



REV. NO.	TITLE	SHEETS (INCLUDING COVER)
1	AUDIT COMMITTEE CHARTER	7

REVISION HISTORY AND HIGHLIGHTS

This supersedes the Audit Committee Charter dated October 11, 2002.

Highlights of the Revisions:

1. A provision regarding the Committee's resources and access to funds was added to enable it to take independent legal, accounting or other advice.
2. The number of Audit Committee members was increased from three to five members. Correspondingly, the quorum for any meeting was changed from two to three members.
3. Periodic private meetings with the internal and external auditors, both or separately, but without Management present, were also provided to reinforce the independence of the auditors.
4. Audit Committee's scope of responsibilities over the choice and work of the independent/external and the internal auditors, as well as its reporting responsibilities to the Board, shareholders and to SEC and PSE, was also revised and defined in detail.

EFFECTIVITY DATE: June 22, 2012

PREPARED BY / DATE

*LR Avila* 6/14/12  
LR AVILA

VP & INTERNAL AUDIT HEAD

APPROVED BY THE AUDIT COMMITTEE

*MT Nera*  
MT NERA

MEMBER

*WE Sanchez*  
WE SANCHEZ

MEMBER

*FT Berba*  
FT BERBA

CHAIRMAN

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EEI CORPORATION

1931

TITLE AUDIT COMMITTEE CHARTER

REVISION NO. : \_\_\_\_\_

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DATE: \_\_\_\_\_

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## 1. Overall Purpose/Objectives

The Audit Committee will assist the board in fulfilling its oversight responsibilities. The Audit Committee will review the financial reporting process, the system of internal control and management of key business and financial risks, the audit process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the internal and external auditors. To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the company's business, operations, and risks.

## 2. Authority

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – or external parties.
- Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the Audit Committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the company's external audit firm.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.

In relation to this, the committee should be properly resourced and have access to funds to enable it to take independent legal, accounting or other advice when it reasonably believes it is necessary to do so.

- Meet with company officers, external auditors, or outside counsel, as necessary:
- The committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, provided that such decisions are presented to the full committee at its next scheduled meeting.



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### 3. Organization Membership

#### 3.1 Composition

The Audit Committee will consist of five members, with at least two independent directors.

#### 3.2 At least

- one member shall be designated as the "financial expert", as defined by applicable
- one member with related audit experience
- additional members who can contribute their knowledge and expertise

3.3 Each committee member should possess integrity, dedication of time and energy, understanding of the business, its products, and its services, knowledge of the company's risks and controls, inquisitiveness and independent judgment, ability to offer new or different perspectives and constructive suggestions.

3.4 The chairman of the Audit Committee will be nominated by the board from time to time.

3.5 All members should be independent of management.

3.6 Members will be appointed for one year term of office.

3.7 The secretary of the Audit Committee will be the company secretary, or such other person as nominated by the Audit Committee.

#### 3.8 Attendance at Meetings

- The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require, with the Chairman able to call the committee to a meeting or at least two other members can call the committee to a meeting.
- All Committee members are expected to attend each meetings, in person or via tele – or video – conference.
- A quorum for any meeting will be at least 3 members, with least one independent present director.



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3.9 The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

- It will meet separately, periodically, with management, with internal auditors and with external auditors.
- The chair of the Audit Committee should hold periodic private discussions with both the internal and external auditor without management present.
- It will also meet periodically in executive sessions.

3.10 The proceedings of all meetings will be minuted and submitted to the Board

#### 4. Scope and Responsibilities

The committee will carry out the following responsibilities:

##### Financial Statements

4.1 Review significant accounting and reporting issues and understand their impact on the financial statements. These include:

- Complex or unusual transactions and highly judgmental areas.
- The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the company.
- Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access requested information, and any significant disagreements with management.

4.2 Discuss the annual audited financial statements and quarterly financial statements with management and the external auditors, including the company's disclosures under "Management's Discussion and Analysis of Financial Condition & Results of Operations"



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- Review disclosures made by CEO and CFO about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the company's internal controls.
- Discuss earnings press releases (particularly use of "pro forma", or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.

- 4.3 Consider the effectiveness of the company's internal control system, including information technology security and control.
- 4.4 Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant finding and recommendations, together with management's responses.

#### **Compliance**

Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any non-compliance.

Establish procedures for:

the receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls or auditing matters;

the confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.

Review the findings of any examinations by regulatory agencies, and any auditor observations.

Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.

Obtain regular updates from management and company legal counsel regarding compliance matters.

- 4.5 Review and approve scope of work/activities and organizational structure of the internal audit function and ensure no unjustified restrictions or limitations are made.
- 4.6 Review the qualifications of internal audit personnel, conduct yearly evaluation of appraisal of their performance, set compensation level of the internal audit personnel, **recommend salary increases, and promotion of the internal audit head, and review and approved the appointment**, replacement, reassignment or dismissal of the head of internal audit.



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- 4.7 Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditor's Standards for the Professional Practice of Internal Auditing.
- 4.8 Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis.
- 4.9 Ensure that management responds to recommendations by the internal auditors.
- 4.10 On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

#### **External Audit**

- 4.11 Review the external auditors' proposed audit scope and approach, including coordination of audit report with internal audit.
- 4.12 Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. In performing this review, the committee will:
  - ~~4.13~~ At least annually, obtain and review a report by the independent auditor describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the firm, 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 firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the company.
- 4.14 Take into account the opinions of management and internal audit, review and evaluate the lead partner of the independent auditor and present its conclusions with respect to the external auditor to the Board.
- 4.15 Ensure the rotation of the lead audit partner every five years and other audit partners every seven years and consider whether there should be regular rotation of the audit firm itself.
- 4.16 Regularly update the board about committee activities and issues that arise with respect to the quality or integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance and independence of the company's independent auditors, and performance of the internal audit function.



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4.17 Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.

4.18 Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval on non-audit services.

Review any other reports the company issues that relate to committee responsibilities.

### **Other Responsibilities**

4.19 Perform other oversight functions as requested by the full board

4.20 If necessary, institute special investigations and, if appropriate, hire counsel or experts to assist

4.21 Review and update the charter on an annual basis, receive approval of changes from the board

4.22 Discuss with management the company's major policies with respect to risk assessment and risk management.

4.23 Confirm annually that all responsibilities outlined in this charter have been carried out.