



**Delegation of Authority
August/September, 2006**

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Growing internal and external complexities demand improved controls

Operations

- Expansion beyond Transportation
- Collaborative/complex IT systems
- Decentralized operations
- Revenue and transaction growth/variation
- Acquisitions

Finance

- Legacy systems
- Decentralized accounting
- Lack of systematic control assessment

Executive

- Structured/disciplined focus
- Audit Committee concern
- Change in leadership

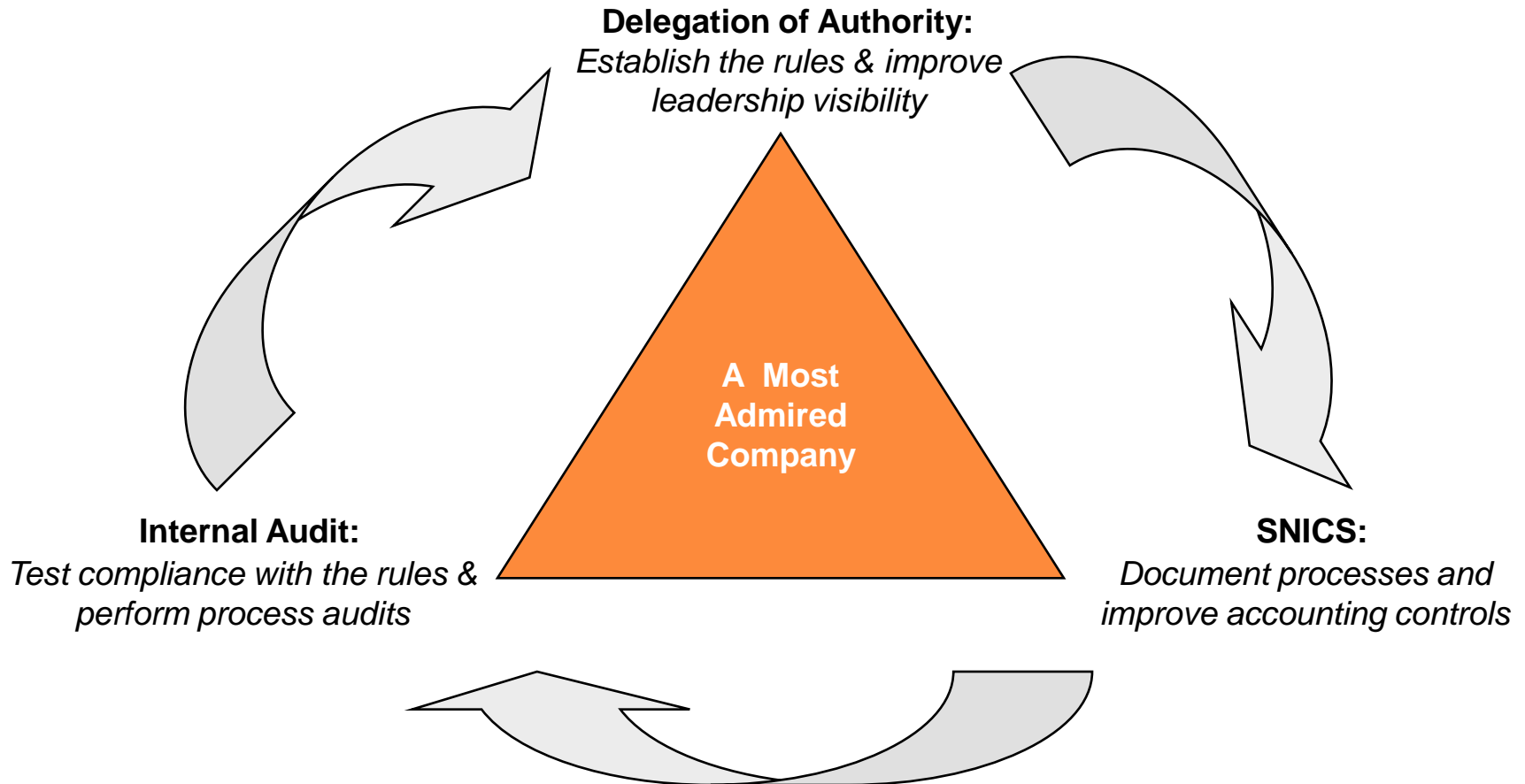
External

- Post Enron 'intolerance'
- Sarbanes-Oxley (SOX) – led publicly traded companies to analyze and improve controls



Our current structure may be adequate for a \$1B trucking company, but not adequate for a \$5B Enterprise.

The strategy to improve internal controls is focused on a 3 component foundation, each approaching controls from a different perspective.



The size and complexity of the enterprise and its strategic objectives make increased discipline & control imperative.

The need for a Delegation of Authority policy was identified during a review conducted by Internal Audit in 2005.

Set authority levels

- Collaborate with the business
- Adopt pragmatic levels

Establish accountability

- Executive support
- Compliance protocols
- Meaningful consequences



Educate the Enterprise

- Targeted e-mails
- Small group or one-on-one meetings



The Executive Team has endorsed this approach as one avenue for reaching a high performance culture.

The Delegation of Authority Policy sets forth which associates can commit the company to which actions.

- This policy is the delegation of Board of Director powers to those who run the business on a daily basis. Delegation of authority aligns with organizational responsibility, so that those with the information, knowledge, and concern for responsible outcomes have the means to act accordingly.
- The greatest benefit of this policy does NOT come from approving individual transactions. It comes from giving leaders greater visibility to the commitments that our associates make to our customers, suppliers, and their fellow associates.
- Defines the “who” not “how”.
 - Some Delegation of Authority policies are already in place in existing processes
 - Some processes will need to be built around the policy
- Signing/approving a document is a representation that you have reviewed the document/transaction, understand it and Company policies related to it, exercised due diligence in consideration of it, and are personally willing to defend the decision you make by indicating your approval.



This Policy is not about trusting our associates. It's about allowing associates to be accountable.

The Policy is divided into several chapters to help you find the policy you need. The “Rules and Guidelines” are overarching concepts.

1. Introduction to Delegation of Authority
2. Rules and Guidelines
3. Customer Relations
4. Capital Investments, Disposals, Write-off and Impairment
5. Operating Leases
6. Inventory Write-offs, Disposals and Reserves
7. Purchasing of Goods and Services and Vendor Relations
8. Driver and Independent Contractors Personnel and Expenses
9. Non-Driver Personnel and Expenses
10. Risk Management
11. Treasury
12. Other
13. Glossary



If you have any questions or comments please e-mail corporatecompliance@schneider.com.

An important part of the Policy are the “Rules and Guidelines” as these give associates general direction on how to adopt the rest of the policy.

Delegating your authority

- All delegations prior to this policy are superceded by the Policy
- Temporary delegation will be to a leader’s leader or the applicable VP of Finance
- Authority is delegated to a role not an individual

Exceptions or Changes to the Policy

- Exceptions to this policy are made via written approval of the Corporate Controller
- Requests for changes to this policy are reviewed and approved by the Corporate Controller
- No delegation without following the exception process
- Unless approved through the exception process, only employees may commit the Company to activities or authorize transactions

Other important guidelines

- Approval must be retained and auditable
- The approval of an annual spend does not imply approval of a specific transaction
- Levels of authority are not additive
- Splitting of transactions is prohibited



The protocol around reporting violations and possible consequences are still being developed/explored.

We will use a “release” approach to rolling out the policy. This will allow policy-related changes to coincide with technology and business changes.

Prior releases

- Invoice and check requests
- T&E

November Rollout

- Asset acquisitions and disposals
- IT acquisitions/development and disposals
- Carrier contracts
- Customer A/R write offs and bad debt reserves

December Rollout

- Transportation parts inventory valuation
- Requisitions and purchase orders
- Purchasing contracts and commitments
- Consultants/Professional Fees/Temp Help
- Discretionary pay, loans, and advances
- Customer contracts

Impact/Status

- First large tonal rollout
- Significant change, mixed reaction

- Follows ARF, set disposal authority
- Being developed by IT
- Aided by Internal Audit projects
- Aided by Internal Audit project

- Establishes write off and reserving levels
- Coincides with Req to check implementation
- Higher utilization of Purchasing
- A largely uncontrolled expense
- First major impact on drivers
- Core contracts well controlled but...



The first rollout is in areas that have more established processes and the second will need process development.

We will begin working Conflict of Interest and Code of Ethics in 3Q. In 2007, we will complete additional chapters of the Policy.

Conflict of Interest/Code of Ethics

- Team of associates from HR, Legal, and Finance
- Centered around the best interest of the Company
- Examples of Policy contents
 - Adherence to Company policies
 - Intellectual property and confidential information
 - Gifts and Entertainment
 - Investments and loans
 - Outside employment, director or officer positions
- Backed by Whistleblower program and DOA
 - Whistleblower program will be outsourced
 - Approval or acknowledgement of gifts
- Annual certification

2007 Delegation of Authority

- Generally, areas with well developed approval policies or low risk
- New chapters continually come to light
- Areas to be covered include
 - Recruiting and hiring
 - Compensation
 - Benefits
 - Risk management
 - Treasury
- Maturation of compliance activities



By the end of 2007, many of the foundational elements of good internal control and corporate governance will be established.

The Delegation of Authority Policy seeks to bring clarity and discipline to our processes. The cooperation of all associates is needed.

- Review the Delegation of Authority Policy
 - Can be found on the intranet
 - Find and understand areas within the Policy which apply to your work area

- Actively follow and support the Policy
 - Develop processes to support the approval process
 - Ask questions for clarification to help you understand
 - Help others follow the Policy

- Be alert to areas of the Policy that may need improvement
 - The Policy will constantly evolve
 - Are there areas that you are involved in that need approval discipline but are currently not included in the Policy?
 - Do the authority levels or authorizers seem right in light of your experiences in a particular situation or area?



We must all be advocates of strong internal controls and as such the Delegation of Authority policy.

If you have questions related to the Delegation of Authority Policy, please contact one of the following:

- Your leader
- Your respective Controller, Director, or VP of Finance
- E-mail corporatecompliance@schneider.com. A response will occur.