

## **MCI, INC.**

### **CORPORATE GOVERNANCE GUIDELINES**

These Corporate Governance Guidelines were adopted by the Board of Directors of MCI, Inc. on January 22, 2004.

*These Guidelines are intended as a component of the flexible framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's Certificate of Incorporation and By-laws, it is not intended to establish by its own force any legally binding obligations. Note that some of the provisions included in these Guidelines are mandated by the Certificate of Incorporation and/or the By-laws. They are restated herein for the convenience of the Board.*

*The Board will review these Guidelines and other aspects of MCI governance in light of evolving "best practices" and legal and regulatory requirements annually or more often if deemed necessary.*

#### **I. ROLE OF THE BOARD**

The Company's business is conducted by its officers and other employees, under the direction of the Chief Executive Officer and the oversight of the Board, to maximize the long-term value of the Company for its shareholders. Both the Board and management recognize that the long-term interests of shareholders are advanced by maintaining the highest standards of ethics, integrity and fairness and responsibly addressing the concerns of other interested parties including employees, customers, suppliers, government and regulatory officials, communities and the public at large.

#### **II. FUNCTIONS OF THE BOARD**

The Board is elected by the shareholders to provide independent, active and diligent oversight of, and to provide an effective check on, management. The Board also serves as an advisor to management and provides a forum for management to discuss and test ideas. In carrying out its general oversight and advisory role, the Board performs a number of specific functions, including:

- (a) providing advice and counsel to the CEO and principal senior executives;
- (b) selecting, regularly evaluating, fixing the compensation of, and, where appropriate, replacing the CEO and executive officers;
- (c) overseeing CEO succession planning and the professional development of the Company's officers and senior executives;

- (d) overseeing the conduct of the Company's business and strategic plans to evaluate whether the business is being properly managed;
- (e) reviewing and approving the Company's financial objectives and major corporate plans and actions;
- (f) reviewing and approving major changes in the applicable auditing and accounting principles and practices;
- (g) providing oversight of internal and external audit processes, internal controls and financial reporting in the interests of full, fair, accurate, timely and understandable disclosure of the Company's periodic reports filed with the Securities and Exchange Commission (the "SEC");
- (h) providing oversight of risk assessment and protection processes and processes designed to promote compliance with all applicable laws and regulations;
- (i) ensuring processes are in place to promote honest and ethical conduct throughout all levels of the Company; and
- (j) performing such other functions as the Board believes appropriate or necessary, or as otherwise prescribed by rules or regulations.

The Directors recognize that in carrying out these responsibilities, they have obligations individually and collectively as the Board to pay careful attention and be properly informed. Directors must devote significant time and attention to carry out their duties and responsibilities effectively. Directors are expected to attend and actively participate in all Board meetings and meetings of Board committees on which they serve and to adequately prepare for such meetings in order to bring their knowledge and experience to bear on the issues discussed.

### **III. ETHICS AND CONFLICTS OF INTEREST**

The Directors recognize that candor and the avoidance of conflicts in fact and in perception are hallmarks of the accountability owed to the shareholders. Directors have a personal obligation to disclose a potential conflict of interest to the Chairman of the Board prior to any Board decision related to the matter and, if the Chairman of the Board in consultation with legal counsel determines a conflict exists or the perception of a conflict is likely to be significant, to recuse themselves from any discussion or vote related to the matter.

Directors are expected to possess and exhibit the highest personal and professional ethics, integrity and values, together with the character and will to constructively challenge, and act independently of, management when appropriate.

#### **IV. SEPARATION OF CHAIRMAN AND CEO**

The positions of Chairman and CEO are separate, with the Chairman qualifying as an Independent Director, as defined in Section VIII of these Guidelines.

#### **V. FORMAL EVALUATION OF THE CEO**

The Chairman of the Board and the Nominating and Corporate Governance Committee shall undertake an annual performance evaluation of the CEO and report findings and recommendations to the Board in Executive Session (as defined below). The evaluation shall be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management and compliance with the obligations of the CEO's employment contract. After Board discussion in Executive Session, the Chairman of the Board and the Chairman of the Nominating and Corporate Governance shall communicate the Board's conclusions to the CEO. The evaluation shall be used by the Compensation Committee in recommending for Board approval the CEO's compensation package.

#### **VI. SUCCESSION PLANNING AND MANAGEMENT DEVELOPMENT**

The CEO shall report annually to the Board on long-term succession planning and a full Board discussion shall be had, including in an Executive Session. In addition, the Chairman of the Board and the CEO shall agree on a plan as to interim succession in the event the CEO should be unexpectedly rendered unable to serve.

The CEO shall also report annually to the Board on the Company's program for the professional development of key executives and members of the management team. This report should be given to the Board at the same time as the succession planning report noted above.

#### **VII. BOARD SIZE AND COMPOSITION**

The Board shall be composed of not less than 8 nor more than 12 Directors, including the CEO. All Directors other than the CEO shall qualify as "Independent Directors" pursuant to the definitions set forth in Section VIII of these Guidelines.

#### **VIII. DEFINITION OF INDEPENDENCE**

The term "Independent Director" shall mean a Director whom the Board affirmatively determines has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a material relationship with the Company), subject to any applicable listing rules of a national securities exchange or a national securities quotation system (any such rules, "Listing Rules"), the Certificate of Incorporation and the By-laws. A Director cannot qualify as "independent" if he or she:

- (a) is currently or within the past five calendar years has been an employee of the Company or of any parent or subsidiary of the Company;

- (b) has been elected to the Board after the Effective Date and (i) currently receives, or within the past three calendar years has received, any form of direct or indirect compensation as an employee or as any outside consultant or other professional retained by the Company other than standard fees for Board service; or (ii) currently serves or within the past three calendar years has served as an officer, director, partner or employee of any firm (including but not limited to a firm providing independent audit services, as well as other professional services firms) to which the Company or any subsidiary of the Company has made, or from which the Company or any subsidiary of the Company has received, payments that exceed the greater of 1% of the revenues or \$200,000 for either firm during the current calendar year or any of the previous three calendar years, excepting payments for the purchase of telecom or other services from the Company at rates negotiated at arms' length, and so long as the individual played no role in negotiating such transaction;
- (c) serves as an officer of any company on whose board an officer of the Company or any subsidiary of the Company sits;
- (d) is an officer, director or employee of a non-profit organization that has received donations in excess of \$100,000 during the current calendar year or any of the previous three calendar years, unless grants to a university shall have been exempted from this requirement by the Board's Nominating and Corporate Governance Committee after a review to determine the business purpose of grants to the particular institution;
- (e) within the past five calendar years: (i) has served as an elected official and received political contributions from the Company or the CEO or the Chief Operating Officer of the Company or the Chief Financial Officer of the Company; (ii) has served as a senior member of any regulatory body with authority over the Company or any subsidiary of the Company; (iii) has had responsibility for any government contracting relationship with the Company or any subsidiary of the Company; or (iv) has served as a governor or member of a political executive body or a legislative body or committee thereof with jurisdiction to enact laws governing the Company or subsidiary of the Company or their business operations;
- (f) has had any personal commercial transactions with the CEO within the past ten calendar years, or serves or has served as an officer, employee, partner or owner of any organization that has been involved in any such personal commercial transactions with the CEO during the past five calendar years, except for routine retail or consumer transactions negotiated at arms' length, or other relationships specifically approved by the Board;
- (g) has previously served as the CEO; or

- (h) is a spouse, parent, child, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law or anyone (other than a domestic employee) who shares the home of any individual listed in (a) through (g) above.

## **IX. ADDITIONAL QUALIFICATIONS OF DIRECTORS**

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the independence as well as the appropriate skills and characteristics required of Directors in the context of the current needs and make-up of the Board and in accordance with the Certificate of Incorporation and By-laws. This assessment should include issues of judgment, diversity, age, skills and other qualifications – all in the context of an assessment of the perceived needs and make-up of the Board at that point in time. Each Director shall possess at least one of the following skills, experiences or types of expertise at the time of election: financial or accounting expertise; telecommunications or technology expertise; senior management experience with a major company; experience with federal or state government agencies or contracting practices; marketing or strategy and planning expertise; training in ethics; regulatory experience; or any other skills or expertise that the Nominating and Corporate Governance Committee shall deem to be beneficial to the Company.

Directors must satisfy the following qualification standards upon election and continuously thereafter:

- (a) all Independent Directors shall at all times satisfy the standards of independence as set forth in Section VIII of these Guidelines;
- (b) no Director shall have been found to have committed any violations of fiduciary duties to the Company or any subsidiary of the Company;
- (c) at least 75% of the Directors shall each have a minimum of three years cumulative experience serving on the board of directors of a publicly traded company that possessed a minimum threshold of equity market capitalization, revenue or assets of \$500 million at the time of such service. The Nominating and Corporate Governance Committee may waive this requirement if it determines that an individual has comparable experience with governance issues that will be valuable to the Company, such as through academic study or government service.
- (d) all Directors shall be free of conflicts of interest, consistent with the Certificate of Incorporation, By-laws and any applicable Corporate Policy (as defined in the Certificate of Incorporation);
- (e) the CEO of the Company shall not serve on any board of directors of any other for-profit corporation (either publicly traded or privately held), but may serve on the board of directors of a not-for-profit company, with the prior consent of the Nominating and Corporate Governance Committee;

- (f) no Independent Director shall serve on more than two other boards of directors of publicly held companies, without the prior consent of the Nominating and Corporate Governance Committee; provided, however, that any Independent Director who holds the position of chief executive officer or other senior corporate officer of a company may not serve on the board of directors of more than one other public company, including that of such director's own employer; and
- (g) all Directors shall be in compliance with the Company's mandatory director stock investment policy as set forth in an applicable Corporate Policy.

## **X. DIRECTOR SELECTION**

The Board is responsible for recommending Director nominees for election by the shareholders, in accordance with the Certificate of Incorporation and By-laws. The Board has delegated the screening process to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is developing a procedure for the solicitation of nominations for Board vacancies from the Company's ten largest stockholders (or such greater number as may be necessary to represent at least 15% of the outstanding shares of Common Stock) in accordance with the Certificate of Incorporation and By-laws.

Invitations to serve on the Board shall be extended by the Board itself via the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee.

## **XI. DIRECTOR ORIENTATION AND EDUCATION**

The Nominating and Corporate Governance Committee and the Company shall provide a complete orientation for new Directors that includes background materials, meetings with senior management, visits to Company facilities and such other training as determined by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall also provide or approve annual continuing education courses for Directors, which shall address topics such as accounting, disclosure, governance, compensation and/or industry developments.

Each director shall visit at least one facility of the Company annually, independently of any Board meetings held at such facilities.

## **XII. LIMITS ON OTHER ACTIVITIES**

By serving on this Board Directors have agreed to limit the number of other boards on which they serve in accordance with paragraphs (e) and (f) of Section IX of these Guidelines.

Directors should advise the Chairman of the Board, the Chairman of the Nominating and Corporate Governance Committee, the General Counsel and the Ethics Office in advance of accepting any invitation to serve on another board, to ensure that the agreed limit is not

surpassed and to ensure that significant conflicts of interest, antitrust issues or a failure of independence are unlikely to arise.

### **XIII. CHANGES IN JOB RESPONSIBILITY**

If a Director has a change in status, either through a change in employer or employment status, or due to a material SEC or other government investigation or prosecution that involves that Director as a target or subject, the existence of a conflict of interest involving such Director prohibited by a Corporate Policy, violation of any fiduciary duty by such Director or other material change in status (including a change relating to the requirements of Sections VIII and IX of these Guidelines), such Director shall inform the Chairman of the Board, Chairman of the Nominating and Corporation Governance Committee, General Counsel and Chief Ethics Officer of such change in status and tender his or her resignation to the Board. The Board, meeting outside the presence of the Director in question, shall determine whether or not to accept the tendered resignation (subject to the requirements of Sections VIII and IX of these Guidelines).

### **XIV. TERM AND AGE LIMITS; MANDATED VACANCY**

No Director first elected after the Company's Effective Date (as defined in the Certificate of Incorporation) may serve as a Director for more than ten years, or past the age of 75.

The Board has delegated to the Nominating and Corporate Governance Committee the task of ensuring that each calendar year beginning January 1, 2005 at least one vacancy occurs --either through the natural impact of term and age limits set forth herein, voluntary resignations or through a reasonable procedure -- so that every year a qualified individual who has not served as a director of the Company or any of its subsidiaries or their predecessors within the preceding five years can be elected to the Board, as set forth in the Certificate of Incorporation and By-laws.

### **XV. REGULAR EXECUTIVE SESSIONS OF INDEPENDENT DIRECTORS**

At each meeting of the Board, the Independent Directors shall meet without members of management present (an "Executive Session") for some period of time to be determined by the Chairman of the Board, or by consensus among the Independent Directors, to provide Independent Directors the opportunity to discuss issues related to management performance and any other matters they choose.

### **XVI. ANNUAL BOARD AND CHAIRMAN EVALUATIONS**

The Nominating and Corporate Governance Committee shall undertake annually to engage the Board in an evaluation of the Board's performance including a discussion of the results in a full Board meeting. This evaluation includes consideration of the Board's contribution as a whole and areas in which the Board and/or management believe improvement could be had. In addition, the Nominating and Corporate Governance Committee shall lead the Board in evaluating the Chairman of the Board annually. This evaluation shall be communicated to the Board Chairman by the Chairman of the Nominating and Corporate Governance Committee.

## **XVII. CORPORATE GOVERNANCE GUIDELINES**

The Nominating and Corporate Governance Committee shall review these Guidelines periodically and recommend amendments to the Board as necessary. These Guidelines shall be communicated to the Company's shareholders through the Company's site on the World Wide Web.

## **XVIII. BOARD COMPENSATION**

Each Director receives a retainer of \$150,000 per year with additional compensation paid for Board committee service. Any modifications in Board compensation should come at the suggestion of the Compensation Committee in consultation with the Nominating and Corporate Governance Committee, but upon discussion with, and concurrence by, the full Board.

## **XIX. BOARD MEETINGS, AGENDAS AND MATERIALS**

The Board shall schedule at least eight regular meetings per year, not including short special purpose telephone meetings. At least two of such regular meetings shall be held at locations where the Company has facilities other than the principal executive offices of the Company, and one such meeting shall constitute an annual strategic retreat designed to cover the major areas of the Company's business. Once a year, the Board shall receive a "State of the Company" presentation from the CEO.

The Chairman of the Board, in consultation with the CEO, establishes the agenda for each Board meeting. Together, they issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year (to the degree these can be foreseen). Each Director is free to suggest the inclusion of item(s) on the agenda.

Information and data that is important to the Board's understanding of the business is distributed in writing to the Board, usually not less than one week before the Board meets. This material should be concise and provided in a timely manner.

As a general rule, Board meeting time is reserved for discussion. Presentations on specific subjects are sent to the Directors in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. However, it is recognized that there may be rare occasions in which the subject matter is too sensitive to put on paper or time is of the essence, such that a fuller presentation is required.

## **XX. BOARD INTERACTION WITH SENIOR MANAGERS**

Directors have complete access to management. It is assumed that Directors will use good judgment to ensure that contacts are not distracting to the business operation of the Company and that such contact, if in writing, will be copied to the Chairman.

The Chairman or the CEO may suggest that a senior manager attend Board meetings. If such attendance is to be on a regular basis, such suggestion shall be made to the Board for its

concurrence. The Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas; and/or (b) have future potential such that management believes he or she should be given exposure to the Board.

## **XXI. BOARD INTERACTION WITH SHAREHOLDERS AND OTHER INVESTORS, ANALYSTS AND PRESS**

Various Board committees are developing forums related to specific topics and an electronic “town meeting” site on the World Wide Web that will permit advisory voting on resolutions by shareholders representing 1% or more of the voting power of the Company.

The Board recognizes that shareholders and other important constituents have significant interests in the Company’s performance and governance and therefore the Board seeks to engage in appropriate communications, subject to concerns about selective disclosure and confidentiality. The Board notes that management, and, in particular, the CEO speaks for the Company, consistent with applicable Company policy. Individual Directors may, from time to time at the request of the Chairman of the Board or management, meet or otherwise communicate with various constituencies. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman of the Board.

## **XXII. NUMBER, STRUCTURE AND INDEPENDENCE OF BOARD COMMITTEES**

The Board has delegated certain functions to, and recognizes the competence of, its Committees. In carrying out its responsibilities, the Board relies on the diligence and recommendations of its Committees.

The Board currently has four committees: Audit, Nominating and Corporate Governance Committee, Compensation and Risk Management (the “Standing Committees”). Committee membership on the Standing Committees is limited to Independent Directors.

The Board retains discretion to form new committees or disband current committees, depending upon the circumstances, and to determine the independence requirements for new committees (subject to any limitations in Listing Rules, the Certificate of Incorporation and By-laws).

## **XXIII. APPOINTMENT AND ROTATION OF MEMBERS**

The Nominating and Corporate Governance Committee shall recommend to the Board, after consultation with the Chairman of the Board and the CEO, and with consideration of the desires of individual Directors, the appointment and rotation of Directors to various committees and the appointment of committee Chairmen.

## **XXIV. COMMITTEE MEETINGS**

Each committee Chairman, in consultation with committee members, appropriate members of management and the Chairman of the Board, shall determine the frequency, length and agenda of

the meetings of the committee (subject to any Listing Rules and requirements set forth in the Certificate of Incorporation and By-laws). Each committee issues a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year (to the degree these can be foreseen). This forward agenda shall be shared with the full Board. Additionally, any Director may attend the meetings of any of the committees.

## **XXV. ADVISORS**

The Board and each of its committees, whenever they determine that doing so is necessary and appropriate, may engage independent legal, financial, and other advisors.