



Corporate Governance Guidelines

Role of Board

The Board of Directors is the ultimate decision-making body of CenterPoint Energy, Inc. except with respect to those matters reserved to the shareholders. It elects the executive management team, which is charged with the conduct of the Company's business. Having elected the executive management team, the Board provides advice and counsel to executive management and monitors its performance.

The principal duties of the Board of Directors of the Company are to see that the Company is well-managed and otherwise exercise their business judgment to act in a manner they reasonably believe to be in the best interests of the Company and its shareholders in directing the management of the business and affairs of the Company.

Board Structure

1. *Number of Directors.* The Board will consist of at least seven directors, subject to the provisions of the Company's charter and bylaws. The number of directors will be determined from time to time by the Board, following receipt of the recommendation of the Governance Committee.

2. *Board Composition.* A significant majority of the directors will be persons who the Board has determined do not have any direct or indirect material relationship with the Company (other than in their positions on the Board) and who otherwise meet the criteria for independence required by the New York Stock Exchange ("NYSE"). As contemplated by the NYSE listing standards, the Board may from time to time adopt and disclose categorical standards to assist it in making independence determinations. No more than two directors will be officers of the Company. The members of the Board are encouraged to limit the number of other public company boards on which they serve. Directors should advise the Chairman in advance of accepting an invitation to serve on another public company's board.

3. *Selection of Directors.* (a) General. The Governance Committee will evaluate and recommend to the Board potential nominees for election to the Board of Directors. All nominees shall meet the qualification and eligibility requirements contained herein and in the Company's bylaws. The invitation to join the Board should be extended by the Chairman of the Board and the Chairman of the Governance Committee.

In nominating a slate of directors to shareholders, the Board's objective is to select eligible individuals whose qualifications are such that they will contribute to the formulation and implementation of the Company's strategic direction. The Board shall consider the need for a range among the directors of business experience, diversity, professional skills, geographic representation and other qualities the Board considers important in light of the Company's business plan.

(b) Advance Resignation - Majority Voting. In accordance with the Company's bylaws, except with respect to contested elections of directors, each director shall be elected by a majority of the votes cast by the holders of shares entitled to vote in the election of directors at a meeting of shareholders at which a quorum is present. As a condition to being nominated to continue to serve as a director, an incumbent director nominee will submit an irrevocable letter of resignation which would be effective upon and only in the event that (i) such nominee fails to receive the required vote for election to the Board at the next meeting of the shareholders of the Company at which such nominee faces re-election and (ii) the Board accepts such resignation. As a condition to being nominated, each nominee who is not an incumbent director will agree to submit such an irrevocable letter of resignation upon his or her election as a director. In addition, the Board will fill vacancies (including new directorships created by expansion of the Board) only with candidates who agree to submit such an irrevocable letter of resignation upon appointment as a director.

If an incumbent director nominee does not receive the required vote, the Governance Committee shall promptly consider whether to accept the resignation of such nominee and make a recommendation to the Board concerning the acceptance or rejection of such resignation. The Board will act on the Governance Committee's recommendation and will publicly disclose its decision and the reasons therefor within 90 days from the date of the certification of the election results. The Governance Committee and the Board will consider what they understand to be the reason or reasons stated for the nominee's not receiving the required vote, whether the underlying cause or causes are curable, the overall composition of the Board and the effect acceptance of this or other resignations could have under any applicable rule, regulation or contract (including NYSE listing standards and federal securities laws), as well as any other factors that they believe to be relevant. The resignation, if

accepted by the Board, will be effective at the time specified by the Board when it determines to accept the resignation, which effective time may be deferred until a replacement director is identified and appointed to the Board.

The Board expects any director whose resignation is being considered as described in this section will abstain from participation in both the Governance Committee's consideration of the director's resignation, if the director is a member of that committee, and the Board's decision regarding the resignation. The Board also expects any such director will abstain from participation in consideration of any other director's resignation unless there would be fewer than three directors eligible to participate in the Board's consideration of the resignation.

4. *Board Leadership.* The offices of Chairman of the Board and CEO are currently separate. However, the Board is free to determine from time to time whether the role of Chairman and CEO should be separate or combined.

The primary functions of the Chairman are to provide leadership to the Board and a coordinating role for its activities. Additionally, the Chairman performs duties as may be conferred by law, set forth in the by-laws or charters of Board committees, or otherwise assigned by the Board.

The responsibilities of the Chairman include:

- in consultation with the CEO, developing and communicating the agenda for and scheduling meetings of the Board;
- establishing parameters for the quality, amount and timeliness of the information flow between management and the Board (it being understood that management is responsible for the preparation of materials for the Board consistent with these parameters);
- presiding at regular and special meetings of the Board, executive sessions of the Board's non-management members, and shareholders;
- reviewing major activities and plans of the Company with the CEO;
- conferring with the CEO regarding the development, implementation, and monitoring of near- and long-term strategic plans for the Company;
- monitoring performance of the CEO and providing input to the Compensation Committee concerning the compensation arrangements for the CEO;
- working with the CEO in representing the Company through participation and leadership in community activities such as business, political, charitable, civic, and social organizations; and
- supporting and promoting business relationships as appropriate.

If the offices of Chairman and CEO should in the future be combined, references to the CEO in the above enumeration of responsibilities should be considered modified as appropriate.

5. *Committees of the Board.* The Board shall at all times maintain an Audit Committee, a Governance Committee and a Compensation Committee, each of which will be constituted and will function in accordance with applicable law, their respective charters as adopted and amended from time to time by the Board and any applicable rules of the New York Stock Exchange. The Board may also establish such other committees as it deems appropriate and assign and delegate to such committees such power and authority as determined by the Board, subject to applicable law and the Company's bylaws.

The Governance Committee will review and make the following recommendations to the Board:

- membership of each committee, including chairs;
- responsibilities of each committee as set forth in the charters of the respective committees or as otherwise assigned by the Board;
- whether new committees should be formed and whether existing committees should be continued, redirected or abolished; and
- fee levels and other elements of compensation for outside directors.

The Audit, Compensation, and Governance Committees will each consist solely of persons the Board determines are independent directors satisfying the eligibility requirements under NYSE listing standards. It is also expected that members of the various committees shall meet the eligibility requirements specified in federal income tax and securities laws, as applicable, and specified in the respective committee charters. Each committee chair, in consultation with committee members, will determine the frequency of the meetings of the committee, except as otherwise provided in the committee's charter.

6. *Stock Ownership.* Directors are encouraged to own a significant equity interest in the Company within a reasonable period after initial election to the Board. To more closely align the interests of directors and the Company's shareholders, a portion of director compensation will be paid in the form of common stock, as determined by the Board from time to time.

Board Functions

1. *Chief Executive Officer Performance.* The Board believes that the CEO's performance should be evaluated annually, based

on both qualitative and quantitative factors, and as a regular part of decisions with respect to the CEO's compensation.

The Compensation Committee will evaluate the CEO's performance annually in the course of determining or recommending the CEO's compensation, as provided in the Compensation Committee's charter. During an executive session of the Board, the Chairman of the Compensation Committee will report to the non-management directors on the evaluation of the CEO's performance. The Chairman of the Board, if the positions of Chairman and CEO are separate, and otherwise, the Chairman of the Governance Committee, will review comments of the Board with the CEO following the executive session, as appropriate.

2. *Major Strategies, Financial Objectives and Enterprise Risks.* Each year the Board will review and approve the Company's business plan, as well as its long-term strategic and financial goals. The Board will regularly monitor the Company's performance with respect to these plans and goals and will review at least annually the Company's system of enterprise risk management.

3. *Board Evaluation.* The Governance Committee will consider and recommend to the Board measures by which the Board can evaluate the effectiveness of the Board and its committees. The Board will conduct an annual evaluation to determine whether it and its committees are functioning effectively. Based on the evaluation, the Board will determine what actions, if any, should be taken to improve the performance of the Board and its committees.

4. *Management Succession and Development.* The Compensation Committee will review annually management succession planning and development. The entire board will work with the Compensation Committee to identify potential successors to the CEO. The Chairman of the Compensation Committee and the CEO will report to the Board on management succession and development.

5. *Executive Compensation.* The Compensation Committee will make recommendations to the Board with respect to compensation (other than incentive compensation determined by the Committee) of senior executive officers other than the Chief Executive Officer, following review with the Chief Executive Officer of the performance of the senior executive officers.

6. *Director Compensation.* The Governance Committee will periodically review and make recommendations to the Board with respect to director compensation, taking into account comparative data for companies that are similarly situated, with the objective that such compensation be reasonable and competitive. The Governance Committee may seek data on director compensation at other comparable companies from staff or outside consultants.

Board Operations

1. *Review of Board Operations.* The Governance Committee, in consultation with the Chairman and the CEO jointly, will periodically review and make recommendations to the Board regarding Board processes and policies, including the appropriateness of Board meeting agendas and the frequency and location of Board meetings.

2. *Meeting Attendance.* Directors are expected to attend the Company's annual meeting of shareholders, Board meetings and meetings of committees on which they serve. If a director's cumulative attendance falls below 75% of Board and applicable committee meetings in the aggregate held over a three-year period, the director will be expected to offer his or her resignation. The Governance Committee will make a recommendation to the Board whether the Board should accept the resignation.

3. *Selection of Agenda Items for Board Meetings.* The Chairman and the CEO will establish the agenda for each Board meeting. The chairman of each committee of the Board shall set the agenda of meetings of the applicable committee. Each director is free to suggest items for inclusion on the agenda, and each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

4. *Pre-meeting Materials.* To the extent feasible or appropriate, information and data important to the directors' understanding of the matters to be considered, including background summaries of presentations to be made at the meeting, will be distributed sufficiently in advance of the meeting to allow the directors to prepare. Directors also will routinely be sent monthly financial statements, earnings reports, press releases, analyst reports and other information designed to keep them informed of the material aspects of the Company's business, performance and prospects. To prepare for meetings, directors should review the materials that are sent to them in advance of those meetings.

5. *Conduct of Meetings.* Board meetings will be conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.

6. *Conflicts of Interest.* Directors are expected to be familiar with and follow the Company's Ethics and Compliance Code. Each director must promptly disclose to the Chairman any potential conflicts of interest he or she may have with respect to any matter involving the Company and, if appropriate, recuse himself or herself from any discussions or decisions on any of these matters. The Chairman shall promptly advise the Governance Committee of any potential conflicts of interest he or she may have with respect to any matter involving the Company and, if appropriate, recuse himself or herself from any discussions or decisions on any of these matters. The Governance Committee will resolve any issues with respect to related party transactions and conflicts of interests involving the Company's executive officers or directors or other "related persons" under

the applicable disclosure rules of the Securities and Exchange Commission.

7. Executive Sessions. Executive sessions or meetings of non-management directors without management present shall be held at each regular meeting. At any time when the Chairman of the Board is a non-management director, the Chairman will preside at each executive session. At all other times, the non-management directors shall either select a non-management director to preside at each executive session or shall establish a procedure by which the presiding director at each executive session shall be selected. At least once each year an executive session shall be held including only the non-management directors who are also independent within the meaning of applicable standards of the New York Stock Exchange. Interested parties may communicate directly with the independent directors by submitting a communication in an envelope marked "Confidential" addressed to the "Board of Directors (independent members)" in care of the Company's Corporate Secretary.

8. Board Access to Executive Management and Independent Advisors. Directors will have complete access to the Company's executive management. It is assumed that directors will use judgment to be sure that contact with management is not distracting to the business operations of the Company. The Board and its committees, to the extent set forth in the applicable committee charter, may consult the Company's current outside advisors and, as they shall deem necessary, advisable or appropriate, retain additional independent legal or other advisors at the expense of the Company.

Other Board Practices

1. Periodic Review of These Guidelines. These guidelines will be reviewed periodically by the Governance Committee, with input from the Chairman of the Board and the CEO, and any recommended revisions will be submitted to the full Board for action thereon.

2. Orientation of New Directors and Continuing Education. An orientation process for all new directors will be conducted. This process includes comprehensive background briefings by the Company's executive officers. The Board believes it is appropriate for directors, at their discretion, to have access to educational programs related to their duties as directors on an ongoing basis to enable them to better perform their duties and to recognize and deal appropriately with issues that arise. The Company will provide appropriate funding for any such program in which a director wishes to participate.