

**EXELON CORPORATION  
BOARD OF DIRECTORS**

**CORPORATE GOVERNANCE PRINCIPLES**

The following are the corporate governance principles and practices of the Board of Directors of Exelon Corporation.

**I. BOARD STRUCTURE**

**A. BOARD SIZE AND COMPOSITION**

The Board consists of such number of members as may be determined from time to time by resolution of a majority of the Board. The Board, on the recommendation of the Corporate Governance Committee, will annually evaluate and determine the appropriate size and composition of the Board.

**B. BOARD INDEPENDENCE**

**1. Number of Independent Directors**

The Board believes that as a matter of policy a substantial majority of the directors should be independent. The Board will annually assess the independence of each director and disclose this determination in the Company's annual proxy statement.

**2. Definition of Independent Director**

The Board adopts the New York Stock Exchange definition of "independent director" as one who has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Board will consider all relevant facts and circumstances in assessing the materiality of a director's relationship with the Company. The Board will consider the issue both from the standpoint of the director and from that of organizations with which the director has an affiliation. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships (among others). The Company employs the following categorical independence standards to assist it in making determinations of independence:

**a. Employees/Paid Consultants.**

A director is not independent if: the director is, or has been within the past 3 years, an employee of the Company, or an immediate family member is, or has been within the past 3 years, an executive officer of the Company; the director has received, or an immediate family member has received, during any 12-month period within the past 3 years, more than \$120,000 in direct compensation from the Company (other than director and committee fees, pension or other forms of deferred compensation for prior service, including compensation for prior service as an interim Chairman or CEO, provided such compensation is not contingent in

any way on continued service, or compensation of an immediate family member for service as a non-executive employee). If a person who received, during any 12-month period during the past 3 years, more than \$120,000 in direct compensation dies or becomes incapacitated, the presumption of non-independence applicable to his or her immediate family members will cease immediately upon such death or incapacity. An "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

**b. Auditing Relationship.**

A director is not independent if: the director or an immediate family member is a current partner with a firm that is the internal or external auditor of the Company; the director is a current employee of such a firm; the director has an immediate family member who is a current employee of such firm and personally works on the Company's audit; or the director or an immediate family member was within the past 3 years (but is no longer) a partner or employee of the internal or external auditor of the Company and personally worked on the Company's audit within the past 3 years.

**c. Compensation Committee Interlock.**

A director is not independent if the director or an immediate family member is, or has been within the past 3 years, employed as an executive officer<sup>1</sup> of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.

**d. Relationships with Companies Where Director is Executive Officer or Employee.**

A director is not independent if the director is a current an employee, or an immediate family member is a current executive officer, of a company that has made payments to Exelon, or has received payments from Exelon, for property or services in an amount which, in any of such other company's last 3 fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues reported in its last completed fiscal year. A charitable or other tax-exempt organization is not considered a "company" for purposes of this rule.

**e. Categorical Materiality Standard for Other Commercial Relationships.**

The Board will annually review other commercial relationships of directors and determine whether any of those relationships would create a conflict of interest that would interfere with a director's independence, even though those relationships would not be regarded as material relationships that affect

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<sup>1</sup> Executive officers are defined to be the "officers" defined in Rule 16a-1(f) under the Exchange Act, and include the president, the principal financial and accounting officers, any vice president in charge of a principal business unit, division or function, and any other officer who performs policy making functions.

independence under the standards provided in paragraphs a – d above. In making this determination, a director's relationship with another company with which the Company does business will not be considered a material relationship that would impair the director's independence if the aggregate of payments made by the Company to that other company, or received by the Company from that other company, in its most recent fiscal year were less than the greater of \$1 million or 5% of the recipient's consolidated gross revenues in that year. In making this determination, commercial transaction will not be deemed to affect a director's independence if and to the extent that: 1) the transaction involves rates or charges that are determined by competitive bidding or are set with reference to prevailing prices set by a well-established commodity market or if rates or charges are fixed in conformity with law or governmental authority or 2) the provider of goods or services in the transaction is determined by the purchaser to be the only practical source for the purchaser to obtain the goods or services.

**f. Categorical Materiality Standard for Charitable Relationships.**

The Board will annually review relationships directors have with charitable and other tax-exempt organizations and determine whether any of those relationships would create a conflict of interest that would interfere with a director's independence, even though those relationships would not be regarded as material relationships that affect independence under the standards provided in paragraphs a – e above. If a director is a current employee, or a director's immediate family member is an executive officer, of a charitable or other tax exempt organization to which the Company has made contributions, the contributions will not be considered a material relationship that would impair the director's independence if the aggregate contributions made by the Company to that organization in its most recent fiscal year were less than the greater of \$1 million or 2% of that organization's consolidated gross receipts in that year. In any other circumstances, a director's relationship with a charity or other tax-exempt organization to which the Company makes contributions will not be considered a material relationship that would impair the director's independence if the aggregate contributions made by the Company to that organization in its most recent fiscal year were less than the greater of \$1 million or 5% of that organization's consolidated gross receipts in that year.

**g. Disclosure of Conflicts of Interest.**

Directors will disclose any business relationships with the Company or any other potential conflicts of interest as they become aware, and will update annually their responses to the Directors and Officers Questionnaire. Potential conflicts of interest to be reported by directors include, but are not limited to, positions directors and their immediate family members hold as directors, officers, or employees of other companies with which the Company does business or proposes to do business and charitable and other tax-exempt organizations to which the Company makes contributions or proposes to make contributions. Under the Board's conflict of interest policy, directors may not enter into transactions with the Company without first disclosing the transaction and obtaining advance approval by the Board. The director must recuse himself or herself from Board consideration and decision on such transactions.

**h. Determinations.**

In determining the amount of payments to the Company for purposes of paragraphs d and e above, the Company's receipts as billing agent for competitive suppliers or service providers shall not be treated as payments to the Company.

**3. Separation of Chairman of the Board and Chief Executive Officer**

Separation is not required. The bylaws of the Company permit the roles of Chairman of the Board and Chief Executive Officer to be performed by the same individual. As a matter of policy, the Board believes that separation of these functions is not required, and whether to combine the roles, or not, is solely a matter of the Board's discretion, considering the circumstances and the individual or individuals in question.

**4. Lead Director**

The Company shall have a Lead Director at any time when (i) the Company's Chief Executive Officer also holds the position of Chairman of the Board or (ii) for other reasons the person holding the position of Chairman of the Board is not an independent director under the applicable director independence standards. The Lead Director shall be an independent director elected to the position of Lead Director by majority vote of the independent directors upon the recommendation of the Corporate Governance Committee. The Lead Director shall:

- a. preside at all meetings of the Board when the Chairman of the Board is not present, including executive sessions of non-management or independent directors, and apprise the Chairman of the Board and the Chief Executive Officer of the matters considered, as appropriate;
- b. have the authority to add items to the agenda for any Board meeting;
- c. assure the sufficiency of the time provided for discussion at Board meetings;
- d. have, in addition to a majority of the Board, the authority to call regular and special meetings of the Board and meetings of non-management or independent directors;
- e. serve as an advisor to the Chairman of the Board and the Chief Executive Officer and as a non-exclusive liaison between the non-management directors and the Chairman of the Board and the Chief Executive Officer ;
- f. if the Chairman of the Board is employed by the Company and does not serve as the Chief Executive Officer, lead, in conjunction with the Corporate Governance and Compensation Committees, the process for evaluation the performance and determining the compensation of the Chairman of the Board and communicate the results of the annual evaluation to the Chairman of the Board;
- g. lead, in conjunction with the Corporate Governance and Compensation Committees, the process for evaluating the performance of the Chief

Executive Officer and determining the Chief Executive Officers compensation, and communicate to the Chief Executive Officer the results of the annual evaluation of his or her performance;

- h. lead, in conjunction with the Corporate Governance Committee, the process for annual review and self-evaluation of the Board's performance;
- i. in the event of the death or incapacity of the Chairman of the Board , become the acting Chairman of the Board until such time as a Chairman of the Board shall have been selected;
- j. lead on corporate governance initiatives relevant to Board and committee operations;
- k. receive and respond to mail addressed to the Board of Directors; and
- l. have such additional powers and responsibilities as the Board of Directors may from time to time assign or request.

In the event of a vacancy in the position of Lead Director, the Chair of the Corporate Governance Committee shall serve as the Lead Director when the need arises. The identity and general responsibilities of the Lead Director shall be disclosed in the Company's proxy statement for the annual meeting of shareholders, together with a method for interested parties to communicate directly with the Lead Director or the non-management directors as a group.

## **C. COMMITTEE STRUCTURE**

### **1. Number of Committees**

There are six standing committees of the Board: Audit, Compensation, Corporate Governance, Generation Oversight, Energy Delivery Oversight and Risk Oversight. Additional standing committees may be created, on the recommendation of the Corporate Governance Committee, by resolution of the Board. The Chairman of the Board may create additional ad hoc committees.

### **2. Number of Independent Members**

The Audit, Compensation and Corporate Governance Committees, and such other committees as the Board may determine, are comprised solely of independent directors. The Audit and Compensation Committee Charters contain specific additional independence and eligibility requirements.

### **3. Assignment of Committee Members**

#### **a. Composition of Committees.**

The Corporate Governance Committee, in consultation with the Lead Director, the Chairman of the Board and the Chief Executive Officer, annually assesses the appropriate size and composition of the board committees and recommends to the Board any changes in committee assignments. Directors generally serve on two committees or on one committee of the Board and on the board of

directors of one utility subsidiary. Committee assignments may be periodically changed to broaden the directors' knowledge of the business. While rotating committee assignments should be considered periodically, committee rotation is not mandatory, since the Board believes there are significant benefits attributable to continuity, experience gained in service on particular committees, and utilizing most effectively the individual talents of Board members.

**b. Special Requirements for Audit Committee.**

The Audit Committee shall consist of at least three members, all of whom are financially literate, or become so within a reasonable period of time after the date of their appointment to the committee. For purposes of this guideline, "financial literacy" shall mean familiarity with the Company's financial statements, including its balance sheet, income statement and cash flow statement, and general knowledge of key business and financial risks and related controls or control processes. Such knowledge may be acquired after appointment to the committee through company-sponsored education or review of educational materials or other resources.

In addition, at least one member of the Audit Committee shall have accounting or related financial management expertise, which shall mean a solid background in finance, accounting or auditing, acquired through past employment experience, professional certification, or any other comparable experience that results in the individual's financial sophistication, including being or having been a Chief Executive Officer or other senior officer with significant financial oversight responsibilities or a member of an audit committee. The Board may presume that a person who satisfies the definition of audit committee financial expert set out in Item 401(h) of Regulation S-K has accounting or related financial management expertise.

Members of the Audit Committee shall be independent directors. Director's compensation (including cash retainers, deferred stock units, expense reimbursements, meeting or per diem fees, in-kind and other compensation ordinarily available to all directors) is the only compensation an Audit Committee member may receive from the Company. Disallowed compensation includes fees paid directly or indirectly for legal, accounting, consulting, investment banking and financial advisory services, regardless of amount. Disallowed compensation also includes compensation paid to such a director's firm for such consulting or advisory services even if the director is not the actual service provider if the director is a partner, member or executive officer of such firm or holds a similar position. Disallowed compensation also includes payments to a director's spouse, minor children and stepchildren and children and stepchildren sharing a home with the director.

Because of the Audit Committee's demanding role and responsibilities, and the time attendant to committee membership, it is Board policy that members of the Audit Committee should not simultaneously serve on the audit committees of more than two other public companies.

## **II. DIRECTOR SELECTION AND EVALUATION**

### **A. BOARD MEMBERSHIP CRITERIA**

Candidates nominated for election or reelection to the Board should possess the following qualifications:

1. Highest personal and professional ethics, integrity and values;
2. An inquiring and independent mind;
3. Practical wisdom and mature judgment;
4. Broad training and experience at the policy making level in business, government, education or technology;
5. Expertise that is useful to the company and complementary to the background and experience of other Board members, so that an optimum balance of expertise among members on the Board can be achieved and maintained;
6. Willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership;
7. Commitment to serve on the Board over a period of years to develop knowledge about the Company's principal operations; and
8. Involvement only in activities or interests that do not create a conflict with the director's responsibilities to the Company and its shareholders.

The Corporate Governance Committee determines the appropriate mix of skills and characteristics required to best fill the needs of the Board at a given point in time and periodically reviews and updates the criteria as deemed necessary. The Board believes that diversity in personal background, race, gender, age and nationality are important considerations in selecting candidates.

### **B. EXPECTATIONS OF DIRECTORS**

Exelon expects its directors 1) to represent shareholders, 2) to be loyal to Exelon and avoid actual or apparent conflicts of interest, 3) to exhibit integrity and adhere to the letter and spirit of Exelon's Code of Business Conduct, 4) to prepare for and participate in meetings, 5) to keep abreast of company, industry and corporate governance developments, 6) to think and act independently, 7) to support the deliberative process, share their knowledge and expertise, and bring out the best in other directors, 8) to contribute to continuous improvement through ongoing evaluation of the Board, its committees, members and processes, and 9) to challenge management to commit to the highest attainable goals and hold management to its commitments.

### **C. PROCEDURE FOR SELECTING NOMINEES**

Each year the Corporate Governance Committee considers the needs of the Board, reviews the performance of directors whose terms are about to expire and, together with information about the incumbents and other potential director candidates, obtained on its own or from outside consultants, recommends a slate of director candidates to nominate for election at the Annual Meeting. When the Corporate Governance Committee considers candidates for nomination for

election as director, the Committee will consider candidates who have been proposed by shareholders and will use the same procedures and criteria to evaluate those candidates as the Corporate Governance Committee uses to evaluate other candidates, but the Corporate Governance Committee has the sole discretion to recommend a slate of candidates for the Board's approval. Directors are usually elected by shareholder vote at the annual meeting of shareholders. Between annual meetings, on the recommendation of the Corporate Governance Committee, the Board elects directors to fill vacancies. The Board can vote to decrease or increase its size and fill vacancies created by such increase in size, upon the Corporate Governance Committee's recommendation.

#### **D. EVALUATING BOARD, COMMITTEE AND INDIVIDUAL DIRECTOR PERFORMANCE**

The Lead Director, in consultation with the Corporate Governance Committee, coordinates the process of evaluating the performance of individual directors, Board committees and the Board as a whole. Each committee conducts an annual self-assessment of its performance. The Lead Director reviews the self-assessments with the Corporate Governance Committee, and the Corporate Governance Committee incorporates the results into its annual assessment of the effectiveness of the full Board. The Lead Director, in consultation with the Corporate Governance Committee, evaluates the performance of individual directors when their terms expire and they are considered for reelection.

#### **E. MANDATORY RETIREMENT AGE**

The Board has a mandatory retirement policy. Except as otherwise provided below, non-employee directors must submit their resignation to become effective at the end of the calendar year during which they reach the age of 75; employee directors must resign before the annual meeting following their 65th birthday unless otherwise extended by the Board. The Board has the discretion, on a case-by-case basis, to not accept the resignation of a director if it determines, on the recommendation of the Corporate Governance Committee, that the director's continued service (on a year-to-year basis) is necessary to retain his or her skills, or to maintain geographic or other diversity of the Board.

#### **F. TERM LIMITS**

In light of the mandatory retirement policy, the evaluation of director performance and the annual election of directors, the Board does not believe that term limits are necessary. Term limits could deprive the Board of the contribution of directors who over time have developed increasing insight into the Company and its operations, and therefore provide an increasing contribution to the Board as a whole.

#### **G. LIMITS ON OTHER BOARD MEMBERSHIPS**

The Corporate Governance Committee considers whether a potential candidate for director has the time available, in light of other business and personal commitments, to perform the responsibilities required for effective service on the Board. After election to the Board, it is expected that a director will discuss with the Chair of the Corporate Governance Committee any potential conflict of interest that may arise from the director joining another corporate board. Among the criteria used in evaluating director performance is whether the director is prepared for meetings and spends the time required for effective service to the Board. In light of this, the Board does not believe that it is necessary to establish any limit on the number of other boards

on which a director may serve, excluding, however, the limitation stated above on the number of other public company's audit committees on which a member of the Audit Committee can serve.

#### **H. REQUIRED RESIGNATION UPON CHANGE OF EMPLOYMENT STATUS**

Directors who retire or substantially change their principal position of employment are required to submit to the Corporate Governance Committee a letter volunteering to resign from the Board, normally to be effective at the next annual meeting of shareholders. The Corporate Governance Committee recommends to the Board whether to accept or reject the resignation. The Board will decide, in its sole discretion, whether to accept or reject such resignation. The Board has no policy that would prohibit the continued service on the Board of a retiring Chief Executive Officer.

### **III. BOARD OPERATIONS**

#### **A. DIRECTOR COMPENSATION**

The Corporate Governance Committee, with the assistance of outside consultants that report directly to the Committee, considers and recommends to the Board the appropriate structure and amount of director compensation. The Committee periodically reviews the reasonableness and adequacy of director compensation, as compared with other corporations of comparable size. Employee directors receive no compensation, other than their employee compensation, for serving on the Board or its committees.

#### **B. STOCK OWNERSHIP REQUIREMENT**

All directors are required to own at least 5,000 shares of Exelon common stock or deferred stock units (adjusted in each case for stock splits and stock dividends after 2005) within five years after their election to the Board. Unexercised stock options are not counted towards satisfaction of this requirement.

#### **C. MEETINGS AND BOARD CALENDAR**

The Corporate Governance Committee considers and makes recommendations on the number of regular meetings of the Board. An additional meeting each year will be devoted to matters of corporate strategy and planning. The Corporate Secretary, in consultation with the Chairman of the Board and Chief Executive Officer, prepares a forward-looking calendar of Board and Committee meetings, and submits it for Board review and approval. The Chairman of the Board may change a previously scheduled meeting or call a special meeting of the Board after giving the notice required under the by-laws.

#### **D. EXECUTIVE SESSIONS**

The full Board meets routinely in executive session, usually at the beginning of each regular meeting. The "non-management directors" (i.e. directors who are not employees of the Company) will meet in executive session without any other member of management present, routinely at least two times each year, and 1) when the Board evaluates the performance of the Chairman of the Board (if employed by the Company) or the Chief Executive Officer, 2) when it determines the compensation of the Chairman of the Board (if employed by the Company) or the Chief Executive Officer, 3) when it holds private discussions with the inside and independent auditors, or 4) at any other time that such directors desire to meet in executive session. The

"independent directors" (i.e. directors who are independent under the definition of independence provided above) will meet in executive session at least two times each year. The Lead Director, or his or her designee, presides and leads the discussion during such executive sessions. After each executive session of outside directors, the Chairman of the Board (if employed by the Company or if not otherwise independent) and/or the Chief Executive Officer may join the Board meeting for a discussion at the invitation of the Lead Director.

#### **E. AGENDAS AND ADVANCE DISTRIBUTION OF MEETING MATERIALS**

The Chairman of the Board, with the assistance of the Chief Executive Officer (if such positions are held by separate individuals) and with input from the Lead Director, establishes the agenda for each Board meeting. The Corporate Secretary distributes copies of the preliminary agenda sufficiently in advance of the meeting to apprise directors of the principal matters to be considered. Each director is free to suggest additional items for the agenda and to raise at any regular meeting subjects for discussion that are not on the agenda.

Information and data that is important to the Board's understanding of the business and of matters to be considered at the meeting are distributed for review at least one week prior to the meeting, unless circumstances require a later distribution. Sensitive matters may be discussed at the meeting without the prior distribution of written materials. For convenience, the agenda and materials are distributed again at the meeting along with any materials that could not be sent in advance.

#### **F. BOARD ACCESS TO SENIOR MANAGEMENT**

Board members have complete access to senior management. It is assumed that Board members will use judgment to ensure that contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chief Executive Officer. The Corporate Secretary generally coordinates management communication to the Board. At the invitation of the Board, senior management regularly attends and makes presentations at meetings of the full Board, and at such committee meetings as the chairs of the committees request. A senior management liaison is assigned to each Board committee.

#### **G. INFORMATION ABOUT DEVELOPMENTS**

The Chief Executive Officer shall keep the Board apprised of new developments between regular meetings of the Board.

#### **H. CORPORATE SPOKESPERSON**

The Board believes that management should speak for the Company. Individual directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Board members would do this with knowledge of management, and in most cases, at the request of management. Board members shall refer any requests for public comment to Corporate and Public Affairs.

#### **I. DIRECTOR ORIENTATION AND TRAINING**

The Corporate Governance Committee oversees, and the Corporate Secretary administers, a program of director orientation and training designed to familiarize new directors with the Company and its operations and to provide continuing education for incumbent directors. This

program is tailored to the needs of each new director, and includes background material, meetings with senior management and visits to Company facilities. The Corporate Governance Committee may choose to rotate the assignment of members among Board committees if it determines that rotation would enhance the directors' education. The Board encourages directors to take advantage of educational opportunities offered by the Company or outside organizations. Targeted educational programs will be offered to the Audit Committee or any other committee, as needed.

#### **J. COMMUNICATING WITH NON-MANAGEMENT DIRECTORS**

Interested parties may communicate directly and confidentially with the Lead Director, the Chair of the Corporate Governance Committee, or with the non-management directors as a group, by writing to them, in care of the Corporate Secretary at Corporate Headquarters. The Corporate Secretary may initially review such communications and transmit a summary of them to the directors. The Corporate Secretary will directly forward communications raising substantial issues, but has discretion to exclude from the transmittal communications that are commercial advertisements, other forms of solicitation or individual service or billing complaints (although all communications will be available to the directors upon request). Shareholder recommendations of nominees for director will be forwarded to the Chair of the Corporate Governance Committee when the Corporate Governance Committee meets to consider nominees for director.

### **IV. COMMITTEE OPERATIONS**

#### **A. COMMITTEE CHARTERS**

All standing committees have charters outlining their duties and responsibilities, which have been recommended by the Corporate Governance Committee and approved by the Board. The committees review the charters on an annual basis and recommend to the Corporate Governance Committee any necessary revisions.

#### **B. COMMITTEE MEETINGS AND AGENDA**

The schedule of regular meetings of each committee, and a forward agenda of regularly recurring items to be considered by the committee are established on an annual basis when the calendar for Board meetings is developed. The chair of each committee, in consultation with appropriate members of management and staff, has the authority to place additional items on the agenda, and to schedule ad hoc or special meetings of the committee, subject to the requirements of notice and quorum.

#### **C. COMMITTEE REPORTS**

Each committee chair reports to the full Board, at the next meeting of the Board following the committee meeting, with respect to matters considered and actions taken by the committee.

#### **D. COMMITTEE ATTENDANCE BY CHAIRMAN OF THE BOARD OR CHIEF EXECUTIVE OFFICER**

The Chairman of the Board and the Chief Executive Officer (if such positions are held by separate individuals) shall be considered invited guests and welcome to attend the meeting of any committee, even if not a member of the committee, except when the committee is meeting in executive session.

## **V. MANAGEMENT OVERSIGHT**

### **A. EXECUTIVE COMPENSATION**

The Compensation Committee, consisting of independent directors, is responsible for administering executive compensation programs, policies and practices. The committee may use the services of outside consultants to assist it in committee operations, including evaluation of executive compensation levels compared to peers in general and in the industry. The Compensation Committee recommends to the Board for approval the election and compensation of the Chairman of the Board if the Chairman of the Board is an employee who does not also serve as the Chief Executive Officer (the "Executive Chairman"); the Chief Executive Officer; the President (if different from the Chief Executive Officer); the Senior Executive Vice Presidents; and the Executive Vice Presidents of the Company. The Compensation Committee elects all officers of Exelon. The Committee approves the compensation of all executive officers, as determined by the Board of Directors, other than the Executive Chairman, the Chief Executive Officer, the President, the Senior Executive Vice Presidents and the Executive Vice Presidents of the Company. .

### **B. EXECUTIVE STOCK OWNERSHIP REQUIREMENT**

To strengthen the alignment of executives' interests with those of shareholders, officers of the Company are required to own, within the later of five years after their employment or January 1, 2006, stock having a market value equal to or greater than the following multiples of their base salary: 1) Chairman of the Board (if employed by the Company) and the Chief Executive Officer, five times salary; 2) President and Executive Vice Presidents, three times salary; and 3) Senior Vice Presidents, two times salary; and 4) Vice Presidents and other officers, one times salary. The Compensation Committee has determined that the following are not considered for purposes of satisfying this requirement: restricted stock whose restrictions have not lapsed, and stock options. Performance shares that have been earned but not vested and shares held in the Exelon Stock Deferral Plan will count toward the stock ownership requirement, as will certificates and dividend reinvestment plans; 401(k) Employee Savings Plans; shares held by spouses or children; broker accounts held in street name; and IRAs and trust accounts in which the executive is a beneficiary. These guidelines may be equitably adjusted in the case of promotions in the discretion of the Senior Vice President and Chief Human Resources Officer.

### **C. CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER EVALUATIONS**

The Company is bound by various employment arrangements. Subject to these arrangements, the Chairman of the Board (if employed by the Company) and the Chief Executive Officer (if such positions are held by separate individuals) submit annual self-assessments of their respective performance to the Lead Director and the Chair of the Corporate Governance Committee for review by the Corporate Governance Committee. The Compensation Committee reviews data from comparable companies and develops a range of appropriate compensation for the Chairman of the Board (if employed by the Company) and the Chief Executive Officer (if such positions are held by separate individuals). The Lead Director, in conjunction with the Chair of the Corporate Governance Committee and the Chair of the Compensation Committee, leads the discussion, and the independent directors evaluate the performance and establish the compensation for the Chairman of the Board (if employed by the Company) and the Chief Executive Officer (if such positions are held by separate individuals). The Corporate Governance Committee coordinates the Board's establishment of performance criteria for the

Chairman of the Board (if employed by the Company) and the Chief Executive Officer (if such positions are held by separate individuals).

#### **D. SUCCESSION PLANNING.**

The Corporate Governance Committee is responsible for reviewing succession planning for the positions of Chief Executive Officer, President, Executive Vice President, Senior Vice President and other officers and for making any appropriate recommendations to the Board. The full Board is involved in succession planning decisions.

### **VI. LOANS TO DIRECTORS AND EXECUTIVE OFFICERS**

Consistent with section 402 of the Sarbanes-Oxley Act of 2002, the Company will not make loans to any of its directors or executive officers.

### **VII. EXELON EXECUTIVE OFFICER COMPENSATION RECOUPMENT POLICY**

It is the policy of the Exelon Board of Directors to seek to recoup incentive compensation that was previously paid to an Executive Officer (as defined for purposes of the Securities Exchange Act of 1934) if the Board, in the exercise of its sole discretion, determines that all of the following conditions are satisfied:

1. The Executive Officer has engaged in fraud or intentional misconduct;
2. As a result of the fraud or intentional misconduct, Exelon was required to materially restate its financial results for one or more periods;
3. Some or all of the incentive compensation previously paid to the Executive Officer on the basis of having met or exceeded specific performance targets for those periods was greater in amount than would have been payable, had the Company's financial results for those periods been as restated;
4. Recoupment from the Executive Officer of the difference, if any, between the amount of incentive compensation that was paid and the amount that would have been payable had the Company's financial results been as restated, is not precluded by applicable law or employment agreements; and
5. The Board concludes, considering all the facts and circumstances that seeking such recoupment would be in the best interests of Exelon and its shareholders.