

E EI CORPORATION
Internal Memorandum

DATE: 18 June 1999 FROM: R. S. NAVARRO TO: ALL CONCERNED

SUBJECT: POLICY ON CONFLICT OF INTEREST REF: RSN-M-002-99

POLICY COVERAGE:

This memorandum is intended to state the policy of EEI Corporation with respect to possible conflicts of interest. It applies to all employees of EEI.

All employees have a duty to be entirely free from the influence of conflicting interests when they represent EEI in any business dealings, or when they make recommendations to Management of EEI.

- .2 EEI respects the right of its employees to privacy in their personal affairs. The principal purpose of this Policy is to provide guidance to all employees in order that they may avoid situations where their personal interests may conflict with the interests of EEI.

It is impractical to try to foresee or define with precision every situation that might be considered as a conflict of interest. Generally, a possible conflict of interest exists whenever a situation arises where an employee's personal activities or affairs may adversely affect or influence his decision in the performance of his duties or obligation to EEI. Obviously, the facts in each situation will determine whether the interest in question is such as to bring it within the area of potential conflict. In any event, in case of doubt, all employees are advised to make a timely disclosure of facts in consultation with their superior and/or the undersigned so that these possible areas of conflict of interest may be addressed and resolved.

2. GUIDING PRINCIPLES

The following illustrates situations where possible conflict of interest may exist.

2.1 Financial Matters

Possible conflict of interest exists when an employee, a member of his immediate family (spouse, child or parent) or his relatives by consanguinity or

affinity within the 3rd civil degree (brother, sister, uncle or aunt), directly or indirectly, has an interest in an entity which is a business competitor of EEI or which has dealings with EEI (whether as client, supplier, contractor, etc.) and the interest is of such extent or nature that his decisions might be affected or determined by it.

A conflict of interest is not likely to exist where the interest consists of shares of stock, bonds or other securities in a publicly listed company and the amount of such interest is less than five percent (5%) of the value of the class of such securities or less than five percent (5%) of the net worth of the employee.

2.2 Outside Work

A possible conflict of interest exists when an employee directly or indirectly serves as director, officer, employee, consultant or agent of an entity which is a business competitor of EEI, or has dealings with EEI whether as client, supplier or contractor.

Possible conflict of interest exists likewise when an employee engages in a separate trade or business for himself or performs work or services for another entity regardless of its nature, to the extent that the employee is prevented from dedicating his full time and effort to his job with EEI. Teaching is excluded for the purpose of this paragraph, provided it is done outside regular work hours of the Company.

An employee shall be allowed membership in governmental, quasi-governmental, legislative and judicial bodies, including boards, councils or committees of professional, trade and other associations where this is performed pursuant to public service provided the following conditions are met:

- 2.2 (a) membership will not conflict with the interests of EEI or any company in the Yuchengco Group.
- 2.3 (b) some advantage to EEI must arise as a result of membership; and
- 2.4 (c) time spent in membership activities must not significantly interfere with duties in EEI.

2.3 Gifts and Favors

Possible conflict of interest exists when an employee or a member of his immediate family receives or accepts any gift or favor from any person or entity which is a business competitor of EEI or has dealings with EEI. A gift or favor includes any article of value, money, gratuitous service and loans and discounts, but

does not include loans from financial institutions on customary terms, articles of nominal value ordinarily used for sales promotion, ordinary business lunches or entertainment consistent with local social and business customs which the employee may reciprocate on a personal basis or through normal company procedures of reimbursement of legitimate business expenses. A Christmas gift the market value of which does not exceed P3,000 is exempt from this prohibition and may therefore be accepted by the recipient.

2.4 Transactions with EEI

A possible conflict of interest exists when an employee or immediate member of his family or any of his relatives by consanguinity or affinity within the 3rd civil degree is a party to a transaction with EEI involving the purchase or lease of real estate or other property, where the transaction is something other than the routine purchase of merchandise from stores or the purchase of company surplus property according to customary or established disposition procedures, unless expressly allowed by Management or the undersigned in writing.

2.5 Confidential Information

A possible conflict of interest exists when an employee or a member of his immediate family or any of his relatives by consanguinity or affinity within the 3rd civil degree uses for his or their personal gain any confidential information obtained as a result of his employment in EEI. Neither should said confidential information be disclosed to others for personal use.

Confidential information includes trade secrets, technical information, processes, methods, advertising or promotional programs, sales and statistics affecting financial results and trading in shares of EEI or shares of other companies as a result of any unpublished "inside" business information.

2.6 Business Opportunities

A possible conflict of interest exists when an employee, without the knowledge and consent of EEI appropriates for himself or another person or entity the benefit of any business venture, opportunity or potential which said employee learned or developed in the course of his employment and which is related to any current or prospective business of EEI.

3. DISCLOSURE STATEMENTS

Periodically, employees may be required to submit a formal statement to EEI for disclosure of information on any matter which could be a potential source of conflict of interest.

4. DISPOSITION OF CONFLICT REPORT

The disclosure of information which could give rise to a conflict of interest must be reported promptly to the undersigned who may require that said information be reviewed and further investigated. A record of the final disposition of each situation shall be maintained.

5. VIOLATION OF POLICY AND DISCIPLINARY ACTION

The acts described in paragraphs 2.1 to 2.6 of this Policy may be cause for disciplinary action including dismissal conformably with the requirements of law.

6. STATEMENTS ARE CONFIDENTIAL

All statements and other information reported by employees relating to conflict of interest shall be maintained by the Company on a confidential basis and shall form part of their 201 file.

7. ACKNOWLEDGMENT

All officers and managers of the Company are requested to sign the attached acknowledgment sheet indicating that they understood the policy and will in the future strictly adhere to its principles.

8. REPORTS TO THE CHIEF EXECUTIVE OFFICER

This Policy shall be administered by the undersigned with the assistance of the Internal Audit Head. The Internal Audit Head shall submit a report to the undersigned on matters relating to this policy at least once a year.


R. S. NAVARRO

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