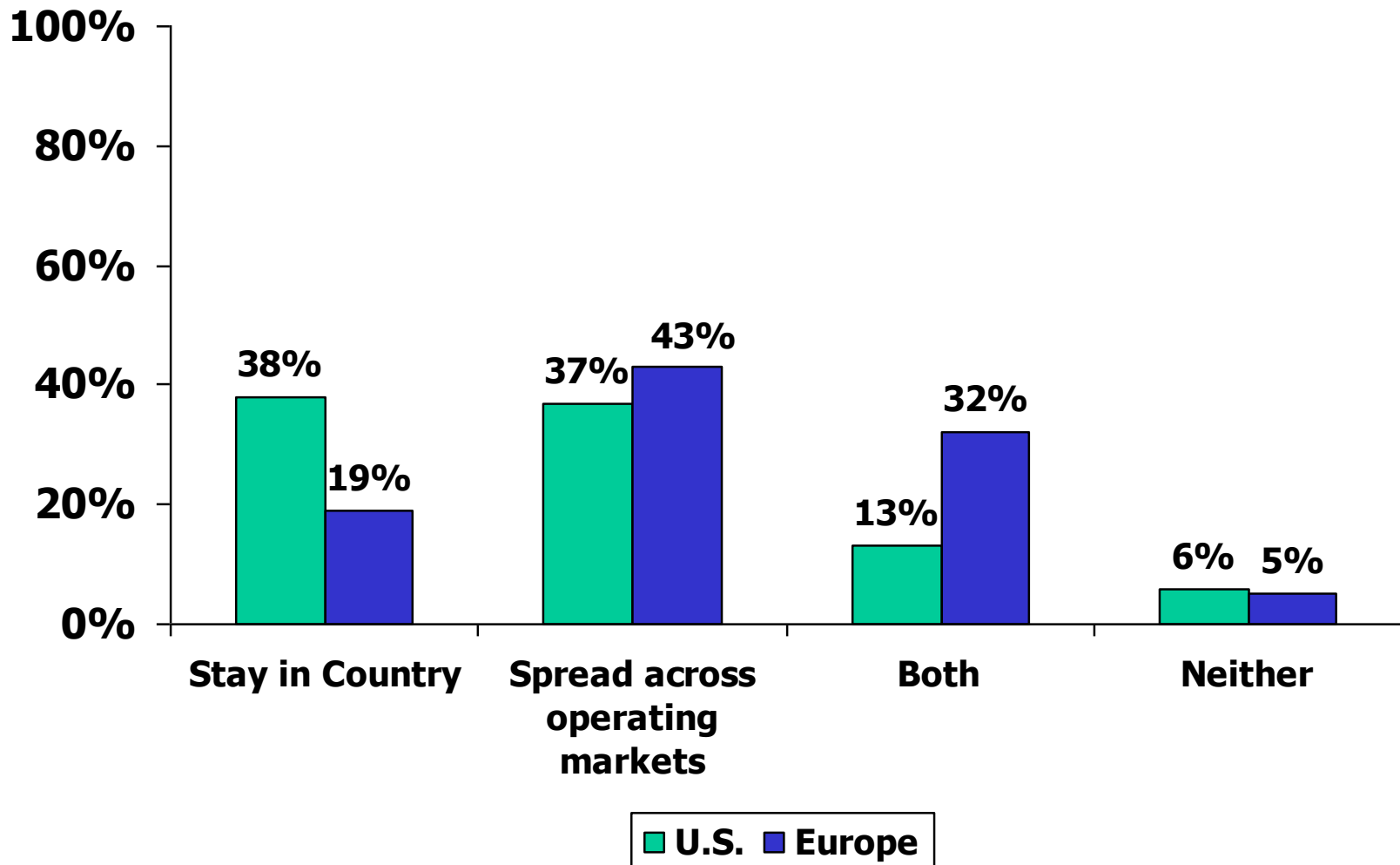
# Defining Corporate Responsibility

*People define corporate social responsibility many different ways. In your opinion, would you say that corporate social responsibility is more about a company's philanthropic efforts, that is, donating money and resources to the community and charitable organizations or more about the ethics that occur within a company, that is, everything from the way a company treats its employees to their policies on social issues such as the environment?*



# Philanthropic Distribution

*Thinking about (COUNTRY) based companies, do you think.... their corporate giving and philanthropy should be focused mostly in (COUNTRY) or their corporate giving and philanthropy should be spread out to the countries and markets where they operate and sell their products?*

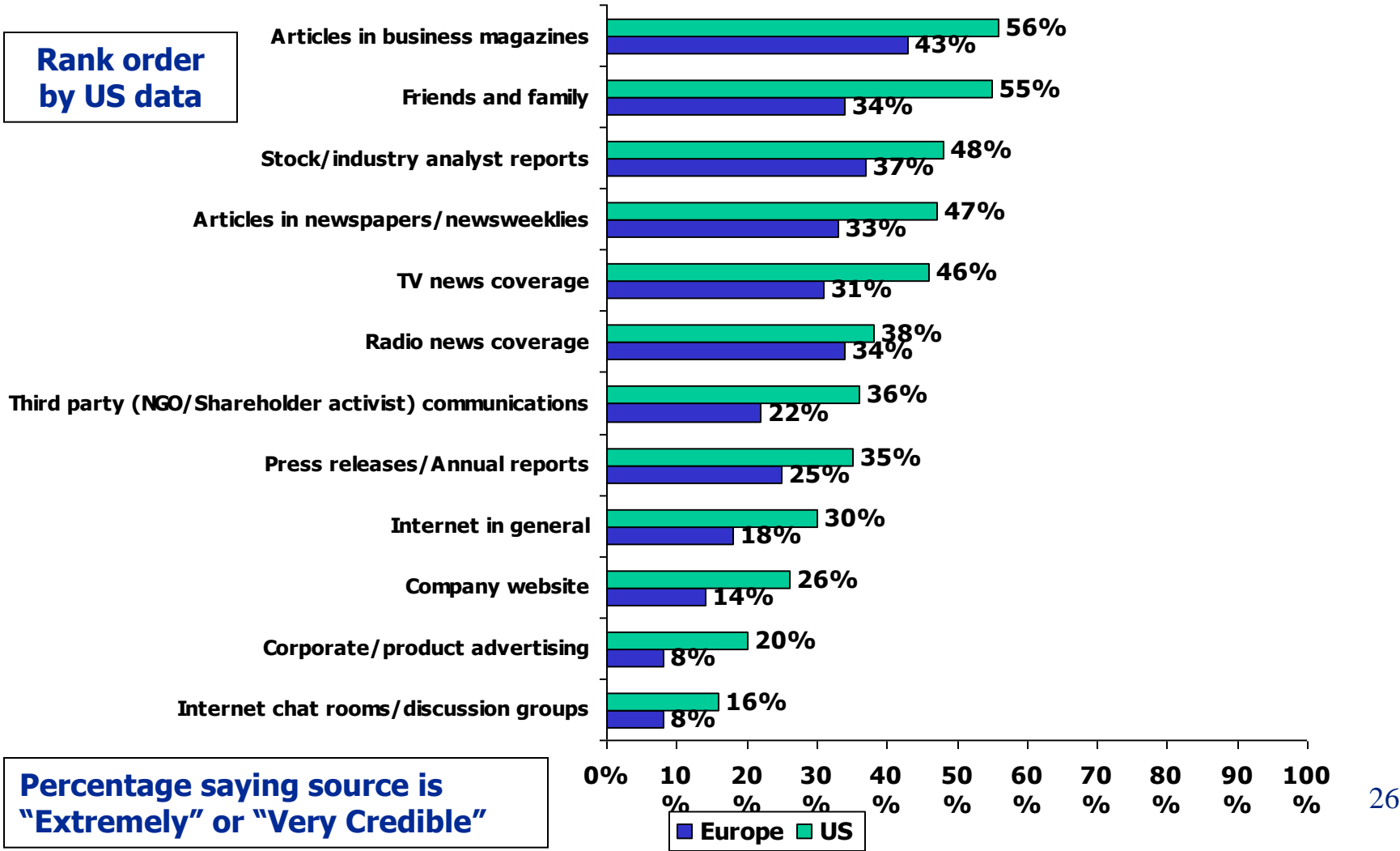


---

**Many sources, but few viewed as credible...**

# Sources of Information: Credibility Ratings

*In general, how credible do you feel each of the following sources is for information about a company? Is information about a company that you get from (INSERT SOURCE) extremely credible, very credible, somewhat credible, or not credible at all?*



---

# **CORPORATE GOVERNANCE**



---

# **Ethical issues epidemic...**

# Perceived Problems in Corporate Behavior (US Data)



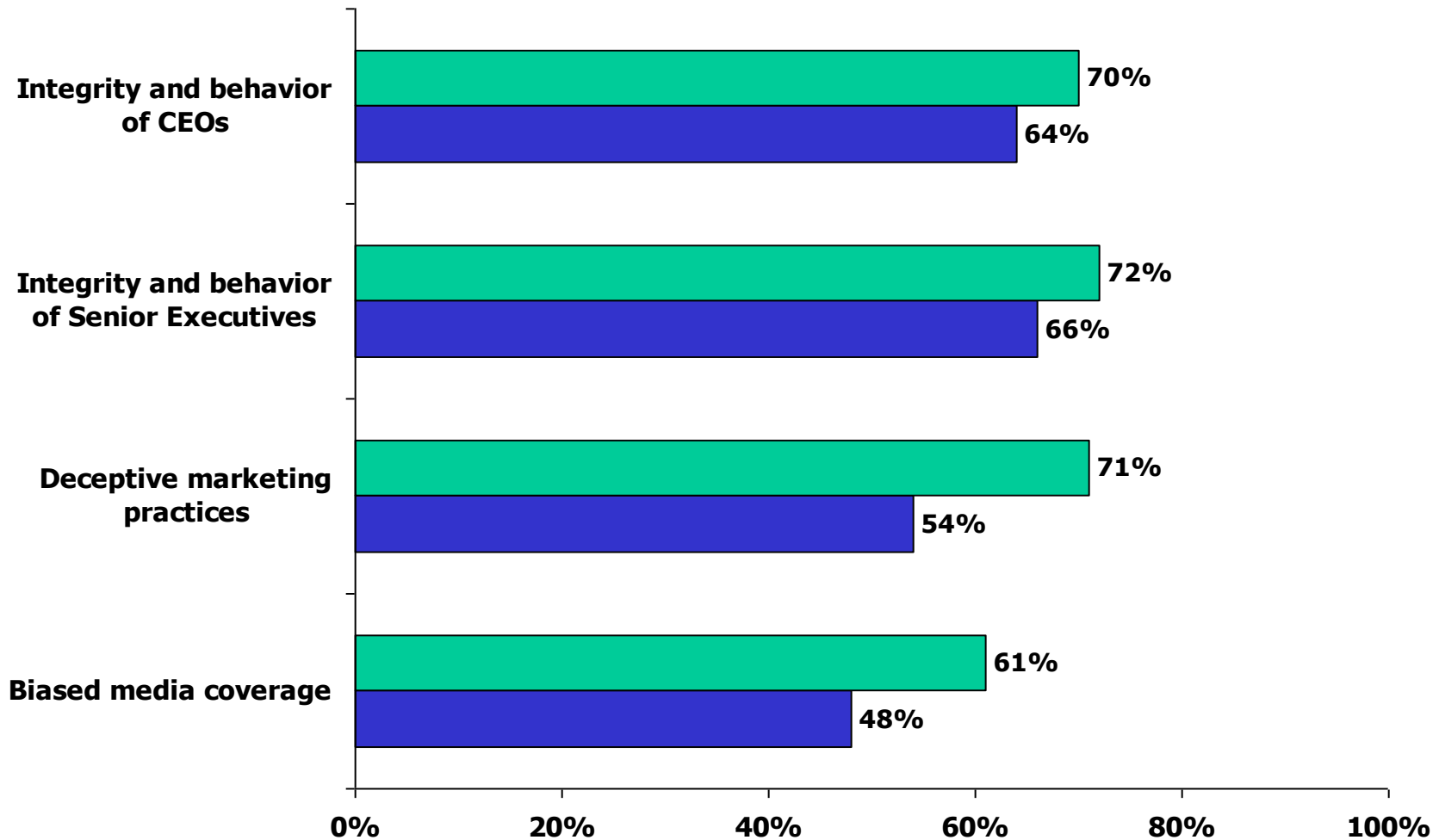
Percentage saying problem is  
"Extremely" or "Very Serious"

# Perceived Problems in Corporate Behavior (Europe Data)



Percentage saying problem is  
"Extremely" or "Very Serious"

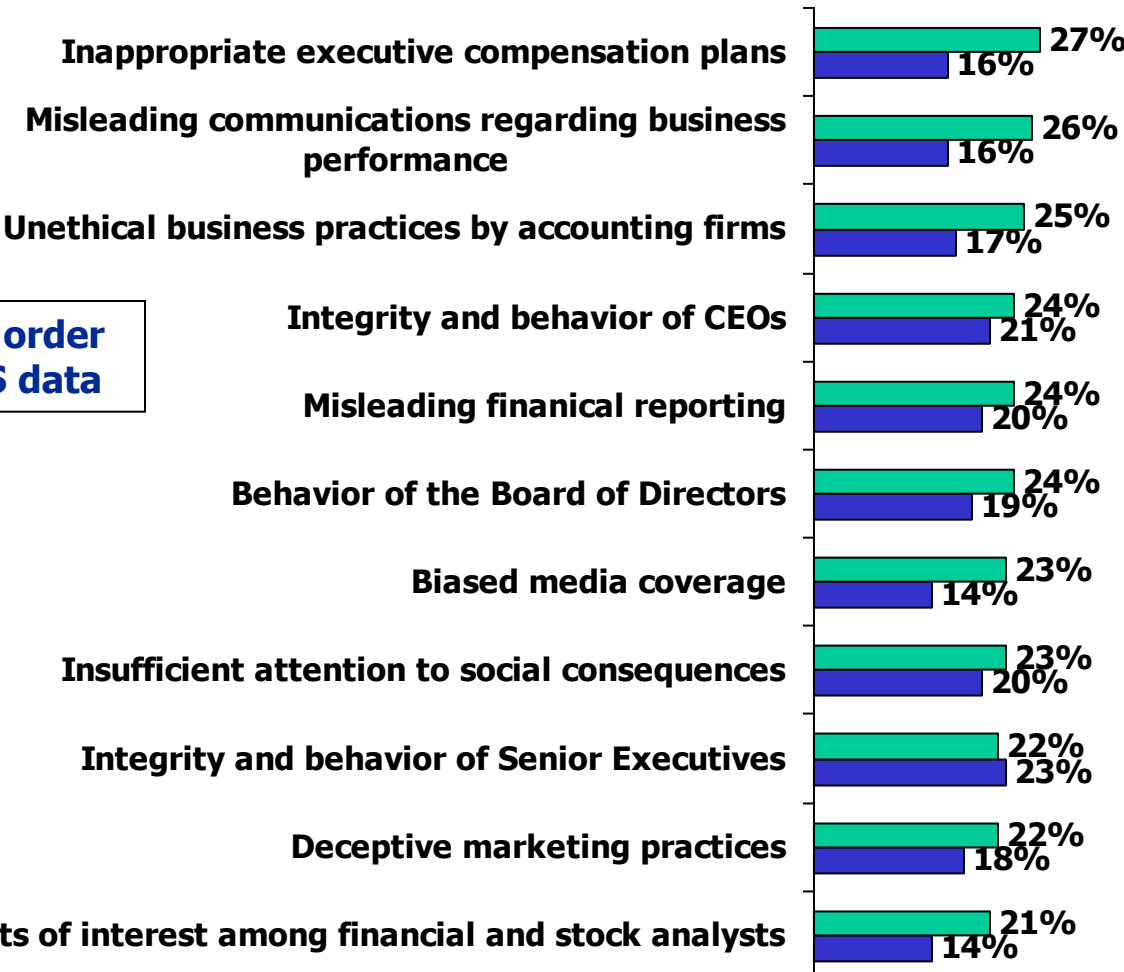
# Perceived Problems in Corporate Behavior (Global Gaps)



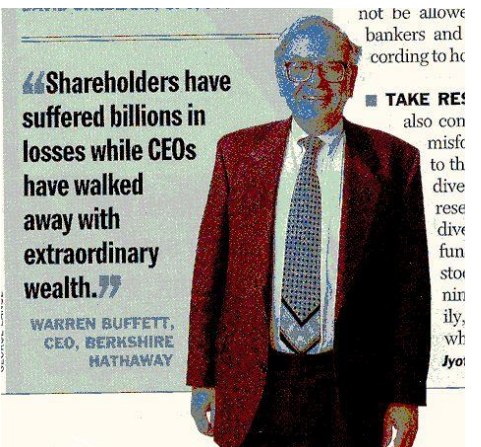
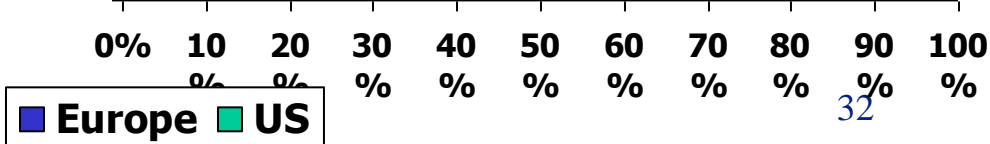
Percentage saying problem is  
"Extremely" or "Very Serious"

# Confidence in Business to Solve Problems

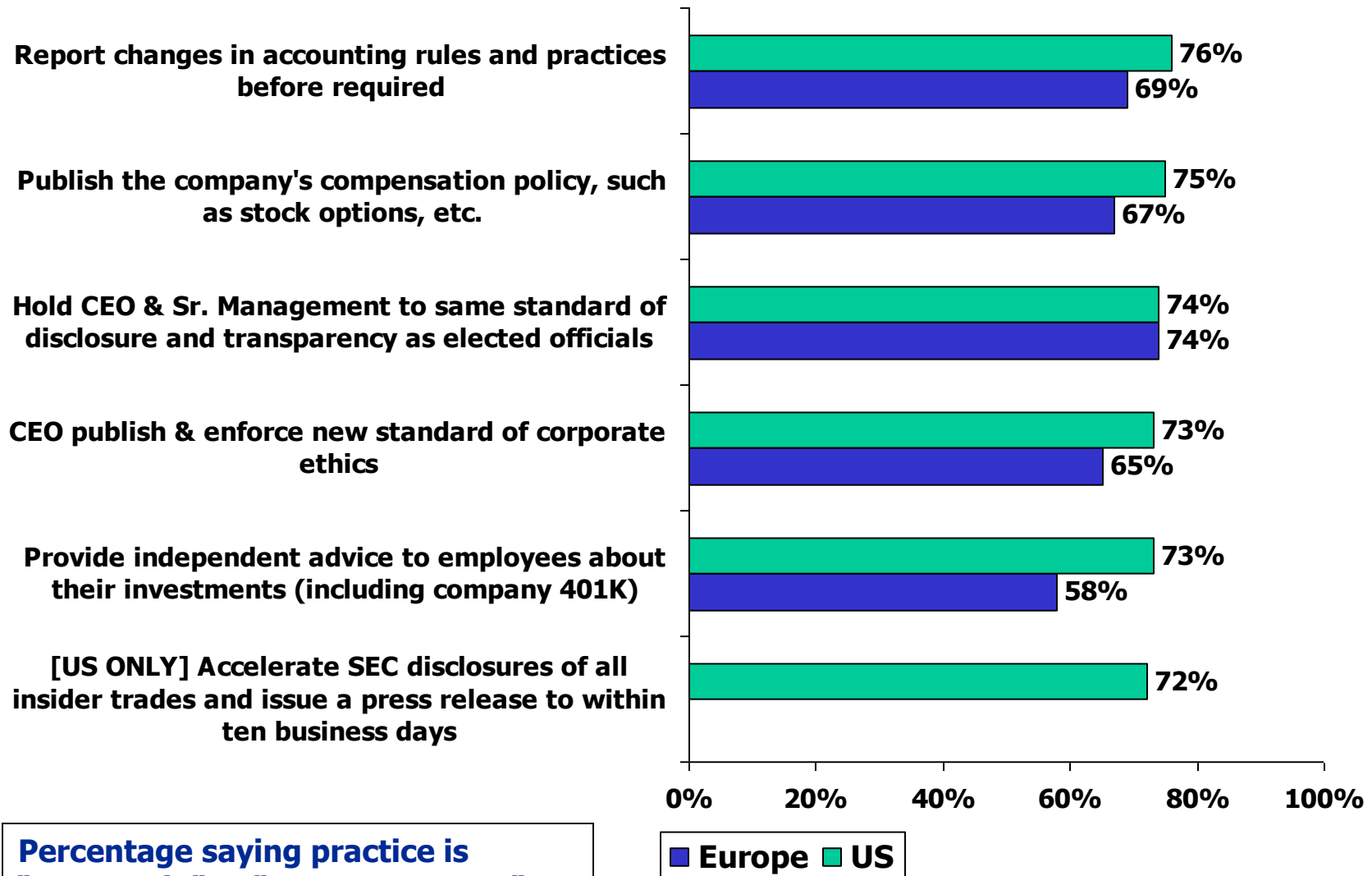
Rank order  
by US data



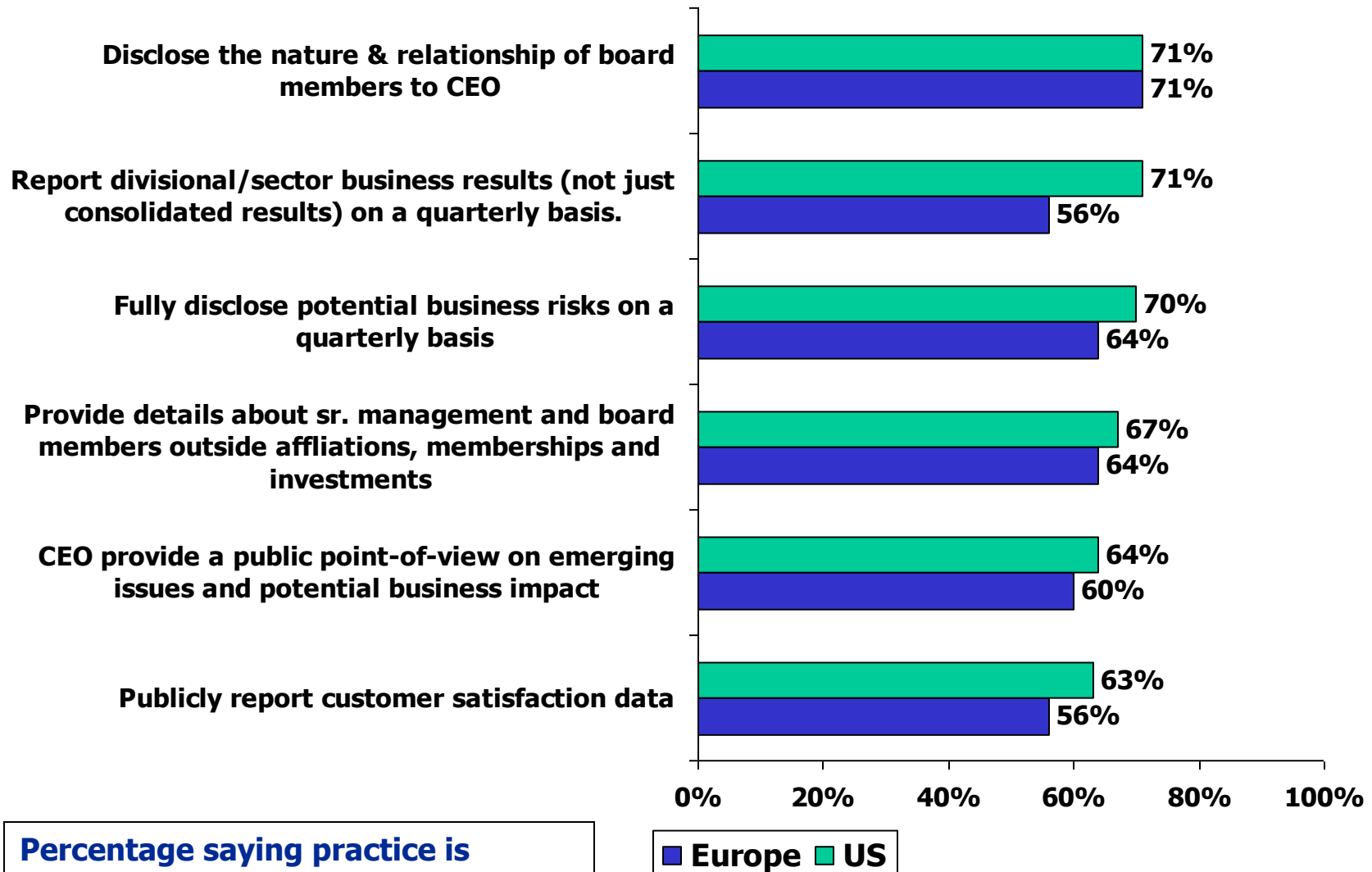
Percentage saying they are "Extremely" or "Very Confident" in business' ability to police themselves



# Importance of Corporate Operating Practices

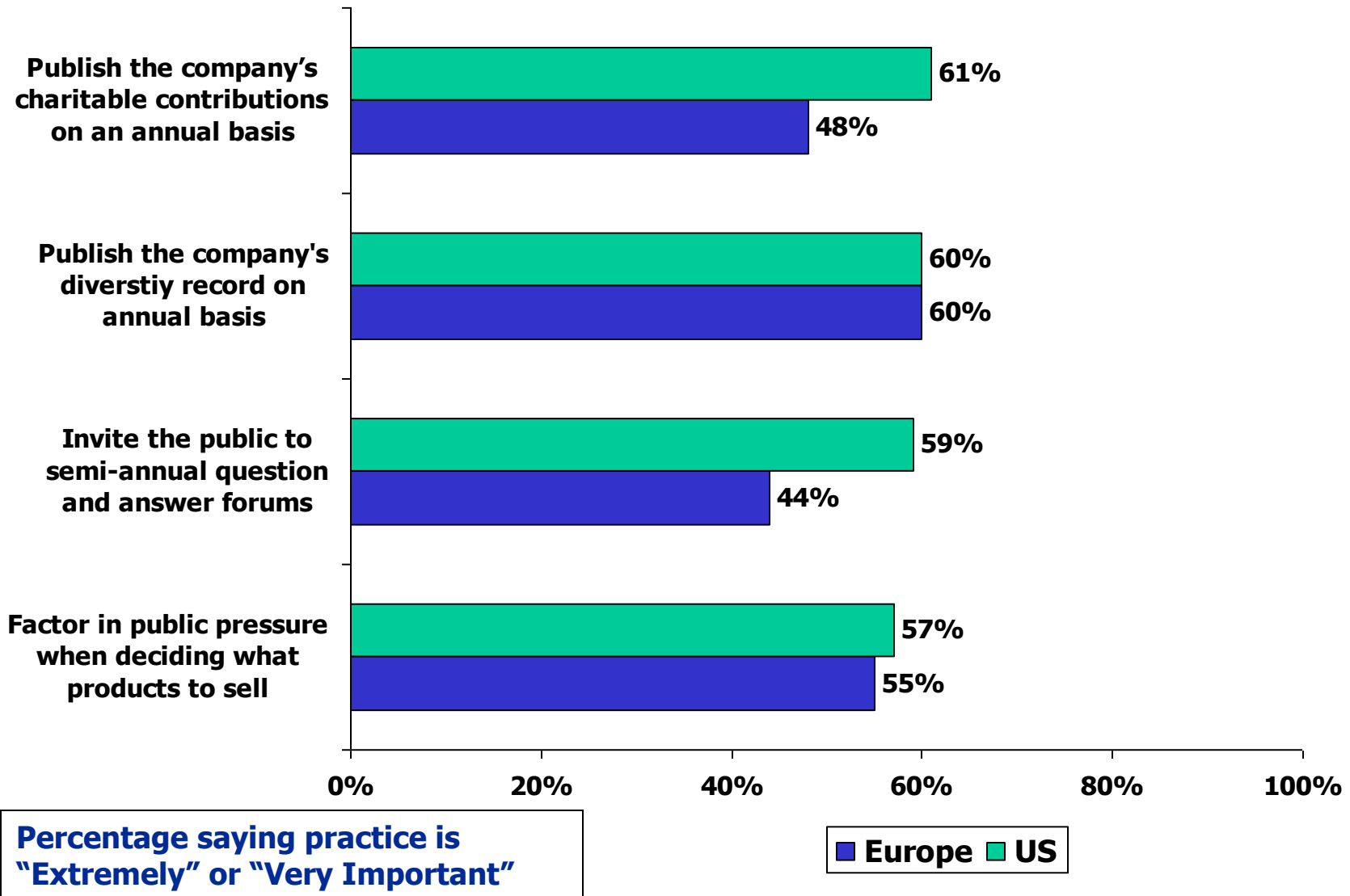


# Importance of Corporate Operating Practices





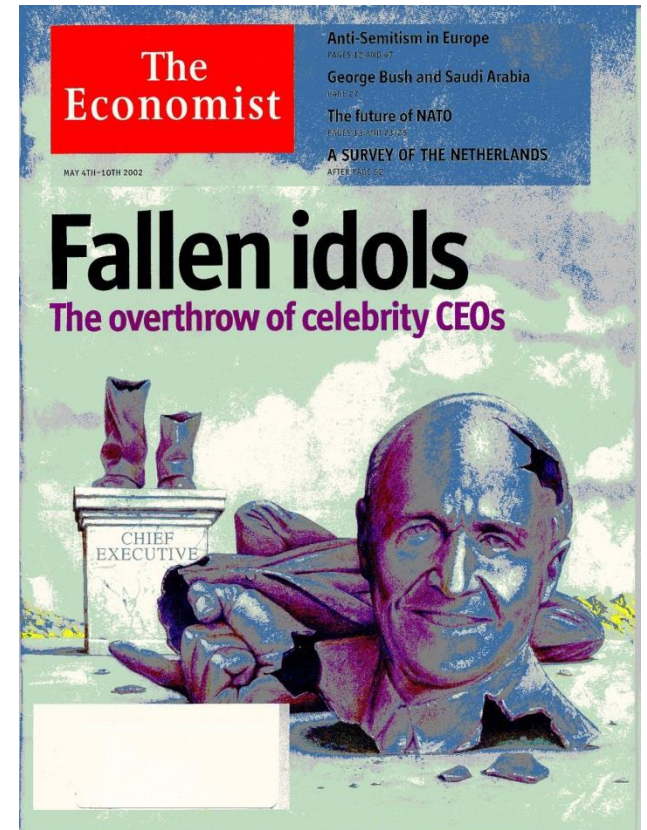
# Importance of Corporate Operating Practices



# Off the Perch...

---

**While the era of the celebrity CEO is over, corporate leadership can not afford to hide.**

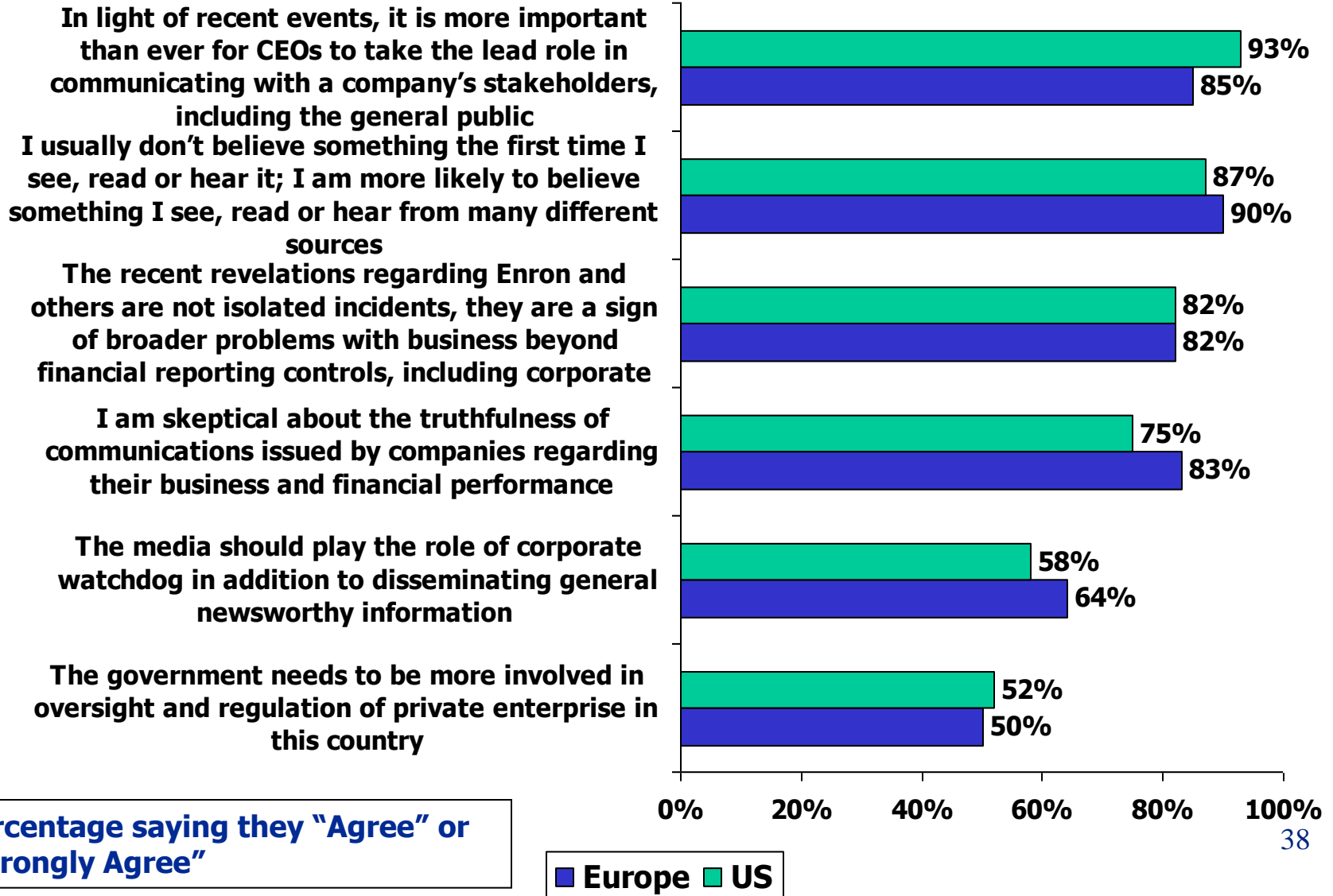


# Communication in a Credibility Vacuum

---

**Need to use multiple communication channels to reinforce messages....**

# Issue Agreement



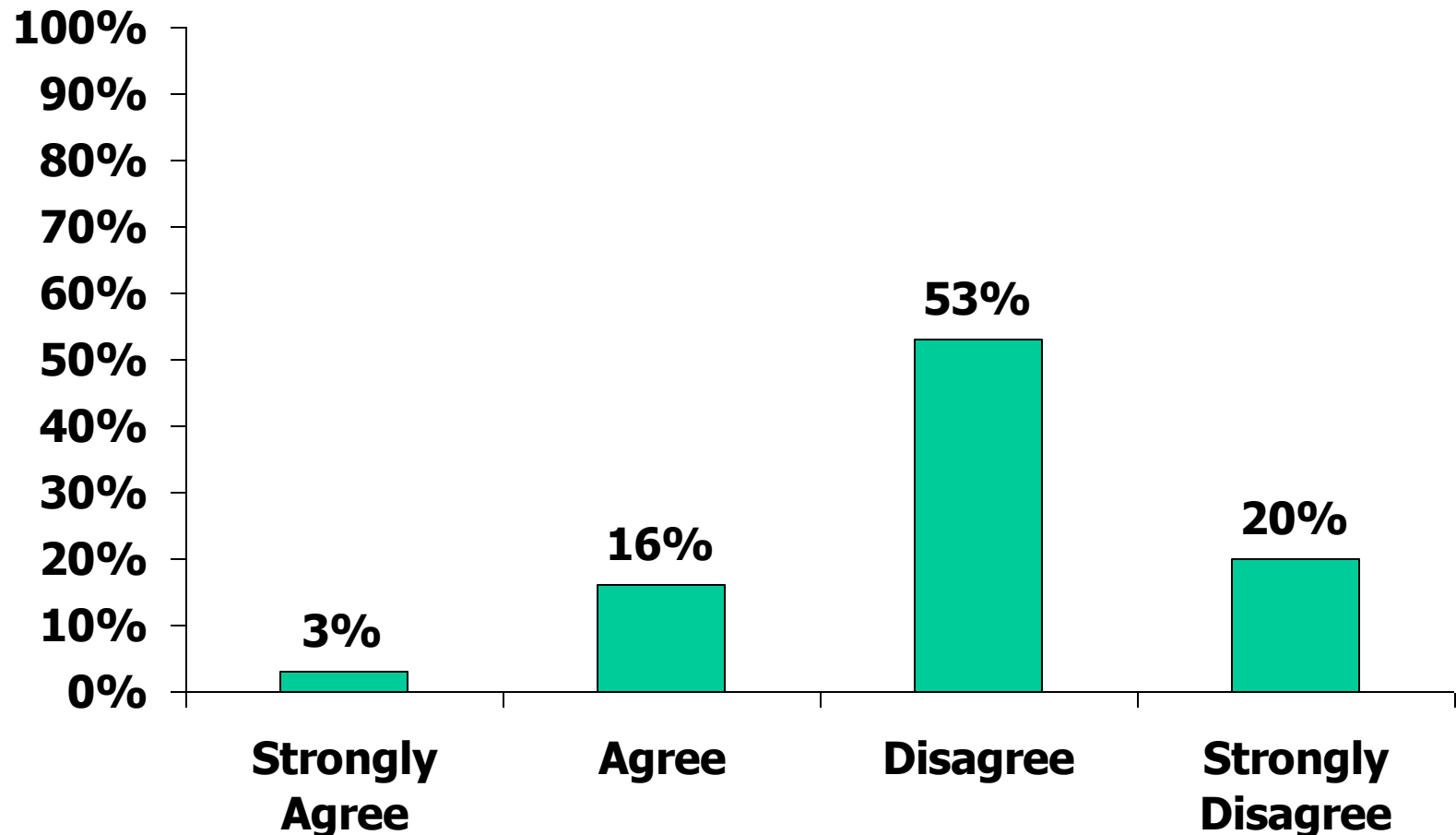
---

# **PERCEPTIONS OF AMERICAN INSTITUTIONS IN EUROPE**

# 9/11 Impact on Perception of American Business in Europe

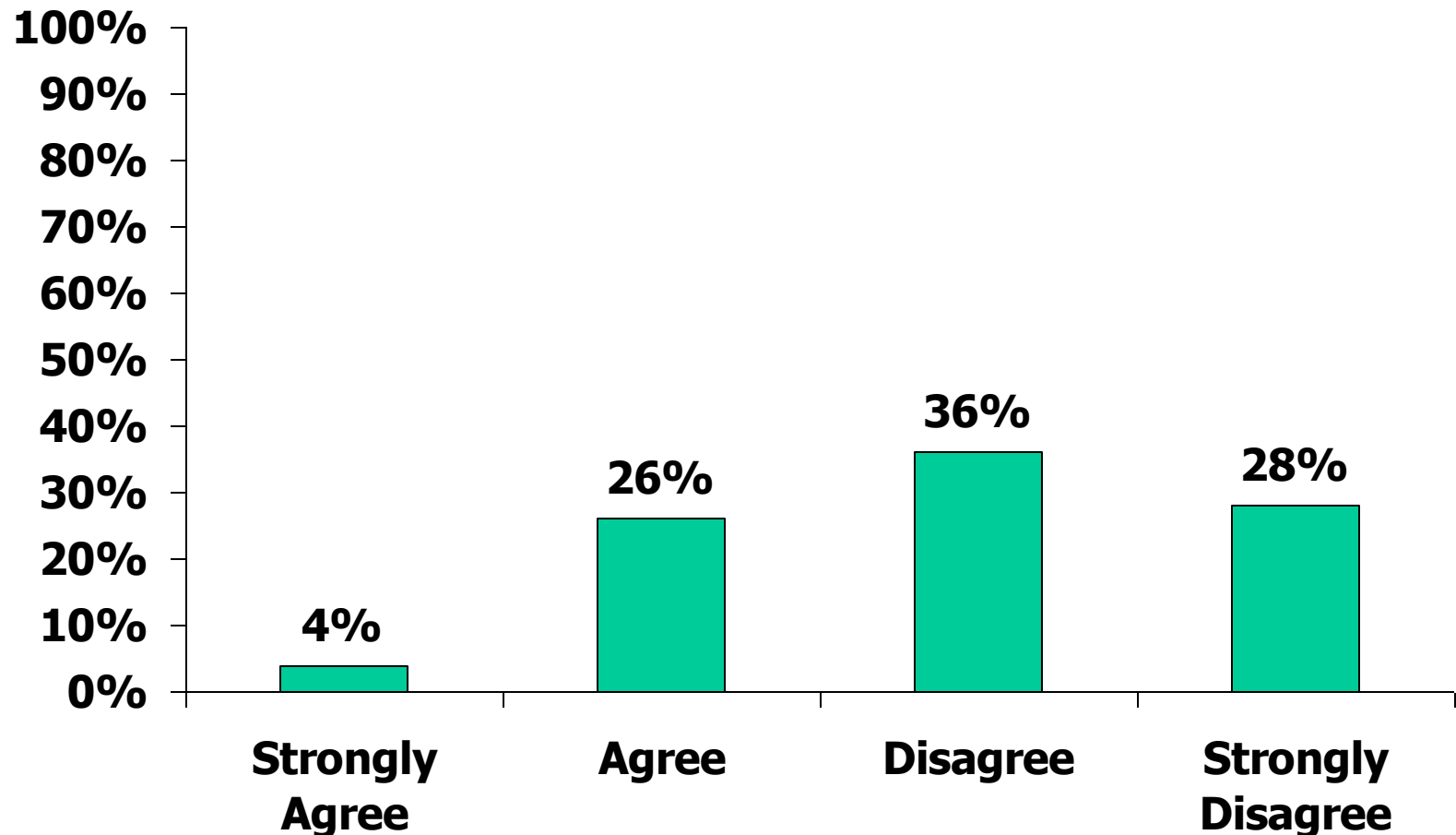
---

*Since the events of September 11<sup>th</sup>, 2001, I tend to look upon American business interests in (COUNTRY) more favorably.*



# European Support for US Policy on Middle East

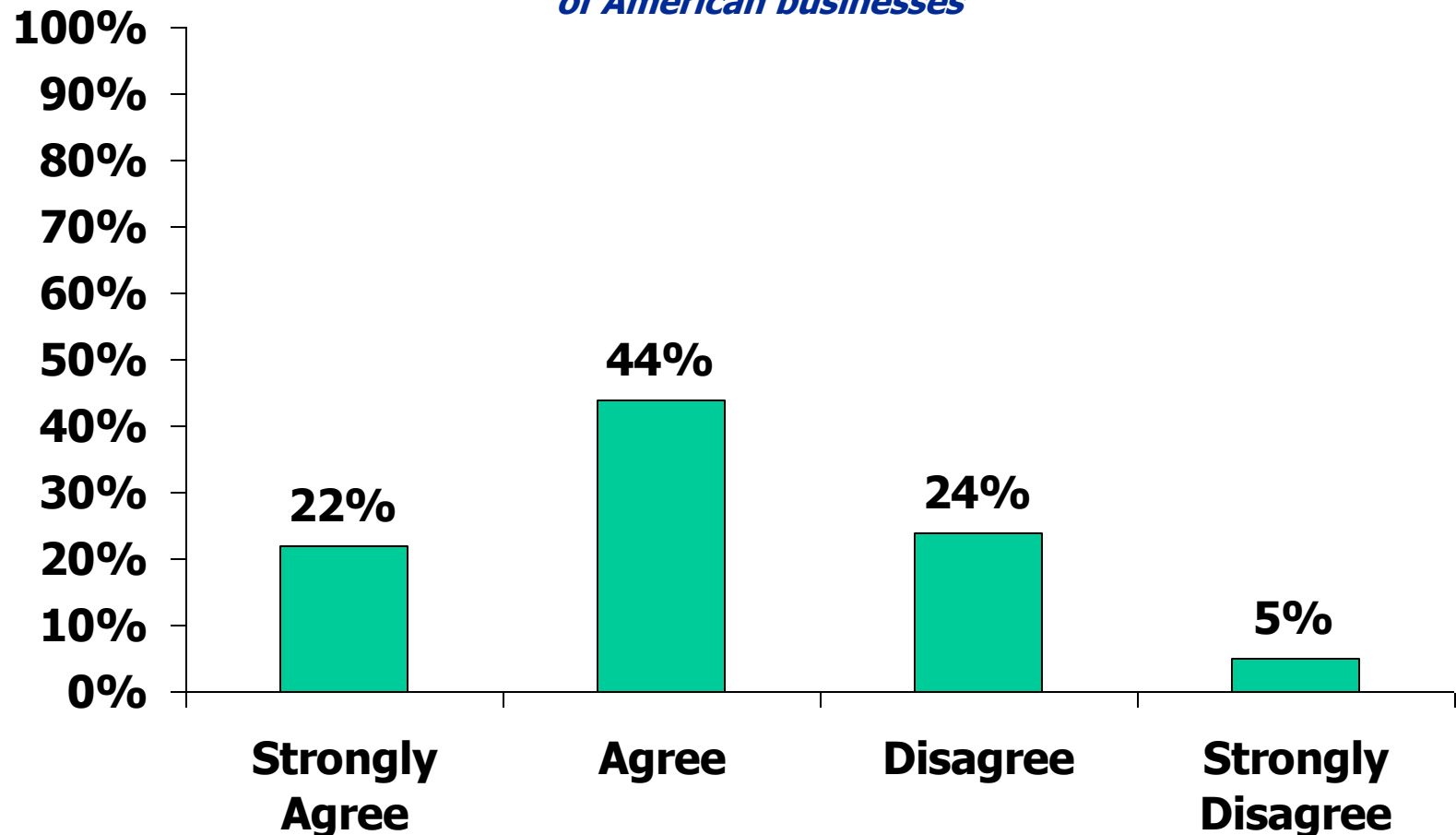
*In general, I support U.S. President Bush's policy on the Middle East, specifically as it relates to the Israeli-Palestinian conflict*





# Impact of US Trade Policy on Perceptions of American Business in Europe

*President Bush's policies regarding trade, including recent tariffs imposed on steel exports to the United States have had a negative impact on my general perceptions of American businesses*



# Foreign & Trade Policy Impact on US Brands

*In general, do US President Bush's foreign policy and trade policy actions make you feel more or less favorable toward US brands?*

