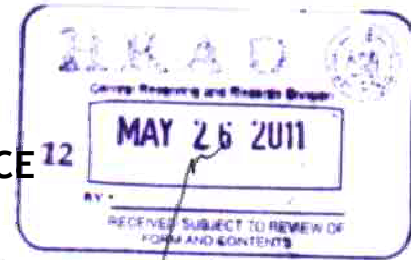


# EI CORPORATION REVISED MANUAL ON CORPORATE GOVERNANCE 12



The Board of Directors and Management of EEI Corporation hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

## 1. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness and exact compliance therewith within the organization.

## 2. COMPLIANCE SYSTEM

### 2.1. Plan of Compliance

#### 2.1.1. Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors. In compliance with law, the Board shall be composed of at least five (5), but not more than fifteen (15) members duly elected by the stockholders.

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensive assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

It is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to its stockholders.

Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (i) The extent of responsibility in the preparation of the financial statements, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation should be maintained.
- (iii) The corporation should consistently comply with the financial reporting requirements of the Commission.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

The roles of Chair and CEO are separate to foster an appropriate balance of power, increase in accountability and better capacity for independent decision-making by the Board.

The Board must have at least two (2) Independent Directors or 20% of its membership, whichever is higher. Independent Directors should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

Non-executive directors possess qualifications and stature that enable them to participate in the deliberations of the Board.

#### 2.1.1.1. General Responsibility

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

#### 2.1.1.2. Specific Duties and Functions

To insure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.

- Ensure that the Corporation complies with all relevant laws, regulations and this manual on Corporate Governance;
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Install a process of selection to ensure a mix of competent directors and officers;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation;
- Formulate the corporation's vision, mission, strategic objective, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance;
- Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
  - a) Appoint competent, professional, honest and highly-motivated management officers.
  - b) Adopt an effective succession planning program for management.
  - c) Provide sound strategic policies and guidelines to the corporation on major capital expenditures;
  - d) Establish programs that can sustain long term viability and strength;

- e) Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- Establish and maintain an alternative dispute resolutions system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders and the corporation and third parties, including the regulatory authorities;
- Appoint a Compliance Officer with the rank of at least vice-president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer;
- Management should provide members of the Board of Directors with complete, adequate and timely information about the matters to be taken in their meeting;
- Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by members of the Board to enable them to properly perform their duties and responsibilities. Hence, members should be given independent access to Management and Corporate Secretary;
- Members, either individually or as Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.

#### 2.1.1.3. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- To ensure that business transactions with the Corporation, if any, are fair and that personal interest does not bias Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

#### 2.1.1.4. Remuneration of Directors and Officers

The levels of remuneration of the corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

### 2.1.2. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees.

#### 2.1.2.1. Nomination Committee

The Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent) and one (1) non-voting member in the person of the HR Director/Manager.

2.1.2.1.1. It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:

#### Qualifications

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- He shall be at least twenty one (21) years old;
- He shall have been proven to possess integrity and probity; and
- He shall be assiduous.

#### Disqualifications

##### 1. Permanent Disqualification

The following shall be grounds for the permanent disqualification of a director:

- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:
  - (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer,

futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
- (v) Any person judicially declared as insolvent;
- (vi) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to

any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

- (vii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election of appointment.

## 2. Temporary Disqualification

Any of the following shall be a ground for the temporary disqualification of a director:

- (i) Refusal to comply with the disclosure requirement of the Securities Regulation Code and its implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- (ii) Unexcused absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency. This disqualification applies for purposes of the succeeding election;
- (iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- (iv) If the independent director becomes an officer or employee of the corporation, he shall be automatically disqualified from being an independent director; or if his beneficial equity ownership exceeds two percent of the corporations subscribed capital stock.
- (v) Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

2.1.2.1.2. In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

2.1.2.1.3. The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

## 2.1.2.2. Compensation and Remuneration Committee

2.1.2.2.1. The Compensation or Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director.

### 2.1.2.2.2. Duties and Responsibilities

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- Disallow any director to decide his or her own remuneration.
- Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure

of compensation of its executive officers for the previous fiscal year and the ensuing year.

- Review corporate policies on conflict of interest, salaries and benefits, promotion and career advancement, and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

### **2.1.2.3. Audit Committee**

2.1.2.3.1. The audit committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director who shall act as Committee Chairman. Each member shall have adequate understanding at least of the company's financial management systems and environment.

#### **2.1.2.3.2. Duties and Responsibilities**

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- Perform oversight functions over its internal and external auditors. It ensures that the internal and external auditors act independently from each other, and that both are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Review the annual internal audit plan to ensure its conformity with the objective of the corporation. The plan includes audit scope, resources and budget necessary to implement it;
- Prior to commencement of audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;

- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - a) Any change/s in accounting policies and practices
  - b) Major judgment areas
  - c) Significant adjustments resulting from the audit
  - d) Going concern assumptions
  - e) Compliance with accounting standards
  - f) Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses.

The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;

- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee;

The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:

- a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
- b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- o Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.

## **2.2 The Corporate Secretary**

2.2.1. The Corporate Secretary is an officer of the company whose loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties, to wit:

- (i) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- (ii) Be loyal to the mission, vision and objectives of the corporation;
- (iii) Work fairly and objectively with the Board, Management and stockholders;
- (iv) Have appropriate administrative and interpersonal skills;
- (v) If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- (vi) Have a working knowledge of the operations of the corporation;
- (vii) Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

- (viii) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- (ix) Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- (x) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.

### **2.3. External Auditor**

2.3.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee and the Board.

2.3.2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

2.3.3. The external auditor of the company shall not at the same time provide the services of an internal auditor. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.3.4. The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

2.3.5. If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

### **2.4. Internal Auditor**

2.4.1. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior

management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

2.4.2. The Internal Auditor shall report to the CEO and the Audit Committee.

2.4.3. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

2.4.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors; the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

## **2.5. Compliance Officer**

2.5.1. To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold a position not lower than Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board.

2.5.2. He shall perform the following duties:

- Monitors compliance by the corporation with the Code and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- Identify and monitor compliance with the rules and regulations of regulatory agencies, and take appropriate corrective measures to address all regulatory issues and concerns;
- Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same;

- Issue a certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same.
- Identify, monitor and control compliance risks.

### **3. COMMUNICATION PROCESS**

3.1. This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

3.2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties that need to have knowledge thereof and to likewise enjoin compliance therewith.

3.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.

### **4. TRAINING PROCESS**

4.1. If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

4.2. A director shall endeavor to attend a seminar on corporate governance conducted by a duly recognized private or government institution.

### **5. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES**

5.1. The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for management and dominant stockholders to mismanage the corporation or misappropriate its assets;

5.2. It is therefore essential that all material information about the corporation which could adversely affect its viability or interest of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and direct

and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate exchange mechanism and submissions to the Commission;

5.3. The reports or disclosures -required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer;

5.4. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed pursuant to and in compliance with existing regulations. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.

5.5. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

5.6. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

## **6. SHAREHOLDERS' BENEFIT**

The Board should be transparent and fair in the conduct of the annual and special stockholder's meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in stockholder's favor.

It is duly of the Board to promote the rights of stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholder's meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding

of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

The company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and all its investors:

## **6.1. INVESTORS' RIGHTS AND PROTECTION**

### **6.1.1. Rights of Investors/Minority Interests**

The Board shall be committed to respect the following rights of the stockholders:

#### **6.1.2. Voting Right**

6.1.2.1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

6.1.2.2. Cumulative voting shall be allowed in the election of directors.

6.1.2.3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### **6.1.3. Pre-emptive Right**

The Board of Directors and Management recognize that all stockholders have pre-emptive rights, pursuant to the Articles of Incorporation of the Corporation, unless an amendment thereto denying the said pre-emptive rights is adopted and approved in a duly-convened stockholders meeting.

#### **6.1.4. Power of Inspection**

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

### **6.1.5. Right to Information**

6.1.5.1. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

6.1.5.2. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

### **6.1.6. Right to Dividends**

6.1.6.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board and to the provisions of Sec. 6.1.6.2.

6.1.6.2. The company shall declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

### **6.1.7. Appraisal Right**

The Board of Directors and Management recognize the shareholders' appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

**6.1.8.** The Corporation shall appoint an Investor Relations Officer, who shall be tasked to establish and maintain a program that will keep the stockholders informed of important developments in the corporation. He shall respond to requests for information from stockholders, potential investors, and the general public. He shall arrange the electronic filing and dissemination of shareholder information necessary to make informal decisions subject to legal constraints. The Chief Finance Officer shall preferably be the Investor Relations Officer, or shall at least exercise oversight responsibility over the program.

**6.1.9.** The Corporation recognizes the negative effects of conflicts or differences between the corporation and its stockholders and/or third parties, including regulatory agencies. Thus it shall maintain an alternative dispute resolution whereby efforts shall be exhausted towards an amicable settlement of any such conflicts or differences.

## **7. MONITORING AND ASSESSMENT**

7.1. Each Committee shall report regularly to the Board of Directors.

7.2. An internal rating system shall be established to measure the performance of the Board and Management in accordance with criteria set by the Securities and Exchange Commission.

7.3. This Manual shall be subject to annual review unless the same frequency is amended by the Board.

7.4. All business processes and practices being performed within any department or business unit of EEI Corporation that are not consistent with any portion of this manual shall be revoked unless upgraded or revised accordingly.

## **8. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

8.1. To strictly observe and implement the provisions of this manual, the corresponding penalties as may be determined by the Board of Directors upon the recommendation of the Compliance Officer shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provisions of this Manual.

## **9. COMMITMENT TO GOOD CORPORATE GOVERNANCE**

9.1 This Manual embodies the corporate governance rules espoused and required by the Securities and Exchange Commission. The Company is committed to strict adherence to the principles and practices on good corporate governance.



**ROBERTO JOSE L. CASTILLO**  
President & Chief Executive Officer

*\*Rev. MCG with addnl provisios11  
18 May 2011*