

Corporate Procedure

LE-AC-204

Reporting Unsafe or Improper Business Conduct

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Our company is dedicated to conducting all aspects of our business safely, with integrity, and with clear respect for ethical standards and legal parameters. Our *Code of Business Conduct* sets forth a fundamental principle for all employees to follow: We will at all times behave ethically, honestly and forthrightly while living up to our commitments to co-workers, customers, shareholders, and the communities and governments where we do business.

To put this principle into practice, we maintain a corporate culture in which employees are encouraged to speak up when they have a concern or wish to raise an issue regarding unsafe or improper (including illegal) business conduct. The procedure set forth in this document describes the types of concerns employees are expected to report and how to do so.

This Procedure applies (but is not limited) to complaints or concerns that any provision of Exelon's *Code of Business Conduct* has been violated or has not been properly applied.

Does this Procedure Apply to You?

This Procedure applies to employees of Exelon and its affiliates, and to contractors who work in our facilities. In addition, Exelon encourages suppliers, customers, or others who have a concern about safety or business conduct at Exelon to report their concerns to the Exelon Ethics Office.

What To Report

All employees are encouraged and expected to report *promptly* any unsafe or improper business conduct of which they become aware, including:

- Violations of law, regulations, or commitments to local, state, or federal agencies
- Violations of the *Code of Business Conduct* or other company policies or procedures
- Non-compliance with company contracts
- Questionable financial, accounting, auditing, or reporting practices

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- Conduct endangering workplace or public safety
- Theft, misappropriation, or misuse of company property or confidential information
- Mistreatment of employees by co-workers, supervisors, or management
- Improper business relationships with suppliers, contractors, or others

How To Report

Employees wishing to raise a concern about unsafe or improper business conduct can do so in one or more of the following ways:

- Discuss it with your supervisor and follow up the management chain if you believe your supervisor is not responding appropriately
- If an existing reporting avenue applies to an employee's work site or to the type of matter to be raised, use that avenue (for example, an Employee Concerns Program is available to employees in Exelon Nuclear and Exelon attorneys who are aware of evidence of a violation of law are required to report and respond to the matter in accordance with the *Corporate Procedure—Attorney Conduct Rules*.)
- Discuss the matter with Exelon Legal, HR, Ethics Office, Internal Audit, or Security
- Contact the Exelon Ethics Office via the Ethics Helpline (1.800.23.ETHIC), via email to EthicsOffice@exeloncorp.com, or via regular mail to the Exelon Ethics Office, 10 S. Dearborn, 38th Fl., Chicago, IL 60603

Any matter raised will be addressed by the appropriate organization. The identity of an employee raising a matter will be kept confidential to the fullest extent possible. Employees may also choose to report a matter anonymously. *The Ethics Helpline does not have Caller ID.*

Employees may also contact the Ethics Office if they would like advice concerning the propriety of activities in which they are engaged, or which they may be considering (such as whether an outside business opportunity conflicts with their responsibilities to the company, or whether they are

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carrying out work assignments in an ethical manner). Exelon also offers an online training program in ethics through the "Compliance Coach," which employees may access via the Exelon intranet homepage.

How this Procedure Relates to Other Procedures and Your Rights

An employee's workplace may have additional procedures available for addressing these matters. Electronic maintenance systems or corrective action programs, for example, permit employees to enter information on equipment, systems, procedures, or other items that require attention or correction. Employees should raise matters using the procedure most appropriate to the issue. If an employee is not comfortable reporting to a particular person or organization, the employee should contact another organization (for example, Human Resources, Legal, or the Ethics Office).

Exelon encourages all employees to use available avenues to provide Exelon with an opportunity to address concerns within the company, but nothing in this procedure restricts an employee's legal rights to contact a government agency or official to discuss matters covered by the procedure.

Prohibition Against Retaliation

Employees should feel comfortable that raising a concern under this procedure will not lead to adverse job ramifications. No company officer, employee, contractor, subcontractor, or agent may discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee in terms and conditions of employment because the employee reports a known or suspected violation of the law or the *Code of Business Conduct*. Any form of reprisal against an employee because the employee raised a matter under this procedure is contrary to our culture and values -- and it will not be tolerated. A person who engages in any act of intentional retaliation will be disciplined, up to and including termination. An employee who believes that prohibited retaliation has occurred should immediately report the concern to Human Resources, Legal, or the Ethics Office.

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Responsibilities

Audit Committee of the Board of Directors

- oversees process for the receipt, retention and resolution of issues covered by this Procedure
- receive reports of SERIOUS allegations and may provide input on the handling of such matters
- receive reports on a regular basis regarding the implementation of this procedure and on issues raised or reported to the Ethics Office

Ethics Office

- coordinates implementation of this Procedure
- maintains anonymous/confidential reporting system
- informs the Chairman of the Audit Committee of SERIOUS allegations promptly
- investigates allegations or refer to the appropriate organization for investigation
- coordinates with other company organizations (Business Units HR, ADR, Environment, Security, Nuclear ECP, Audit, Legal, etc.) to assure that *Code of Business Conduct* issues formally raised within those organizations and the results of assessments of those issues are reported on a periodic basis to the Ethics Office
- retains primary responsibility for the resolution of all issues directly reported to the Ethics Office, regardless of which organization is assigned to investigate the matter
- provides interpretation of and training regarding this Procedure
- prepare quarterly reports to the Audit Committee, which will include information on:
 - the nature of issues reported
 - the resolution of issues, including corrective actions and any discipline taken
 - the sources of the issues (*e.g.*, by affiliate, organization/department, external v. internal) *
 - statistical information concerning the frequency and rate of substantiation of employee complaints or concerns

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- evident trends in the source or nature of employee complaints or concerns.

(Such reports shall maintain the confidentiality of the identity of the person raising the issue to the fullest extent possible)

Other Organizations

- report to the Ethics Office SERIOUS allegations or violations related to the *Code of Business Conduct*. An electronic *Code of Business Conduct* reporting system has been developed by the Ethics Office to expedite and track reports made by other organizations
- investigate non-serious allegations within area of expertise
- forward non-serious complaints or concerns outside of its area of expertise to the Ethics Office when it may not be clear which organization should investigate. The Ethics Office will then address the issue under this Procedure
- report monthly to the Ethics Office non-serious allegations addressed that resulted in disciplinary action. This can be reported through the electronic *Code of Business Conduct* reporting system.

SERIOUS allegations or violations required to be immediately reported to the Ethics Office by other company organizations for the purpose of this procedure, include, but are not limited to the following:

- accounting improprieties, internal accounting controls or auditing matters
- significant financial impact to the organization (\geq \$100, 000)
- theft, fraud or misuse of company property
- board of director or senior management involvement (director level and above)
- potential investigation by the federal or state government
- significantly adverse to communities, customers or suppliers
- part of a trend that may be a systemic concern
- potential harm to the company's reputation

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Referral of Concerns to Other Organizations

The Ethics Office will review each complaint or concern reported to it and determine whether the issue should be assessed by the Ethics Office, referred to another organization for assessment and resolution, or assessed by retained outside counsel or advisers. This determination will be based on the nature and apparent extent of the issue as well as the identity of the organization or personnel implicated in the matter. Referrals should be made promptly.

Normally, matters will be assessed by the Ethics Office or referred for assessment by others in accordance with the following guidelines:

- General ethics, conflicts of interest, and insider trading issues, and alleged *Code of Business Conduct* waivers or violations (other than the following) will normally be assessed by the Ethics Office.
- Theft, fraud, or misuse of company property issues will normally be referred to the Security Department.
- Accounting practices, financial matters and document management and retention issues will normally be referred to Internal Auditing Services.
- Nuclear safety and/or quality issues, including procedure compliance, nuclear plant security, operations or maintenance issues, occupational or public radiological safety, and harassment or discrimination for raising nuclear safety concerns will normally be referred to a Nuclear Employee Concerns Program Corporate Representative.

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- Other harassment and discrimination issues, and occupational safety, workplace violence or other employment matters will normally be referred to the Human Resources Department.

- Legal compliance issues (antitrust and lobbying issues, and issues relating to government relations and regulatory codes) will normally be referred to the Legal Department.

When making a referral, the Ethics Office shall determine that the referral will not create an actual or apparent conflict of interest and that the organization and personnel within it to which a matter is referred are sufficiently independent of the issue and are qualified by having the appropriate subject matter expertise to objectively and thoroughly assess the issue.

In general, the Ethics Office should not involve the organization or personnel implicated as potential wrongdoers by a complaint or concern in determining whether to conduct an assessment or in framing the scope and nature of the assessment. The Ethics Office may advise and consult with the implicated organization regarding the nature and resolution of an issue on a need-to-know basis. The Ethics Office also may refer complaints or concerns to the implicated organization for assessment, provided that the referral is to a level within the organization that is not involved or implicated in the matter and can reasonably be viewed as independent of and objective toward the issue. If the identity of the person raising the issue is known to the Ethics Office, that person may be consulted regarding referral of the issue to the implicated organization if he or she works in that organization.

The Ethics Office or any organization to which a matter is referred for assessment may with the approval of the Legal Department retain outside counsel and/or advisers to conduct an assessment of the matter.

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The organization to which a matter has been referred will notify the Ethics Office of the conclusion of the assessment and any remedial or corrective actions planned or taken. The Ethics Office will provide feedback to the person who raised the issue if the individual's identity is known.

Resolution of Complaints and Concerns

The Ethics Office has established a case management system to implement this Procedure, which includes the following:

Issue Intake

The Ethics Office shall maintain multiple methods for the intake and recording of issues (*e.g.*, telephone, email, website, mail). For situations where the identity of the person raising the issue is known, or where anonymous individuals make personal contact with Ethics Office personnel, the issue intake process should include a discussion with that person to obtain details or examples of the issue in sufficient detail to permit a complete assessment. The Ethics Office should also request any relevant supporting documentation from that person.

Where possible, the Ethics Office should prepare and request that the person sign a typed statement to verify the accuracy of the Ethics Office's understanding of the issue. All information obtained from the person should be identified and placed in a case file. Case files should be designated using a case numbering system developed by the Ethics Office.

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Assessment

After receipt of an issue, the Ethics Office will determine the appropriate referral or course of action to be taken. The Ethics Office may determine that an issue does not merit a formal assessment where, for example:

- the same issue was previously raised and resolved and no new information is provided
- the person reporting the issue is satisfied after discussion with the Ethics Office that no further action is warranted
- the issue as reported lacks sufficient detail to enable an assessment and additional details are not available.

Decisions not to conduct an assessment and the justification for the decision should be documented.

If the Ethics Office concludes that an assessment is warranted, it will determine what organization will conduct the assessment, in accordance with the guidance on referrals above. Assessments may include interviews with relevant witnesses and review of relevant documentation. A written report of assessment should be prepared.

Timeliness

As a guideline, assessments of issues should be completed no later than 60 days following either the date of receipt of the complaint or concern by the Ethics Office or, if later, the date on which the issue was referred to another organization for assessment. For assessments that may exceed the 60-day guideline, if the issue has been referred to another organization, the Ethics Office should confer with that organization on the status of the assessment, and should periodically update the person who raised the issue on the status.

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The Ethics Office also may advise the Audit Committee of the status of any assessment, as appropriate or as requested by the Audit Committee, and may also advise other personnel and organizations of the status on a need-to-know basis.

Resolution

Each issue should be closed with a determination that it was substantiated, substantiated in part, or not substantiated. For issues substantiated or substantiated in part, appropriate actions to correct the condition or conduct shall be determined. Generally, the organization to which the issue relates will be consulted regarding the nature and scope of appropriate corrective actions.

Where an issue is substantiated in whole or in part, the Ethics Office in consultation with other appropriate organizations (HR, Legal or Business Unit Senior Management) should determine if non-compliance with any contractual obligation, legal or regulatory requirements, or the *Code of Business Conduct* is involved, and should determine whether the violation presents an obligation to report the conduct or findings externally.

A violation of the *Code of Business Conduct* will be deemed to exist if, based on the information obtained during the assessment, it is more likely than not that the conduct in question occurred and that the conduct was prohibited at the time by legal requirements or the *Code of Business Conduct*.

Feedback to the Reporting Individual

For all complaints or concerns received by the Ethics Office, the Ethics Office retains the responsibility to ensure that the person raising the issue is advised timely of the disposition of the issue and any corrective actions, except in cases where the reporting person has requested anonymity. The Ethics Office may provide this feedback itself or may assure that another organization does so.

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Document Retention

The Ethics Office's case management system shall assure that records are created and retained to reflect:

- the statement of the complaint or concern
- the steps taken to conduct an assessment of the issue (including witness interviews and documents relevant to the issue), or the decision that an assessment was not warranted
- the disposition of the issue
- the corrective actions and any disciplinary action proposed and taken in response to the disposition of the issue, if any
- the feedback that was provided to the person raising the issue on the disposition of the issue and any corrective actions.

Case files and other documents related to issues shall be maintained in a secure location. Records entitled to a legal privilege or protection (e.g., trade secrets, attorney-client communications) should be clearly marked as such to limit disclosure. Records will be maintained in accordance with the *Corporate Procedure—Document Management, Retention and Disposition*.

Anonymity and Confidentiality

Those who make direct contact with the Ethics Office will be advised of their option to remain anonymous, but should also be informed where appropriate that a more thorough assessment may be possible if the person's identity is known. A person who requests anonymity may be asked to contact the Ethics Office periodically in the event that additional information is needed from the person.

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The Ethics Office will advise the person reporting an issue that it is the practice of the Office to keep the identity of the person confidential to the fullest extent possible. If the person does not object to disclosure of identity, he or she may decline a request for confidential treatment (in which case the person's identity nevertheless should be revealed only on a need-to-know basis). If the issue involves the employment of the person (*e.g.*, discrimination), he or she should be advised of the difficulty in avoiding disclosure of his or her identity during an assessment. In cases where an assessment of the issue would likely result in disclosure of the person reporting an issue (such as when he or she is the only person who could have knowledge of the issue), the person should be made aware of the likelihood of disclosure if an assessment proceeds. Discussions regarding confidentiality should be documented.

Discipline

Where an assessment warrants, appropriate discipline should be taken against each person involved in the impropriety. In general, such discipline will be evaluated and taken in accordance with applicable Human Resources Corporate Policy (HR-AC-1-6) and in consultation with the person's management, Human Resources, and the Legal Department.

If the person involved in the impropriety or misconduct is employed by a company not affiliated with Exelon, the Ethics Office or other appropriate company representative should confer with responsible representatives of that company.

The Ethics Office, in consultation with other appropriate organizations, including the Legal Department, will determine if discipline is reportable.

Waivers of any provision of the *Code of Business Conduct*

Waivers are not permitted except as may be approved in advance by the Board of Directors or a committee of the Board. The Ethics Office is responsible for coordinating actions regarding any request for a waiver. For purposes of this Procedure, a waiver is defined as the approval by the

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company of a material departure from a provision of the *Code of Business Conduct*. The definition includes implicit waivers, defined as the company's failure to take effective action within a reasonable period of time regarding a known material departure.

Program Assessment

The Ethics Office is responsible for continuous assessment of the program for handling complaints and concerns from the workforce, including the effectiveness of this *Procedure on Reporting Unsafe or Improper Business Conduct*. This Procedure may be modified from time to time as warranted. The Ethics Office may create additional, more detailed guidance on any aspect of its handling of complaints or concerns. The Ethics Office also shall on an annual basis commission an external audit of the effectiveness of its program for handling complaints and concerns.

APPROVED: /s/ Katherine K. Combs
Vice President, Secretary & Deputy General Counsel

11/14/03
Date