




The Revised CODE OF ETHICS
“Standards of Business Conduct and Ethics”

Revision Date: September 2010

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FOREWORD


Sound business ethics plays an integral part in fostering the success of a company. To ensure that the ethical values are preserved and promoted to all directors, officers and employees, our Company’s Board of Directors approved the adoption of this Code of Ethics (the “Code”). This Code serves as the embodiment of our Company’s unwavering dedication to uphold the fundamental corporate principles of fairness, accountability, integrity and transparency. It serves as a guide to our Company, its directors, officers and employees on how to conduct themselves in their decisions, transactions and interactions in alignment with these corporate principles when performing their respective duties and responsibilities.

The principles contained in this Code are not new or unfamiliar. In fact, they have been part of the life, tradition, heritage and culture of our Company during its more than 100 years of existence. They flow in the blood of every employee – “bahagi ng ating buhay ... sa araw at gabi, baha man o bagyo”. The spirit of it all remains the same as ever - - *service excellence with integrity beyond business!* Hence, this Code serves as a renewal of our commitment to these principles as our Company moves forward and faces new challenges.

This Code is not intended to address all present or future ethical situations. Similarly, other matters or concerns which are not directly covered by this Code may have already been addressed in other existing company policies, standards, guidelines, procedures and codes.

Ultimately, everyone is enjoined to exercise sound judgment and to adhere to the letter and spirit behind this Code in their relationships among themselves, with our Company’s customers, suppliers, business partners, competitors, government, regulators, creditors, stockholders and the general public.

We therefore commit to live and abide by the following ethical standards of behavior in our various business dealings:

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STANDARDS OF BUSINESS CONDUCT AND ETHICS

I. Compliance

1. We shall comply with all laws, rules and regulations governing the business operations of our Company and enfranchising its corporate existence, listing in the stock exchange, and utility operations.
2. In the performance of our duties, we shall, at all times, be aware of and adhere to the requirements and restrictions imposed by laws, rules and regulations and our Company's standards, policies, rules and procedures.


II. Fair Dealing

1. We commit to render adequate, reliable and efficient service at fair and reasonable cost to all customers within our Company's franchise area ever mindful of our Company's mandate as a public utility.
2. We treat our employees and applicants for employment fairly and will not discriminate on account of gender, religion, age, nationality, family status, or any other reasons prohibited by law. We hire, develop, and compensate employees, officers, based on qualification, merit and performance.
3. We select, engage and compensate consultants, contractors and other service providers based on qualification and labor and performance standards.
4. Our Company shall foster harmonious relations among its employees based on mutual understanding, trust and respect.
5. We avoid taking undue advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other form of deceptive practice.
6. We treat everyone with respect and shall be guided by professionalism, integrity, and good faith in transactions with and obligations to our Company's customers, suppliers, business partners, government, regulators, creditors, competitors and employees.

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III. Confidentiality of Information and Proper Use of Property

1. In the course of service or employment in our Company, directors, officers and employees, in varying degrees, will have access to confidential information. We recognize that such confidential information is a valuable Company asset which must be safeguarded.
2. We maintain and safeguard the confidentiality of information entrusted to the directors, officers, and employees by our Company, except when disclosure is authorized or legally mandated. Confidential information includes any non-public information that might be of use to competitors, or harmful to our Company if disclosed.
3. This confidentiality obligation shall survive our separation from our Company due to retirement, resignation, termination, expiration of term of office, or expiration or termination of contract, or any other cause.
4. We shall not take undue advantage of material non-public information by dealing in the securities of our Company while in possession of such information. Material non-public information refers to any information that is likely to affect the market price of our Company's securities and is not yet publicly disclosed.
5. We respect and uphold the confidential and proprietary information of other companies. We shall not knowingly appropriate, infringe or make an unauthorized use of a valid trademark, patent, trade secret or proprietary technology belonging to our Company or to another person or entity.
6. We maintain the integrity of all information, data, books, records, files and other documents entrusted by our Company to us by reason of our office and protect them against unauthorized or improper alteration, forgery, falsification, tampering, concealment, or destruction.
7. We observe standards for the proper use and care of our Company's property, systems, time, and resources at all times. We shall undertake to protect the property of our Company against loss, damage, misuse, abuse or theft.

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IV. Conflict of Interest

1. We act in the best interest of our Company and avoid activities, situations or associations which could impair our ability to perform our work in our Company's interest or where even the appearance of a conflict of interest may arise. A conflict of interest occurs:

- a. When the private interest of a director, officer or employee interferes or appears to interfere in any way with the interests of our Company as a whole; or
- b. When a director, officer or employee takes actions or has interests that make or appear to make it difficult to perform his or her Company work objectively and effectively.

2. The possible conflict of interest situations include, but are not limited to, the following:

a. Corporate Opportunity

We do not take for ourselves opportunities acquired through the use of corporate property, information or position/influence for personal gain, to compete with our Company, or act against the best interest of our Company.


b. Relationships

We avoid any actual or apparent conflict of interest and any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest. Our business decisions are not motivated by personal considerations and/or relationships, which may interfere with the exercise of independent judgment that affects the interest of our Company in the performance of our duties to the Company.

c. Gifts

We restrict the solicitation or acceptance of gifts in any form from a third person or entity, directly or indirectly in consideration of any act, omission, or transaction of our Company favorable to such third person or entity with existing or intended business dealings with our Company.

A "gift" may be a right or thing of value, like cash or cash equivalent, loan, fee, reward, commission, allowance, employment, travel and benefits.

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The restriction shall not apply to: a) a gift of nominal value voluntarily given by a third person or entity to a director, officer, or employee of our Company as a souvenir or out of courtesy; or (b) a gift given for charitable projects for the benefit of the poor or the general public.

d. Outside Investments

We avoid taking part in (or influencing) decisions of our Company involving business transactions with entities in which we have a personal relationship or substantial financial interest.


e. Outside Employment

We avoid activities and interests that could significantly affect the objective or effective performance of our duties and responsibilities in our Company or which presents a situation that could compete or go against the interests of our Company, including business interests or unauthorized employment outside our Company.

Rendering outside professional work which presents potential conflict of interest, include, but are not limited to:

- When a director, officer or employee is employed by, or have a consultancy agreement with an entity which is a competitor of our Company
- When a director, officer, or employee serves as a director, manager, or member of the board of directors of an entity which is a competitor of our Company.

Within one (1) year after separation from service, any officer of the Company holding the position of Chief Executive Officer, Chief Operating Officer, Treasurer, Chief Financial Officer, Comptroller, Chief Engineer, Senior Account Officer, and any other key officer or employee who had regular access to confidential, classified or restricted information shall not enter into or accept any employment, consultancy, management or any form of service contract with any person, corporation or entity that directly competes with the business of the Company.

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3. We promptly disclose any actual or apparent conflict of interest, and any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest for appropriate resolution and disposition.
4. Directors should immediately disclose any potential or actual conflicts of interest and should abstain from participating in any discussions or decisions on said matters when elevated to the Board.

V. Communication and Disclosure

1. We ensure that the contents of, and the disclosures in, reports and documents that our Company files with, or submits to the Securities and Exchange Commission (the "SEC"), Energy Regulatory Commission (ERC), other government agencies or regulators and all other Company's public communications shall be complete, fair, accurate, timely and understandable in accordance with applicable disclosure statutes, listing rules, and standards of materiality.
2. We shall: (a) ensure compliance with our Company's disclosure requirements and (b) not knowingly misrepresent, or cause others to misrepresent facts or information about our Company to others, whether inside or outside our Company, including our Company's independent auditors, government regulators and self-regulatory organizations.
3. We establish open communication links and make the appropriate disclosures regarding our corporate goals, objectives, rules, financial positions, material transactions with related parties, and prospects to all our stakeholders.
4. We actively encourage employees to actively participate in discussions and raise any legitimate work-related concern or issue.


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VI. Risk Management and Internal Control

1. We recognize that risk management and internal control processes act as enablers for the effective governance of our Company. Organizations, processes and application systems in our Company are structured to ensure checks and balances are in place.
2. We track and manage risk in the delivery of our Company's commitments to the stakeholders. Monitoring and reporting of risk is embedded as part of performance reporting in all levels of our Company.
3. We designate process owners to assess the risks of respective processes, design and implement necessary controls and procedures to mitigate the risks.
4. We ensure that internal organizational and procedural controls are embedded to support the operations of the different organizations within our Company.

VII. Shareholders and Investors Relations

1. We respect and protect the rights of our shareholders, including their right to a fair return on their investment. In this regard, we restrict or minimize the undertaking of risk so as not to jeopardize shareholder value. We fully assess and manage risks involved in undertaking strategies, acquisitions, activities, products, services and other business endeavors of our Company and adopt strategies, actions, decisions and transactions based on increasing shareholder value.
2. We shall ensure an independent audit of our Company's financial statements by external auditors.
3. We maintain complete and accurate books of accounts and records in accordance with the applicable provisions of law and generally accepted accounting principles and standards.
4. We shall monitor the adequacy and effectiveness of our financial reporting, governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations.


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VIII. Government and Regulatory Relations

1. We avoid the commission of any act that may be construed as direct or indirect bribery and corruption, as defined by law, of government officials to facilitate any transaction or gain any perceived or actual favor or advantage.
2. We maintain our right to any and all legal rights afforded to us and to invoke all administrative, judicial or other remedies.
3. We cooperate with our regulators and advocate for change and reform within the bounds of law.

IX. Community Relations

1. We support socio-economic projects that improve the lives of the people we serve, especially projects within our competence for our franchise area.
2. We conduct our business and maintain our workplace in accordance with applicable health, safety and environmental laws.
3. We consider the impact of our operations, projects and transactions on the environment and the communities we serve and ensure compliance with environmental, safety and health regulations and standards.
4. We render immediate assistance in times of natural calamities and accidents to ensure that any danger to life or property is minimized and our operations, installations or facilities are restored as soon as possible.
5. We provide timely and adequate information on matters that affect the general public.


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X. Implementation and Monitoring


1. Our Company's Corporate Governance Office has the specific task of implementing and monitoring corporate governance policies throughout the organization and the definition of the process by which such policies are implemented and monitored.
2. Each director, officer or employee is encouraged to consult with the Corporate Governance Office or with the appropriate offices with the authority to enforce specific Code guidelines issued pursuant to this Code when in doubt about the best course of action in a particular situation relating to a subject matter of this Code.
3. Organization Heads have the responsibility for the monitoring, ensuring, and enforcing compliance with this Code within their area of jurisdiction. The Organization Heads shall also be responsible for reporting non-compliance with this Code to their hierarchy or the Corporate Governance Office whenever appropriate, including taking or implementing disciplinary actions after proper exercise of due process.
4. Our Company's directors, officers and employees have the duty to report any observed violations of this Code and to communicate the same to our supervisors and immediate Heads, or the Corporate Governance Office, when appropriate. Our Company shall take steps to ensure the protection of those who report violations in good faith. On the other hand, our Company shall impose sanctions on those who attempt to conceal or hamper the investigation of any violation of this Code.

Our Company shall take all reports of potential violations of this Code seriously and are committed to confidentiality and exercise of due process for the investigation of allegations. Employees who are under investigation for potential violation of this Code will have an opportunity to be heard prior to any final decision of our Company.

5. Any administrative investigation or penalty imposed under the provisions of this Code shall be independent of, and without prejudice to, any other legal action that may be instituted against the party concerned under existing laws and regulations.

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6. All employees have the responsibility to have full knowledge of the provisions of this Code, and must agree to abide by its provisions. All employees must sign an acknowledgement form confirming that they have read this Code and agree to comply with the behavioral standards and norms set forth therein. Failure to read and confirm knowledge of this Code will not be an excuse for non-compliance.
7. Our Company shall promulgate appropriate policies and guidelines for the effective implementation of this Code.

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Effectivity

This Revised Code of Ethics was approved by the Board of Directors on September 27, 2010. It shall be published in the Website of the Company and shall take effect on October 1, 2010. It supersedes the previous Code of Ethics that was approved and adopted by the Company on March 15, 2003.

Signed:

(Original Signed)
MANUEL V. PANGILINAN
President and CEO

(Original Signed)
MANUEL M. LOPEZ
Chairman of the Board