EEI Risk Management System

The approach by which EEI manages its risks has three (3) aspects: the risk management organization, risk management processes and risk management review.

Risk Management Organization

Risk management in EEI is carried out by its risk management organization made up of the Risk Management Committee, Risk Management Council, Risk Management Department and risk owners.

1. A Risk Management Committee, composed of three members of the Board of Directors, governs and oversees at the highest level the implementation of the Risk Management Program of the company on behalf of and as may be directed by the Board.
2. To support the Committee, a Risk Management Council, composed of EEI's senior officers and headed by EEI's President and CEO, steer the program implementation. The Risk Management Committee and Risk Management Council periodically meet to discuss major risks that were encountered or are evolving and corresponding approaches / solutions to such risks.
3. The Risk Management Department reports to the President and CEO and assists the Risk Management Council in the regular monitoring / reporting of the company's risk management activities and risk owners on the technicalities of their risk management functions.
4. The management teams of operating units, subsidiaries and projects concurrently function as risk management teams with its chiefs as the risk owners. The chief of each operating units, subsidiaries and projects are responsible for the day-to-day management of risks to which their units are exposed. They are always on the look-out for evolving new risks which are immediately cascaded up and down the organization.

Risk Management Processes

Risk management in EEI is implemented through the execution of four (4) processes:

1. Risk identification – risk owners look for indicators such as trends, changes in the operating environment, peculiarities of new projects, changes in the market place, economic shifts, political upheavals, disasters and unusual events which may signify probable impending events leading to loss or gain. Such impending events represent risks.
2. Risk Analysis – identified risks are then studied by the Risk Management Department to better understand its nature (i.e. characteristics and behavior) and possible effects to the company in order to understand how to effectively manage them.
3. Risk Control – from the analysis done on risks, ways on managing the risks can be derived with the ultimate objective of minimizing its negative impact or maximizing its positive impact. The risk owners, with the guidance of the Risk Management Council and Risk Management Department, establish control measures to manage identified risks. There are basically four (4) general risk control measures that risk owners can apply – avoid the risk, transfer it to another entity, modify its characteristics or consciously absorb/retain risk as it is.

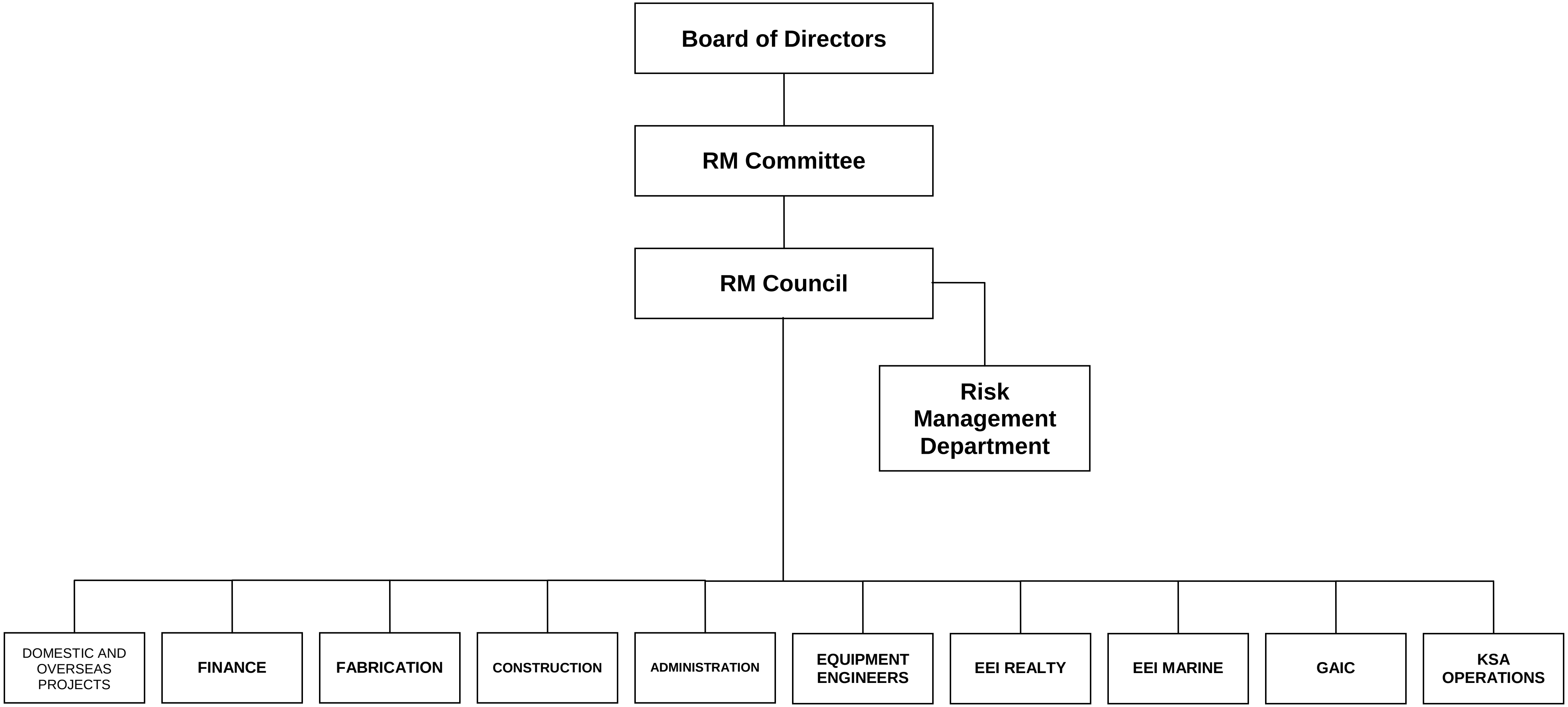
4. Risk Monitoring – Risks along with corresponding control measures are regularly (usually on a monthly basis) monitored for changes in the risks' characteristics and effectiveness of the control measures. The risk owners report the status of risks and controls to the Risk Management Department through the risk registers. All risks that bear significant possible effects to the company including risk owners' control measures are reported by the Risk Management Department to the Risk Management Council and Risk Management Committee for their assessment.

Risk Management Review

Every year, the Risk Management Council with the help of the Risk Management Department reviews the performance of the risk management organization and processes. The main objective of this review is to identify weaknesses and strengths in the company's risk management efforts so that action plans to minimize, if not eliminate, such weaknesses and maximize such strengths be formulated.

The results of the Council's risk management review are then reported to the Risk Management Committee for its own risk management review process. The Committee also reviews the performance of the risk management organization and processes together with the action plans that the Council proposed. The Committee assesses if the strengths and weaknesses identified are comprehensive and corresponding action plans are appropriate not only to protect the interest of the company but also other stakeholders – primarily, the shareholders'. All approved action plans are then relayed by the Risk Management Department to the Council members and then cascaded down to the risk owners for implementation.

Risk Management Organization



Note: Each project's, business unit's and subsidiary's management team also functions as its own risk management team and headed by the PM or GM as the risk owner.