



005 Best of ACC Chapters Protecting Your Company from Ethical Disasters

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Faculty Biographies

Christopher W. Ekren

Christopher W. Ekren is vice president and group counsel at Sony Electronics Inc. in San Diego, California. His team's responsibilities include supporting the legal needs of the company's corporate marketing, new business development, personal computer/information technology, business sales, retail, and wireless divisions.

Prior to joining Sony, Mr. Ekren practiced corporate and technology law with Heller Ehrman (Silicon Valley) and Hughes and Luce (Dallas).

Mr. Ekren is the incoming chair of the ACC's Intellectual Property Committee and the incoming president of ACC's San Diego Chapter.

Mr. Ekren received a B.A. from Rice University and is a graduate of the University of Chicago Law School.

Daniel S. Hapke

Daniel S. Hapke, Jr. is legal counsel for San Diego Habitat for Humanity, Inc.

Mr. Hapke served three years on active duty in the U.S. Navy as a line officer on sea duty. After a stint with a law firm, he began a career practicing law, in-house, in three major corporations: Sverdrup Corporation, then one of the ten largest engineering/architecture firms in the U.S and now part of Jacobs Engineering Group of Pasadena, California, General Dynamics Corporation which is one of the world's largest defense contractors, now based in Falls Church, Virginia, and Cordant Technologies Inc., a *Fortune* 600 manufacturer of commercial aerospace and automotive components based in Salt Lake City and now part of Alcoa. Mr. Hapke was senior vice president and general counsel. As an in-house generalist Mr. Hapke has experience in most of the substantive areas of the law affecting the above companies as well as compliance programs, business ethics programs, and legal best practices.

Mr. Hapke was founding president of ACC's St. Louis Chapter. Previously, Mr. Hapke served on ACC's national board of directors and he chaired that board. Currently, Mr. Hapke sits on the boards of San Diego Habitat for Humanity, Inc., San Diego Citizens Against Lawsuit Abuse-advisory board, and ACC's San Diego Chapter.

Mr. Hapke holds B.S. and J.D. from St. Louis University.

Steven W. Spector

Steven W. Spector, is senior vice president, general counsel, and secretary of Arena Pharmaceuticals.

Prior to joining Arena, Mr. Spector was a partner with the law firm of Morgan, Lewis & Bockius LLP. Immediately before leaving Morgan Lewis, Mr. Spector was a member of Morgan Lewis' technology steering committee and his practice focused on representing companies in corporate and securities matters. Mr. Spector also worked as a member of the litigation department.

Mr. Spector holds a B.A. and a J.D. from the University of Pennsylvania.

James A. Spencer

James A. Spencer joined Jack in the Box in San Diego for the specific purpose of developing and administering the new business ethics program.

Mr. Spencer was engaged in the private, general practice of law for 25 years prior to joining Jack in the Box, with the last seven years of that time as an adjunct faculty member at California Western School of Law and Thomas Jefferson School of Law, both in San Diego. He was also active on the MCLE lecture circuit throughout the United States.

He is a member of the Ethics Officer Association, and the American, Kansas, and California bar associations.

Spencer earned his B.B.A. degree from Washburn University of Topeka and his J.D. from Washburn University School of Law.

Dennis J. Stryker

Dennis J. Stryker is the general counsel for Rick Engineering Company. His department is responsible for all legal aspects of the corporation and its subsidiaries, including business and commercial transactions, litigation, employment and labor issues, and professional liability issues. He also acts as the corporation's risk manager.

Prior to this he was part of the Fisher-Thurber (formerly Long, Fisher & Miller) law firm. At that firm he provided litigation and transactional services, concerning public and private securities and finance, corporate governance and formation, and commercial lending issues to business clients in California and New York.

He is currently on the steering committee (governing body) of the California Minority Counsel Program, the Corporate Pro Bono advisory board, and the board of directors of the San Diego Volunteer Lawyers Program. He currently serves on ACC's national Board of Directors, and previously served on ACC's San Diego Chapter board of directors, the San Diego host committee for the ABA's 2001 mid-year meeting and the San Diego host committee for the ABA's 2001 mid-year Pro Bono Equal Justice Conference.

Mr. Stryker received a B.A. from Siena College, a J.D. from California Western School of Law, and his L.L.M. from the University of San Diego School of Law.

Michael C. Tierney

Michael C. Tierney is a senior commercial counsel with Sempra Energy, a San Diego-based Fortune 300 international energy company. Since joining the law department of Sempra Energy's predecessor, Mr. Tierney has represented Sempra Energy companies on a variety of energy related regulatory, legislative, and contractual matters, including numerous appearances before state and federal regulatory agencies and courts.

Prior to joining Sempra Energy, Mr. Tierney was an associate in the Washington, DC offices of Reid & Priest and Chadbourne & Parke.

Mr. Tierney is a member of the bar associations of California, Colorado, and the District of Columbia. In addition, he is a member of ACC's Board of Directors, the immediate past chair of the ACC Leadership Development Institute, a past chair of the ACC's Energy Law Committee, and a past-president of the ACC's San Diego Chapter (where he also serves as a member of the San Diego Chapter board of directors). Mr. Tierney has been a contributing author to a number of publications.

Mr. Tierney received his B.A. from Tulane University and his J.D. from the University of Denver College of Law.

ACC Annual Meeting, October 2005

Session 005 ** Best of ACC Chapters*

PROTECTING YOUR COMPANY FROM ETHICAL DISASTERS

I. Introduction of topic and panelists from the San Diego Chapter:

Dan Hapke, San Diego Habitat for Humanity, Inc. moderator

Chris Ekren, Sony Electronics
 Steve Spector, Arena Pharmaceuticals
 Jim Spencer, Jack in the Box
 Dennis Stryker, Rick Engineering
 Mike Tierney, Sempra Energy

II. Making the business case for investing company resources in an ethics program :

A. An April 2003 poll by ACC and NACD posed this question: "What would most improve corporate governance?"

82 % of general counsel and

70 % of corporate directors responded: "Senior management creates an ethical Business culture."

8 % of respondents said: "Robust compliance program"

B. While compliance programs are still very valuable, in-house counsel have come to realize that compliance programs are only as effective as their foundation. That foundation must be an ethical business culture that motivates the expenditure of energy, resources and time on the requirements of the compliance program.

C. It is worth spending some time distinguishing business ethics from the concept of law. Lord Moulton discussed ethics in terms of shared values and obedience to standards that are otherwise unenforceable. By their very nature an ethics program is "values based" and a compliance program is "rules based".

D. What is an ethical business culture? It is rooted in five values:

1. Honest—Transparent and accurate interpretation, not snowed under by details
2. Responsible—Loyal, but sometimes the loyal opposition
3. Respectful—Sensitive to diversity, but, also insists on conformity to high standards

4. Fair—Treats everyone equally, but, rewards exemplary work

5. Compassionate—Makes exceptions for genuine hardship, but, with tough love when it is called for

E. Bottom line: As ethics drain from our culture (be it community, nation or business) the law will surge into the void.

III. Legal underpinnings and advantages of an effective corporate ethics program:

A. Federal Sentencing Guidelines (1991) The May 2005 ACC Docket included this article: "The Disturbing Changes in the Federal Sentencing Guidelines."

B. Federal and state Supreme Court cases regarding sexual harassment defenses

C. Sarbanes Oxley (2002)

IV. Creating or reinvigorating your company's business ethics program:

A. Does the company need a full time ethics director?

B. Where should the ethics program "live"?

1. Stand-alone dept.
2. Within Law Dept.
3. Reporting to whom
 - a. General Counsel
 - b. CEO
 - c. Audit Committee

C. Role of Corporate Compliance & Ethics Function

1. Identify & Communicate Risks
2. Establish Policies
3. Educate
4. Execute
5. Monitor
6. Assess
7. Report

D. The Corporate Compliance Dept. is not a replacement for line management's compliance accountability

"We act with integrity, honesty, and respect."

E. Ethics training and periodic updates for the workforce

1. Seminar sessions
2. Computer based training Developing Standards of conduct:
 - a. off-the-shelf programs
 - i. examples
 - ii. pros/cons
 - b. customized programs
 - i. state mandated
 - ii. federal mandated
 - iii. pros/cons

V. Help, information and allegations of misconduct:

A. Explanations of standards and advice on their application to specific situations

1. What are the Company's Core Values and the key laws and regulations governing the business(es) of the organization?
2. Use "real world" examples from the Company's perspective to help explain the standards
3. Make sure all understand that the ethics code won't cover every possible situation specifically—but it should outline the preferred behavior in the typical situations the organization might encounter
4. Training should help employees understand how to apply the standards in most situations and provide an avenue for advice in situations in which an employee has questions

B. Internal investigations

1. What department is responsible for conducting them?
2. Are the people who conduct investigations properly trained?
3. Best Practice: Provide a "manual" for guidance so that each investigation is "by the book"—this will reduce post-investigation accusations about unfairness, confidentiality, thoroughness

C. What to do about anonymous allegations of misconduct?

1. If answering your hotline is an outsourced function, then most of your hotline calls will be anonymous
2. Anonymous calls must be taken seriously. However, many companies use a sliding scale: The more serious the allegation, the more seriously the company takes an anonymous call

3. Care must be taken to verify the facts—How many anonymous tips come in each day that are simply acts of revenge?
4. Set up two types of investigations within your system—formal and informal—with criteria for when each will be used
5. If using outside investigative resources, then the results of the investigation can be delivered to the outside consultant and then relayed to the complaining party

D. Discipline

1. Progressive
2. Flexible
3. Fair—Let the punishment fit the crime
4. Non-discriminatory—every employee is subject to discipline, not just the “rank and file”
5. Confidential

VI. How can you tell if your program is working?

A. The “Ethics Helpline”...

1. The numbers: Hearing about the problems. How many calls should there be?

EOA benchmark: One call per 1000 employees per month, minimum (≈1.2%). Below that level should be a warning that the program is either not being sufficiently communicated or is not reliable to the employees. The higher the number, the stronger the indicator of trust in the program.

2. The nature: Hearing about the “right types” of problems. “You ain’t heard nothin’ yet!”

In a values-based program, there is no “right” type of problem. Complaints will run the gamut.

3. The trends: Anonymity; repeat offenses.

A tracking system (database) must be utilized to determine whether employees are willing to reveal their identities; to identify troublesome work units/managers/working conditions; to help assure that the right information is being sufficiently communicated to the employees through training or other vehicles; and to assist in taking appropriate steps to prevent recurrence of violations.

B. Follow-up (The internal investigation):

1. Timely...

Resolution within 90 days; triage system to assure most critical issues are addressed ASAP.

2. Level of cooperation...

An indicator of trust in the process. If employees must be compelled to cooperate in the investigation, there is something else going on.

3. Competent...

The investigator must be believable and trustworthy. He/she must be consistent in demeanor and perceived fairness.

4. Confidential...

Not necessarily the fact of the investigation, but certainly the subject and content of the investigation. If everyone knows what's going on, the program won't work much longer (if it's working at all!).

C. Discipline:

1. Consistent...

Similar situations demand similar disciplinary actions.

2. Fair...

The punishment must fit the crime.

3. Confidential...

Never (almost never) reveal the fact or the nature of discipline.

4. Non-retaliatory...

If an employee is suffering retaliatory behavior as a result of an ethics complaint (from either management or peers), someone isn't getting the message!

5. Across the board...

Same rules apply to all – no exceptions!

D. Results:

1. Number of calls will increase—“No good deed goes unpunished”

An increase in calls is actually a good thing. Problems are out there – you really want to know about the problem so you can fix it rather than talk about it with another lawyer!

2. Effect on recruitment—Are you the employer of choice?

Did someone mention Enron? Employees really do want to work for an ethical company. An effective ethics program is a great recruiting tool. Present and prospective BOD members might just be interested, as well.

3. Retention—Does your company have an ethical culture?

Not everyone leaves for more money. More often than not, they leave because they are suffering lousy working conditions and/or their boss is a(n) _____ (fill in the blank). Since inception of our program, employee turnover has dropped by 50%.

4. Lawsuits—Is there a correlation?

Apparently so. Our experience reveals an employee population increase of over 200% since program inception, with a litigation decrease of almost 50% over the same period of time.

E. Sustaining the culture and the ethics program:

1. Performance evaluations—Ethics is everyone's business.

Makes ethics a measurable part of the culture, and allows for annual affirmations required by SOX. It's also auditable, just in case you want to make Internal Audit happy.

2. Surveys and Exit interviews—Okay, but...
... they tend to be inconsistent and don't typically provide terribly reliable feedback.

3. Tone at the top—Your program is not working if the executive team is not on board!

And that support must be vocal, consistent, and frequent.

VII. Questions and Allegations of Misconduct: What are the most common ones and where do they come from?

General categories

A. Behavioral issues

B. Legal compliance

- i. Workplace laws
- ii. Insider trading
- iii. International business laws
- iv. Health & Safety
- v. Environmental laws

C. Conflicts of Interest

- i. Employment related
 - 1. Nepotism
 - 2. Office romance
- ii. Purchases of goods and services
 - 1. Employee owns an interest in a vendor
 - 2. Employee gets a kickback
- iii. Related party transactions
- iv. Gifts and entertaining

D. Corporate opportunities

E. Financial matters

F. Honest and ethical conduct

G. Process inquiries (E.g., why is so and so allowed to do x, but I can't?)

Employees, ex-Employees, Customers and Regulators

Industry Specific

Size of Company

VIII. Helpful reading and other resources:

A. **Complete Guide to Ethics Management: An Ethics Toolkit for Managers**, by Carter McNamara, MBA, PhD, this guide is located at <http://www.managementhelp.org/ethics/ethxgde.htm>

B. **Corporate Internal Investigations**, 1992, An ACCA Press Publication

C. **Cordant Technologies: Code of Ethics and Standards of Business Conduct**, 1999 (this booklet is available in the ACC Virtual Library)

D. **Leading Practices in Codes of Business Conduct and Ethics: What Companies are Doing**. Part of an ongoing series of ACCA's "Best Practices Profiles" SM, August 2003, available online at <http://www.acca.com/vl/practiceprofiles.php>

E. **Compliance and Ethics Leadership Council - Corporate Executive Board (www.celc.executiveboard.com)**

"Structures, Roles, and Responsibilities of Compliance and Ethics Organizations A Compendium of Selected Profiles" Benchmarking Research, July 2005

"Compliance Function Reporting Relationships and Responsibilities" October 2004

F. Open-Access Same-Time Information System (Formerly Real-Time Information Networks) and Standards of Conduct

- Order No. 889, 61 Fed. Reg. 21737, 75 FERC (CCH) ¶61,078 (1996)
 Order No. 889-A, 62 Fed. Reg. 12484, 78 FERC (CCH) ¶61,221 (1997)
 Order No. 889-B, 62 Fed. Reg. 64715, 81 FERC (CCH) ¶61,253 (1997)

G. Standards of Conduct for Transmission Providers

- Order No. 2004, 68 Fed. Reg. 69134, 105 FERC (CCH) ¶61,248 (2003)
 Order No. 2004-A, 69 Fed. Reg. 23562, 107 FERC (CCH) ¶61,032 (2004)
 Order No. 2004-B, 69 Fed. Reg. 48371, 108 FERC (CCH) ¶61,118 (2004)
 Order No. 2004-C, 70 Fed. Reg. 284, 109 FERC (CCH) ¶61,325 (2004)

H. California Public Utilities Commission ("CPUC") Decisions

- D.02-01-037
 D.02-01-039
 D.99-04-069
 D.98-12-075
 D.98-08-035
 D.97-12-088
 R.97-04-011

J. Articles and Periodicals:

1. "Hotline Suit Pits Whistle-Blower, Daimler Chrysler" Wall Street Journal, July 26, 2005
2. "Long Haul Ahead for Boeing's Chief", Wall Street Journal, July 1, 2005
3. "How and Why we Lie at the Office: From Pilfered Pens to Padded Accounts", Wall Street Journal, March 24, 2005
4. Fortune 75, Best Books: Ethics, page 152, March 21, 2005
5. "CEO's Worst Nightmares", Wall Street Journal, January 21, 2004
6. "Side Bar: GE Governance Principles", ACCA Docket May 2003

7. "MCI: Is Being Good Good Enough? Mike Capellas has his plate full cleaning up MCI. That's just a start." Fortune October 27, 2003

8. "Ban is lifted on MCI's Bidding on U.S. Government Contracts", Wall Street Journal, January 8, 2004

9. "Business Ties: Many Companies Report Transactions with Top Officers", Wall Street Journal, December 29, 2003

10. "About that Compliance Thing." A bibliography published in the Nov/Dec 2004 ACC Docket.



Session 005
Protecting Your Company from Ethical Disasters

Best of ACC Chapters
ACC-San Diego

Daniel S. Hapke, Moderator
San Diego Habitat for Humanity, Inc.
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ACC's 2005 Annual Meeting: Legal Underdog to Corporate Superhero—Using Compliance for a Competitive Advantage

October 17-19, Marriott Wardman Park Hotel



Introduction of Panelists and Topics

- Making the business case for ethics
 - “What would most improve corporate governance?”
 - Programs are only as effective as their foundation
 - Compliance-Based vs. Values-Based programs
 - The five values of an ethical business culture

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Protecting Your Company from Ethical Disasters

*Legal Underpinnings and Advantages of an
Effective Ethics Program*

Christopher W. Ekren
Sony Electronics Inc.

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Legal Underpinnings and Advantages of an Effective Ethics Program

- Federal Sentencing Guidelines
- Federal and state supreme court cases regarding sexual harassment defenses
- Sarbanes Oxley

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Protecting Your Company from Ethical Disasters

Creating or Reinvigorating Your Company's Business Ethics Program

Michael C. Tierney
Sempra Energy

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Creating or Reinvigorating Your Company's Business Ethics Program

- Does the company need a full-time Ethics Director?
- Where should the ethics program “live”?
 - Stand-Alone Department?
 - Within Law Department or Elsewhere?
 - Reporting to Whom?
 - General Counsel
 - CEO
 - Audit Committee

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Creating or Reinvigorating Your Company's Business Ethics Program

- The role of Corporate Compliance & Ethics Function
 - Identify & Communicate Risks
 - Establish Policies
 - Educate
 - Execute
 - Monitor
 - Assess
 - Report

The Corporate Compliance Department is not a replacement for line management's compliance accountability!
"We act with integrity, honesty, and respect."



Creating or Reinvigorating Your Company's Business Ethics Program

- Ethics Training & Periodic Employee Updates
 - Seminar Sessions
 - Computer Based Training Developing Standards of Conduct
 - Off-the-Shelf Programs
 - Examples
 - Pros/Cons
 - Customized Programs
 - State/Federal Mandated
 - Pros/Cons



Protecting Your Company from Ethical Disasters

Information & Allegations of Misconduct

Dennis Stryker
Rick Engineering Company

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Information & Allegations of Misconduct

- Standards and their Application to Specific Situations
 - What governs your organization?
 - The ethics code – and its limitations
 - Training

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Information & Allegations of Misconduct

● Internal Investigations

- Who is responsible for the investigation?
- Who is training the investigators?
- Investigation guidelines
- “Formal” or “Informal” investigation?
- Outside investigator?

Information & Allegations of Misconduct

● Anonymous Allegations of Misconduct

- Take them seriously!
- Verification



Information & Allegations of Misconduct

- Discipline
 - Progressive
 - Flexible
 - Fair
 - Non-Discriminatory
 - Confidential

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Protecting Your Company from Ethical Disasters

How Can You Tell if Your Program is Working?

James A. Spencer
Jack in the Box Inc.

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How Can You Tell if Your Program is Working?

(The “Ethics Helpline” . . . and Beyond)

- The “Ethics Helpline” . . .
 - The numbers
 - Hearing about the problems.
 - How many calls “should” there be?
 - The nature
 - Hearing about the “right types” of problems.
 - “You ain’t heard nothin’ yet!”
 - The trends
 - Anonymity
 - Repeat offenses

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How Can You Tell if Your Program is Working?

(The “Ethics Helpline” . . . and Beyond)

- . . . and Beyond
 - Follow-up (Investigation)
 - Timely
 - Level of cooperation
 - Competent
 - Confidential

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How Can You Tell if Your Program is Working? (The “Ethics Helpline” . . . and Beyond)

- . . . and Beyond
 - Discipline
 - Consistent
 - Fair
 - Confidential
 - Non-retaliatory
 - Across the board



How Can You Tell if Your Program is Working? (The “Ethics Helpline” . . . and Beyond)

- . . . and Beyond
 - Results
 - Number of calls will increase
 - “No good deed goes unpunished!”
 - Recruitment
 - Are you an “employer of choice”?
 - Retention
 - Do you have an “ethical culture”?
 - Lawsuits
 - Is there a correlation?



How Can You Tell if Your Program is Working? (The "Ethics Helpline" . . . and Beyond)

- . . . and Beyond
 - Performance Evaluations
 - Ethics is everyone's business.
 - Surveys and Exit Interviews
 - Okay, but . . .
 - Tone at the Top
 - Your program is not working if the executive team is not on board!



Protecting Your Company from Ethical Disasters

*Questions & Allegations of Misconduct –
Where Do They Come From?*

Steven W. Spector
ARENA Pharmaceuticals, Inc.



Questions & Allegations of Misconduct – Most Common & Where Do They Come From?

- Most Common:
 - Behavioral Issues
 - Legal Compliance
 - Workplace Laws
 - Insider Trading
 - International Business Laws
 - Health & Safety
 - Environmental Laws



Questions & Allegations of Misconduct – Most Common & Where Do They Come From?

- Most Common:
 - Conflicts of Interest
 - Employment Related
 - Nepotism
 - Office Romance
 - Purchases of Goods & Services
 - Employee owns an interest in a Vendor
 - Employee gets a Kickback
 - Related Party Transactions
 - Gifts & Entertaining



Questions & Allegations of Misconduct – Most Common & Where Do They Come From?

- Most Common:
 - Corporate Opportunities
 - Financial Matters
 - Honest & Ethical Conduct
 - Process Inquiries
 - “Why is Joe allowed to do that, but I can’t?”



Questions & Allegations of Misconduct – Most Common & Where Do They Come From?

- Where do they come from?
 - Employees, ex-Employees, Customers, Regulators
 - Industry Specific
 - Size of Company

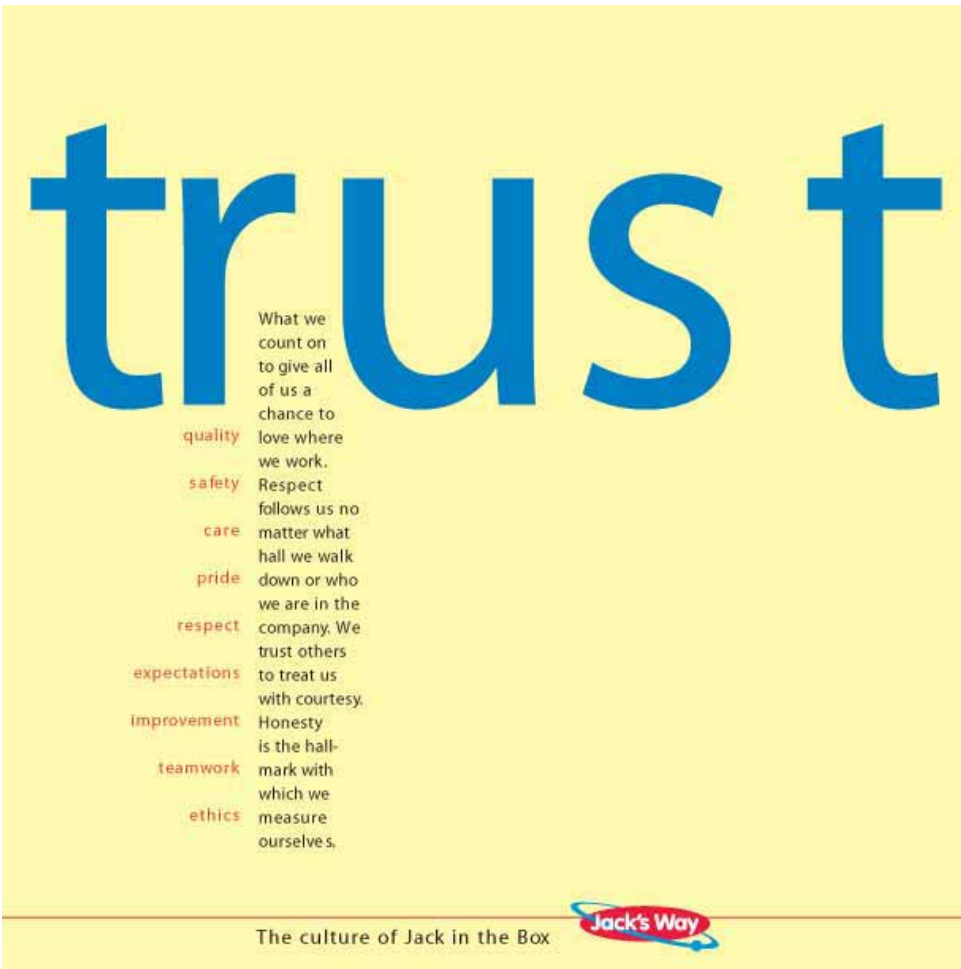


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introduction

Purpose

JACK IN THE BOX has developed an Ethics Code of Conduct, called "TRUST". It's a commitment that all our employees make to each other – a commitment to treat each other fairly, honestly and with care & respect. Many JIB franchise operators have voluntarily adopted this program and are fully committed to treating their employees with fairness, honesty, and care and respect. Throughout this booklet, whenever the term "employee" or "JIB employee" is used, it applies not only to JIB corporate employees, but also to those JIB franchise employees whose employer has adopted this program. Likewise, the terms "JIB" and "Company" apply not only to Jack in the Box Inc., but also to those franchise owners and operators who have adopted this program.

The concept of "ethical behavior" is hard to define. But, all of us know it when we see it, and we know it when we don't. We'd all agree that ethical behavior is fair, honest, proper, legal and demonstrates respect for others. In other words, ethical behavior means doing "what's right." But, some issues aren't simply black or white, so figuring out what's right can take a lot of thought.

Policy

"TRUST" spells out for ALL employees – from every board member to the newest hire – what the "right thing" is in several situations. It assists employees to make ethical decisions in such areas as:

- food safety
- guest services
- personal illness or injury
- conflict of interest
- safety

Ethical decisions early on can prevent minor concerns from becoming big problems. Doing the right thing reduces the risk of ethical mistakes and makes your job and everyone else's job more secure.

Whenever an employee is facing a tough decision in an area that has not been covered in "TRUST", the Ethics Helpline can get the answers you need (refer to the Ethics Helpline section).

The Jack in the Box Board of Directors, corporate officers, and franchise operators are committed to every aspect of "TRUST". Management has pledged to maintain the same high standards of ethical behavior and conduct their jobs with integrity.

Your employer wants every decision to be one that the employee can be proud of, feel good about and perceive as fair, honest and legal.

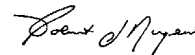
message from management

We value ethical behavior. All of our company values are about doing the right thing. Our values are all about the trust each of us has in our guests, our vendors, our communities, ourselves and even in our competitors. They are about the trust those folks place in us, individually and as a company, to do the right thing. We, the Board of Directors, the officers, and employees of Jack in the Box, along with our franchise operators, are all pledging to maintain the high standards of ethical behavior by doing our jobs with integrity.

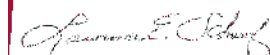
Things are happening fast at Jack in the Box. With growth, more pressure is put on us all to do more; sometimes to do more with less, and to do more in less time. We are very sensitive to that and are aware that those pressures can tempt anyone to

cut corners or make decisions they would not otherwise make.

We know that trust has to be earned. That is why Jack's Ethics Program has been established to help us deal with those difficult decisions that are certainly going to confront us. The primary function of Jack's Ethics Program is to help all of us make the right decisions on how to behave ethically. This booklet is intended to be a guide on many of the issues we face. We want everyone to be comfortable with the practice of bringing issues to the attention of their supervisors, including us. It is our assurance to all of you that when you utilize the Program, you will do so with no threat of retribution from anyone else in the company. Together, we will maintain the highest business ethical standards, which have become our reputation.



Robert J. Nugent
Chairman of the Board



Lawrence E. Schauf
Executive Vice President &
Ethics Compliance Officer

jack in the box ethics policy

General Standards and Purpose of Ethical Conduct

Jack in the Box (JIB) has a corporate responsibility to our guests, shareholders, the community, and ourselves. It is in the spirit of that responsibility that this Code of Conduct (Code) is set forth. It is the intent of the Directors and Officers of JIB that this Code applies equally to the Board of Directors, officers, and employees of JIB. It is also the intent of franchise operators who have voluntarily adopted this program that this Code applies equally to the franchise operator and all of his or her employees. No waiver of this Code or any part thereof for any Director, officer, or employee shall be permitted.

Every individual is expected to conduct our business in compliance with all laws and regulations while maintaining the highest ethical standards.

This Code is authorized by the Board of Directors and the Chief Executive Officer (CEO) of JIB, along with its franchise operators, and requires the disclosure of any circumstance that may violate JIB policy. It establishes that every JIB employee must comply with the letter and spirit of this Code and other policies and procedures of JIB. It further establishes the responsibility of every JIB employee to report any violation, or suspected violation, of this Code or any other

JIB policy, to one's management or to the Ethics Helpline.

Conflicts of Interest

Conflicts of interest arise when there is opportunity for, or appearance of, personal gain apart from the normal rewards of employment. To avoid a conflict of interest, or the appearance of a conflict of interest, the following guidelines should be kept in mind:

1. The use of JIB funds or resources to support or influence a political initiative or referendum without proper authorization or to support a political party or candidate is prohibited.
2. Any financial transaction, service or other arrangement that places personal interests and those of JIB in opposition with each other must be avoided.
3. Anyone who buys or sells goods or services, or who influences such buying and selling in any way, must maintain the highest standards of ethical conduct. Any information that is proprietary either to JIB or a supplier carries an obligation to assure confidentiality.
4. All employees, management, and board members must avoid any activity, investment, interest or association which

compromises, or which might appear to compromise, the independent exercise of judgment and the performance of work in the best interests of JIB, its shareholders, and the public.

5. Board members, employees, and members of their immediate families shall not knowingly have any direct or indirect financial interest in:
 - a. any franchise or franchisee of Jack in the Box, Qdoba, JBX Grill or QuickStuff,
 - b. any transaction, including any company loan, or guarantees of obligations, to which Jack in the Box is a party (other than as a retail customer, in performing their duties as an employee or Board member, or as a participant in JIB benefit programs),
 - c. any transaction with a corporation, partnership, or other entity, with which JIB is doing business (other than as a retail customer or as an investor in publicly traded securities),
 - d. property which JIB is acquiring.

Corporate Opportunities

Employees, officers and directors are prohibited from:

- (a) taking for themselves opportunities that are discovered through the use of corporate property, information, or position;

- (b) using corporate property, information, or position for personal gain; and
- (c) competing with Jack in the Box.

Employees, officers and directors owe a duty to JIB to advance the legitimate interests of Jack in the Box when the opportunity to do so arises.

Gifts, gratuities, donations, and entertainment can be a legitimate business activity. Soliciting gifts or donations from any vendor, customer, government official or employee, or offering gifts to any vendor, customer, government official or employee, as a condition of doing business, is prohibited. Any employee receiving a gift, gratuity, or entertainment valued in excess of \$150.00 must report in writing, to his or her supervisor, the nature and value of such gift, gratuity, or entertainment. Acceptance of a cash gift is never appropriate at any time.

Confidentiality

Employees, officers and directors shall maintain the confidentiality of information entrusted to them by JIB or its vendors and customers, except when disclosure is authorized or legally required. Confidential information includes all non-public information that might be of use to competitors, or harmful to JIB or its vendors or customers, if disclosed.

Fair Dealing

All employees, officers and directors of JIB must endeavor to deal fairly with JIB's customers, suppliers, competitors, and with each other. No one shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

It is a violation of this Code to:

- (a) knowingly sign documents that are inaccurate, untrue or are in violation of JIB policies and procedures; or to
- (b) conceal information from, or give misleading information to, anyone authorized to receive that information by management.

Protection of Company Assets

All employees, officers and directors of JIB shall protect the assets of JIB and ensure their efficient use. Theft, carelessness and waste have a direct impact on our profitability. All company assets shall be used only for legitimate and allowed purposes.

Compliance with Laws, Rules and Regulations

All employees, officers and directors shall conduct themselves in compliance with laws,

rules and regulations, including insider trading laws. Insider trading is both unethical and illegal and will not be tolerated.

Reporting of Illegal or Unethical Behavior

This Code does not include descriptions of every type of unethical or illegal conduct or conflicts of interest. The perception of a wrongdoing may be as great a concern as an actual wrongdoing. Difficult questions of judgment are involved; therefore, it is critical that each person exercise judgment in recognizing and resolving potential ethical, legal and/or conflict of interest issues before engaging in situations where such issues may arise. Violations of this Code, observations of illegal or unethical practices, or conflicts of interest, should be reported to one's supervisor or the Ethics Helpline operated by the JIB Ethics Program Director.

No individual who reports any such violation in good faith shall be subject to retaliation or retribution of any kind from anyone in the company.

Any refusal of an employee to cooperate with an internal investigation into ethical or legal violations shall be subject to disciplinary action, up to and including termination.

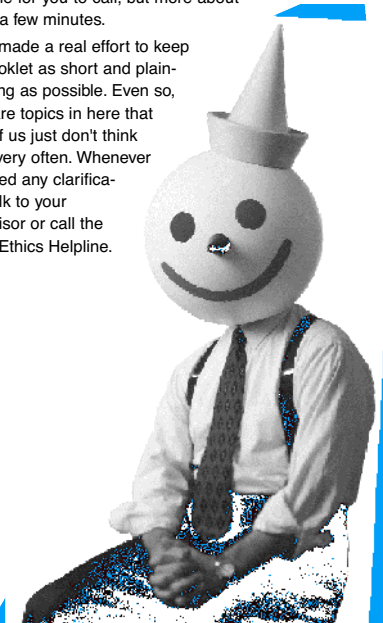
Jack's comment

Whew! That's a bigger mouthful than one of my Jumbo Jacks!! What you have just read is the formal ethics policy of our company. The lawyers tell me that all those words are necessary, so there it is, in all of its glory. And it is important. It's important that you read it; it's important that you understand it; and it's important that you get more explanation on those parts you don't understand. A lot of that--more explanation of those parts that tend to be more complicated--is what follows in this booklet. We're going to talk more about legal issues, but we're also going to talk about other responsibilities that might not be real clear in that formal ethics policy.

Some of those responsibilities have to do with the workplace and our relationships with each other. Things like food safety, personal safety, sexual harassment, discrimination, and how we treat our customers. Others have to do with stuff like "anti-trust", insider trading, copyrights and computer software, and environmental protection.

It's also important to remember that this booklet does not contain all of the policies and procedures of our company. As other concerns and questions come up, please remember to check with your supervisor for guidance. Jack's Ethics Helpline is also available for you to call, but more about that in a few minutes.

We've made a real effort to keep this booklet as short and plain-speaking as possible. Even so, there are topics in here that most of us just don't think about very often. Whenever you need any clarification, talk to your supervisor or call the Jack's Ethics Helpline.



about Jack's ethics program

We know that all of us want to always do the right thing. Sometimes, though, it's tough to know just what the right thing is. The Ethics Program can help. Here's a checklist to ask yourself whenever you are confronted with a difficult choice. If you can answer "yes" to all of these questions, your choice is probably the right one. If your answer is "no" or "I don't know" to any one of these questions, then you should seek guidance from your supervisor or from Jack's Ethics Helpline before making your decision.

1. Will my decision be legal?
2. Will my decision be fair and honest?
3. Will others view my decision to be fair and honest?
4. Will I feel good about myself afterwards?
5. Will my decision comply with the policies and procedures of my company?



6. Have I avoided even the appearance of impropriety?

If you aren't sure about a "yes" answer to any of those questions, the Ethics Program has established a couple of ways you can get help. The first way, of course, is to talk to your supervisor.

He or she will assist you in thinking through the choices to help you come up with the right thing to do.

If for any reason, though, your supervisor cannot help you, or you do not want to discuss it with your supervisor, you may call Jack's Ethics Helpline, by calling, toll free, 1-888-613-JACK. We will take your call and get

enough information from you to help you resolve the issue.

The goal of the Ethics Program is to reduce the chances of ethical mistakes, without fear of retribution. Whenever you have a question, concern, complaint, or

problem, we want to find out about that as early as possible. That helps the company prevent or minimize a potential mistake. It also helps you and every employee in our company. By reducing the risk of making ethical mistakes, your job and the job of everyone else is made more secure.

This Ethics Program is here to provide you every support possible in helping you to make the best choices possible, and to help resolve situations before they become major problems. Working together, we will maintain our ethical reputation and ensure our mutual success.

our guests trust us to...

... exceed their expectations.

That's more than a vision, more than a motto. It's our way of doing business! The highest trust our guests place in us is to provide them with safe food.

Food Safety

To meet this trust, the following guidelines must be observed at all times:

1. Learn and follow food safety practices and procedures.
 - a. Recognize improper food safety procedures and correct yourself and your co-workers. Don't cut corners or allow others to take short-cuts, even when at your busiest.
 - b. Support the food safety programs as issued by the Corporate Support Center.
2. Use only approved products received from approved vendors.
 - a. Our distributors have met strin-



These programs have proven themselves to be highly effective. As much as anything else, the food safety programs not only protect our guests, they protect our company and our jobs.

3. Deliver safe food to our guests.
 - a. If you doubt its safety or cleanliness, throw it away and re-fill the order.
4. Do not hide personal illness or injury.
 - a. Report every illness and injury, no matter how minor, to your supervisor immediately.
5. Be forthcoming and truthful with Health Department officials.
 - a. Those officials are there to help all of us. Help them to help us.
6. Complete food safety documents accurately and properly.
 - a. Good record-keeping helps us monitor the effectiveness of our food safety programs and to continuously improve those programs.
 - b. "Pencil-whipping" these forms is clearly unethical behavior.

... treat our guests right

Beyond assuring the safety and quality of our food, it is important to treat the guest right. What does that look like?

1. Our guest is treated with courtesy and respect.
 - a. Every guest must be greeted promptly.
 - b. Even when a guest is being difficult, we maintain our courtesy to them.
 - c. Personal affairs should never be discussed with or in the presence of a guest.
2. Our guest is treated fairly and honestly.
 - a. We deliver the guest's order accurately.
 - b. We exercise care in handling the guest's food and money.
3. We are responsive to our guest's needs and concerns.
 - a. We listen carefully and completely to what the guest is saying and satisfy their needs to the best of our ability.
4. Our products and services are available equally to all our guests.
 - a. Discrimination against any guest is absolutely prohibited.
5. We provide our guests with a safe, clean, attractive, and inviting environment.
 - a. Everything in our restaurants and the grounds surrounding them will be clean, neat, and orderly at all times.
6. We deliver what is advertised.
 - a. This applies every bit as much to service as it does product.

our vendors trust us to...

... maintain mutually beneficial relationships.

Dependable and loyal vendors are critical to our business. Vendors are not only those persons and firms from whom we buy product, but also include suppliers, distributors, and contractors. While we are their customers, they are also our customers. Our objective with our vendors should always be to nurture a long-lasting and mutually beneficial relationship.

For those of us who purchase goods and/or services for Jack in the Box, or who might have some influence on those purchases, the following guidelines should be observed:

1. All vendors should be treated fairly.
 - a. All purchasing decisions are based only on objective criteria such as quality, price, availability, and dependability of service.
2. All vendors' proprietary information must be held in confidence.
 - a. It is not unusual that we will gain access to confidential information from vendors, such as pricing policies. We owe a duty to our vendors not to reveal that information to

anyone other than those who have a genuine need to know.

3. Deceptive trading practices are prohibited with our vendors.
 - a. If there are any errors or misunderstandings with our vendor, immediate steps must be taken to correct those errors or misunderstandings.
4. No personal purchases are made from our vendors.
 - a. Unless a vendor makes it a practice to provide discounts and other services to all of our employees, it is improper for any one individual to take personal advantage of such.
5. Except for the allowable limitations stated in the JIB Ethics Policy no gifts are accepted or solicited from a vendor.
 - a. This includes anything that might be perceived as tending to influence our purchasing decision, even if the item would not, in fact, influence our decision.

our competitors trust us to...

... compete fairly.

All's fair in love and war, right? No. Not when the "war" is a commercial one. In the United States, all companies owe to all other companies certain duties to compete fairly and to avoid actions that are "unfair trade practices" under the law. Jack in the Box competes aggressively, but at all times fairly. Here's what we do to accomplish that:

1. We never make false or deceptive statements about any of our competitors' products, their financial status, or how they conduct their business.
2. We never say anything about a competitor with the intent to damage their business.
3. We never engage in scare tactics with our competitors or attempt to coerce them in any way.

4. We never unfairly interfere with any contracts our competitors have with their vendors, suppliers, distributors, or contractors.
5. We never engage in or cooperate in any false or misleading advertising.
6. We never use our relationships with mutual vendors of our competitors to take unfair advantage of a competitor.
7. We never misrepresent ourselves or our employment with JIB to gain access to confidential information of a competitor.

There are other legal issues that must be observed that impact our obligations to our competitors, and those are discussed in the next section.

our community trusts us to...

... be a good citizen.

So what's a community, anyway? Our community is more than the neighborhood where we live. Our community includes the rest of the town, the county, the state, even the whole country. That is certainly true for Jack in the Box. Our company has an obligation to be a good citizen. We do business in many states and our primary obligation to the community is to know and obey the laws wherever we may be. Just like you and me.

In order to maintain our good corporate citizenship there are many rules and regulations that we must all be aware of and obey. Here are the ones we want to be particularly aware of:

Anti-trust

"Anti-trust" is a term used to describe various laws that assure our markets are free and that protect businesses and individuals from unfair or predatory trade practices. Our state and federal governments are very diligent in the enforcement of anti-trust laws. These laws make it illegal for anyone or any company to engage in any activity that restrains free trade. One of the more common things that would be in violation of anti-trust laws is

unfair competition, already discussed in the previous section. Other activities, though, are or can be perceived to be anti-trust violations. Here are some examples:

1. Price-fixing is any discussion with a competitor or its employees about fixing prices at a certain level so that competition is impaired. No actual agreement is necessary to be in violation of the law!



2. To bribe or take a bribe, which may include money, gifts, favors or promises of any value as a means of influencing someone to do something in violation of legal or ethical obligations.
3. Allocation of markets with a competitor to give or receive an unfair competitive advantage.

4. Conditional purchases, which means requiring a vendor or supplier to purchase our products as a condition of buying from that vendor or supplier.
5. Predatory behavior is any unreasonable interference with a competitor's business in an attempt to gain a share of the market.

Of course, there are many other possibilities that can cause an anti-trust violation. If you have any concern or doubt as to whether a particular action might be in violation of anti-trust laws, or even appears to be in violation, call Jack's Ethics Helpline.

Copyrights

When some person or company creates an original work of authorship, the law gives that person or company the exclusive right to copy and distribute that work (a "copyright"). Here are a few examples of what is protected by the copyright law:

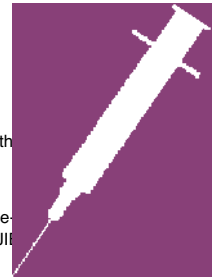
1. Computer software cannot be installed on more than one computer system unless the license agreement specifically allows such installation.
2. Newspaper and magazine articles cannot be copied. However, our company has contracted for rights to copy many publications.

If you have any concern or doubt as to whether a particular action might be in violation of copyright laws, call Jack's Ethics Helpline.

Drug Use and Possession or Dealing

It is against the law or against Jack in the Box policy to:

1. Sell, purchase, possess or use illegal drugs while on the job or on JIB property.
 2. Sell, purchase, possess or consume alcohol while on or using JIB property.
 3. Be under the influence of alcohol or illegal drugs on the job or on JIB property.
- Illegal drugs include narcotics, sedatives, depressants, stimulants, hallucinogens, or other substances whose possession, use, purchase, or distribution is prohibited or restricted by law. However, the proper use



of prescription medication under the supervision of a physician is permitted.

Environmental Protection

Jack in the Box is committed to exercise all reasonable care to enhance and preserve our environment. In this respect JIB shall:

1. Properly dispose of all liquid and solid waste and trash generated by us at any of our facilities.
2. Preserve our natural resources and comply with all applicable environmental laws.



Equal Employment Opportunity

It is unlawful or against Jack in the Box policy to discriminate in the employment of any person on account of characteristics such as race, color, religion, sex, pregnancy, national origin, ancestry, age, marital status, disability, veterans' status

or sexual orientation. The same rule applies in matters of promotions and discipline. If you have any concern or doubt as to whether a particular action might be in violation of equal employment opportunity laws, call Jack's Ethics Helpline.

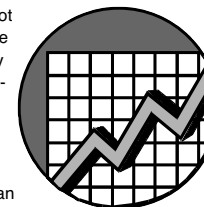
Insider Trading

Employees often have information about Jack in the Box that is not generally known to the investing public, and which can impact the value of our stock.

1. To protect our shareholders, JIB prohibits any employee or board member from buying or selling our company stock while in possession of material, non-public information about JIB, or from disclosing such information to another person (including relatives and friends) except when such disclosure is necessary to fulfill a business objective of JIB.
2. Board members and other employees with such inside information are generally permitted to engage in transactions involving JIB securities during a "window" period, which follows the public release of JIB

quarterly financial results, unless they have material, non-public information at that time.

3. Employees who trade JIB securities or exercise stock options based on material information that has not been made public may be in violation of insider trading laws. Similarly, an employee may incur personal liability if he or she provides such inside information to other persons who then trade JIB securities.



4. The penalties for insider trading are serious, both for the company and for the individual. There can be both civil and criminal penalties, which may include payment of fines and imprisonment.
5. Any employee who feels he or she may have insider information should call Jack's Ethics Helpline prior to trading JIB securities.

Political Influence

There are proper and legal ways to influence politics that affect our business, and there are improper and illegal ways. Jack in the Box policy allows only legal and proper methods of political influence. JIB will not make illegal political contributions and will not reimburse employees for their personal political contributions, even if those contributions are made in the spirit of furthering JIB interests. It is unlawful and against JIB policy to:

- a. Bribe a public official or receive a bribe from a public official.
- b. Interfere with governmental functions.
- c. Intentionally submit incorrect, misleading, or fraudulent information to a public official.



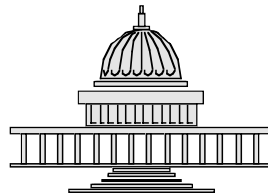
Taxation

Jack in the Box pays taxes to the local, state, and federal governments. Proper and accurate records must be maintained in order to satisfy this obligation. It is unlawful and against JIB policy to:

- a. Evade taxes that are lawfully owed by JIB.
- b. Fail to keep records that substantiate our obligation to pay taxes.
- c. Fail to provide information properly

requested by taxing authorities.

- d. Intentionally submit incorrect information to a government official.
- e. Intentionally falsify, destroy or withhold financial and tax records that are required by law to be retained.



we trust each other to...

... treat each other right.

Teamwork ... Integrity. We could say a lot about those two words. Really, what it comes down to is just doing our jobs the best we can and dealing with each other ethically; in other words, let's treat each other right. Here are some things to think about:

suppliers, customers or competitors. This policy does not apply, within the bounds of reasonable discretion and common sense, to non-cash items commonly exchanged in business relationships or sponsorships of charitable events, up to a value of \$150.

Conflict of Interest

Conflict of Interest arises when we do anything, on or off the job, that is against the best interests of our company. Any time our decisions and judgments about matters that affect our company may be influenced or impaired by personal or financial gain, there is a conflict of interest. Remember, even the appearance of a conflict is a conflict! Here are some examples of what we might find ourselves involved in that will be a conflict of interest:

1. Giving or accepting a gift may be a conflict of interest. Employees may not give or accept any gift of value which is or might be given for the purpose of improperly influencing the normal business relationship between our company and any of its
2. Conducting JIB business with a relative (any immediate family member, significant other, or other relative, whether by blood or by marriage) may create a conflict of interest and is discouraged. If, for any reason, you anticipate conducting JIB business with a relative, please report this situation to your supervisor.
3. Having a financial interest in a competitor, vendor, supplier or contractor to our company, or a JIB corporate employee or board member having a financial interest in any franchise operation of JIB, Qdoba, JBX Grill or QuickStuff creates a conflict of interest.
4. Conducting a personal business venture while on the job is a conflict of interest.

5. Conducting a personal business venture while off the job, and which competes with Jack in the Box, is a conflict of interest.

Performance

We are all expected to perform the duties of our jobs competently, safely, efficiently and honestly. Supervisors are responsible to evaluate all employees on a regular basis and those evaluations are meant to give us constructive feedback on how to improve our performance.

Protection of Company Assets

Sometimes, in the performance of our duties, we are entrusted with the possession and/or use of company assets. It is our obligation to use those assets for the benefit of the company and for no improper personal benefit.

Working Off the Clock

It is everyone's responsibility to maintain an accurate accounting of hours worked. It is illegal and against company policy to allow or require any employee to work "off the clock".

Political Activity

Jack in the Box supports employees' rights to exercise their individual political activities in a lawful manner.

1. No employee will be coerced in any manner to contribute to or otherwise support any candidate, office holder or ballot proposition.
2. No employee's job will be jeopardized because of their participation or non-participation in any lawful political activity.
3. No active campaigning for candidates or issues not related to JIB business interests is allowed on JIB property.

Safety

Jack in the Box believes that the personal safety of its employees is a primary responsibility we owe to each other. All reasonable procedures and equipment will be used to achieve safe working conditions.

1. All employees must follow safe working procedures, use appropriate safety and protective equipment, and always be alert to potential injury to themselves and others.
2. All employees must observe facility security procedures and use all security equipment.
3. All employees are expected to report to their supervisor any and all conditions they believe to be unsafe, insecure, or unhealthy.
4. Any act of violence or verbal or physical threat of violence will be treated seriously and must be reported immediately to the employee's supervisor, their Asset Protection Representative, Human Resources, or Jack's Ethics Helpline.

Sexual Harassment & Discrimination

1. Sexual Harassment

Sexual Harassment consists of unwelcome sexual advances, or visual, verbal, or physical conduct of a sexual nature when: (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment; (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or (3) such conduct has the purpose or effect of unreasonably interfering with any individual's work performance or creating an intimidating, hostile, or offensive working environment.

2. Discrimination

Discrimination is any unwelcome conduct, whether verbal, physical, or visual, that is based upon a person's protected status, such as gender, sexual orientation, color, race, reli-

gion, national origin, age, physical or mental disability or other protected group status. It may include, for example, jokes or comments about another person's protected status, kidding, teasing or practical jokes directed at a person based on his or her protected status.

- Sexual harassment and other types of discrimination in the

work environment are strictly prohibited.

- Any employee having knowledge or suspicion of sexual harassment or other types of discrimination, whether or not as a victim, must report that knowledge to their supervisor or by using the Ethics Helpline.

our franchisees trust us to...

... do what is best for the entire system.

Our franchisees are a vital part of our company's business. They are an integral part of our continued success. We continuously strive to build solid working processes with our franchisees. We are guided by our belief that a trustful and dependable association requires that we:

1. Be fair and honest with all of our franchisees;
2. Maintain open and frank communications with our franchisees and to respond promptly to their concerns and interests;
3. Maintain the confidentiality of personal and business financial
4. Make objective assessments of the performance of our franchisees;
5. Work with our franchisees to assure our continued mutual success, and to commit with them to do what is in the best interests of the entire system;
6. Respect and vigorously enforce the "Six Month Rule" (as stated in the Corporate Policy Manual) regarding the hiring of franchisee restaurant employees by Jack in the Box Inc.-owned and operated restaurants.

information from and about our franchisees;

using Jack's ethics helpline

Purpose

Whenever you have a question about what the right thing might be in a particular situation, try to talk with your supervisor first. Your supervisor may have faced a similar situation in the past or may know exactly what to do.

Sometimes, employees are not comfortable discussing things with a supervisor, so the Ethics Helpline should be the next step. The Helpline is for any question, concern, complaint, problem or issue that you have. The Helpline also offers guidance to help make the best decision among several choices.

"TRUST" and the Ethics Helpline are in place to make sure that problems do not get worse. If you are worried about a situation that involves a co-worker or supervisor, or just working conditions in general, we really need to know.

Procedure

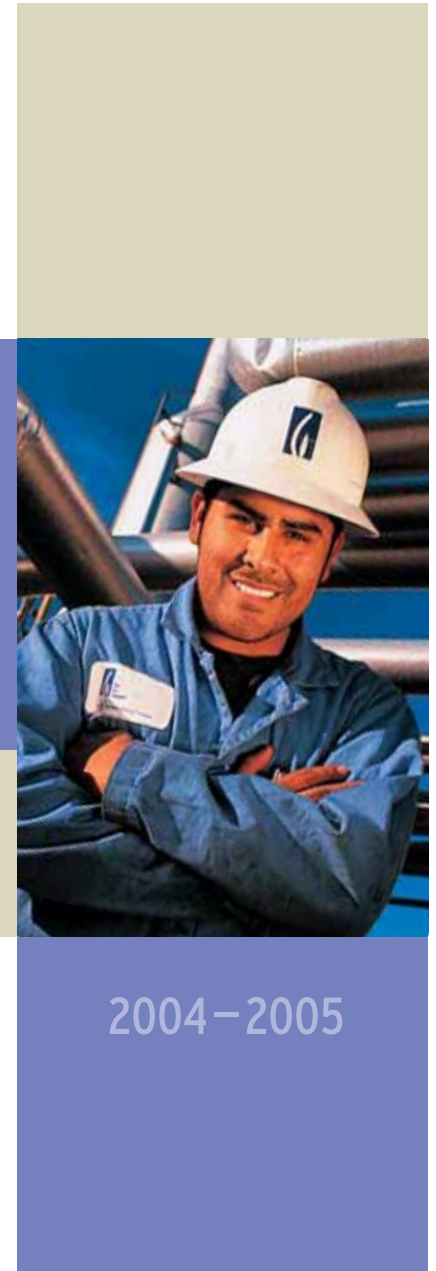
- The Helpline is a toll free number: 1-888-613-JACK.
- The person calling will have to answer a few questions, so the Helpline staff has as much information as possible to help you.
- If you do not want to identify yourself, that is okay. Helpline staff will take your information and give you a report number and a time to call back so you can get or give more information.
- The Helpline will be staffed during regular business hours, but sometimes problems do not keep regular office hours, so you can call any time. After regular hours, you may leave a message or call back during normal business hours. If you leave a message, you will be called back the next business day.
- Every issue that is reported by an employee using the Ethics Helpline is investigated. Any refusal of an employee to cooperate with an internal investigation into ethical or legal violations shall be subject to disciplinary action, up to and including termination.
- "TRUST" prohibits retaliation against any employee raising an issue in good faith, even if it turns out you were wrong in your belief. You will not be penalized for raising an issue or question in good faith.



Business Conduct Guidelines

We act with integrity,
honesty and respect.

2004-2005



Sempra Energy's Ethics Helpline
(800) 241-5689
 001-770-582-5249 International

Photo credits
 Lonnie Duka
 Ted Walton

Front cover
 Back cover

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References for more information and help

The contents of the guidelines are subject to revisions, as the many laws and regulations under which the company operates may change. Please refer to the Index of Corporate Policies, found by clicking "Conduct, Compliance, Policies" under the *SempraNet* Contents section, for the most up-to-date policy. Also, each Sempra Energy company may have more policies or more stringent standards of conduct than those described in these guidelines. You may find those policies on those Sempra Energy companies' intranet sites.

Dear Fellow Employees:

Business ethics has become the defining business issue of our time. Recent polls suggest that the public—both in North America and in Europe—view business leaders as unethical and untrustworthy.



Steve Baum
 Chairman and Chief Executive Officer

Every day, you and I have the power to help change that opinion. Because, at Sempra Energy, what we value—integrity, honesty and respect for each other—defines how we get things done. Our company's reputation depends on our ability to maintain the achievement of those ideals and to conduct ethical business. Ethical business conduct is essential to our continued success.

Sempra Energy conducts its business in compliance with international, federal, state, and local laws and regulations. We do not compromise on compliance with the law or our business-conduct standards while in the pursuit of success. It's that simple. We will not tolerate unethical behavior.

These Business Conduct Guidelines are our standards for maintaining a legally compliant and ethical workplace. These standards apply to all Sempra Energy employees, and compliance is a condition of your employment.

These high standards will remain the same regardless of changes that occur to the company and the environment in which it operates. Use this booklet to make sure you know what's expected of each of us every day on the job.

Thank you very much for keeping both our results, and the ethical standards we use to deliver them, high.

Sincerely,

Steve Baum
 Chairman and Chief Executive Officer

Expectations of employees

Sempra Energy's Business Conduct Guidelines are our standards for maintaining a legally compliant and ethical workplace.

The guidelines are based on these principles:

- The company conducts its business in compliance with international, federal, state, and local laws and regulations.
- Employees are expected to conduct their business affairs in a lawful manner. All conduct must conform to company compliance guidelines and policies.
- Employees are expected to conduct themselves in a manner that is consistent with the company's values and ethical standards.

The guidelines provide the information, support and resources to help ensure that you act ethically and in compliance with the laws that affect our business.

While the applicable laws may vary, the guidelines apply to all Sempra Energy employees, wherever you are worldwide. Therefore, you are responsible for adhering to our standards of conduct, as well as following the laws, regulations and policies related to your specific job and company location.

Keep in mind that these guidelines can't possibly cover every situation that might arise on your job. Also, each Sempra Energy company may have more policies or more stringent standards of conduct than those described in these guidelines. After reading and asking questions about the guidelines, if you have any doubts about a situation in your workplace, ask yourself:

- Is it legal and within company policy?
- Is it fair, honest, appropriate and consistent with company values?

- If I'm not sure, have I asked someone? Check with your supervisor. If you're still not comfortable, contact the company's chief ethics officer, or call the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls.

Sempra Energy expects all employees to comply with all related company policies, standards and legal requirements as summarized in these guidelines. Make sure you're sensitive to situations that could lead to improper business conduct. Failure to adhere to the company's standards of conduct can result in disciplinary action up to and including termination of employment.

The company requires you to complete required compliance training and to acknowledge your understanding of and compliance with these standards each year. This includes bringing to the attention of appropriate company contacts any known or perceived unacceptable business conduct or illegal behavior.



How to report an ethics concern

Promptly report any violation or possible violation of these policies to your supervisor, to one of the contacts listed in these guidelines, to the company's chief ethics officer, or to the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls.

The Ethics Helpline allows you to anonymously report any form of business conduct of a questionable nature. This service isn't a substitute for speaking with a supervisor, but it is an option for people who would like help, but who prefer to remain anonymous. Someone will investigate every issue reported to the Ethics Helpline and, if you ask for one, you will get a response through the helpline.

No retribution

It is against company policy for any employee to retaliate, directly or indirectly, against any employee who reports a violation. Urging someone else to retaliate is also a violation of our policy.

Every supervisor has a responsibility to create a work environment in which employees can raise ethical and other concerns without fear of retribution.

Any employee who believes retaliation has occurred should inform the chief ethics officer at once.



Employee-conduct standards

This section of the guidelines summarizes the standards of conduct expected of all employees. Many of the guidelines refer to specific company policies that serve as the governing documents. You can find those detailed policies by going to the Index of Corporate Policies on *SempraNet*, found by clicking "Conduct, Compliance, Policies" under the *SempraNet* Contents section. Also, each Sempra Energy company may have more policies or more stringent standards of conduct than those described in these guidelines. You should review your company's intranet for more details.

Questions

If you have questions about these standards, discuss them with your supervisor, your Human Resources representative or the chief ethics officer.

Confidentiality

Company information

Information, like other corporate assets, must be properly managed to ensure that it is:

- Used for authorized purposes.
- Accessed by those who have a business need.
- Adequately protected.

Any information that concerns Sempra Energy or its business that isn't generally available to others is confidential. The improper disclosure or unauthorized use of confidential information could have a great impact on the company's competitive position.

All employees of Sempra Energy have an obligation to maintain the confidentiality of company information. Confidential information includes, but is not limited to, proprietary information, technical data, trade secrets,

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customer information, planned new services and products, expansion and capital-investment plans, or other nonpublic information of the company.

To help protect the company's interests, you must follow these guidelines:

- Do not use confidential information for personal benefit or for the benefit of others.
- Do not disclose confidential information to any other person, whether a co-worker or outsider, except as required in the conduct of Sempra Energy business.
- Do handle and store confidential documents appropriately to avoid disclosure or loss. Do not leave confidential information on desks where it might be seen by unauthorized people.
- Do dispose of documents that contain confidential or restricted information with care—for instance, by shredding them or returning them to the third party that provided them—to avoid disclosure by mistake.
- Do not discuss confidential information in any public place where someone may overhear you.
- Do refer media, financial, regulatory or legal inquiries to the proper group within the company.
- Do guard against disclosing confidential information by mistake in talks with family members or friends.

Besides this general corporate policy on confidentiality, certain employees may also have to sign confidentiality agreements depending upon their job duties.

Employee privacy

Sempra Energy respects the privacy of every employee and only collects and retains employee personal information that's required for effective operation of the company or that's required by law. The company protects and limits access to employee personal information and complies with all applicable laws that govern employee privacy.

No employee should access, distribute or otherwise use employee records or information unless authorized to do so for legitimate business needs and in accordance with laws and regulations.

Information about others

Just as Sempra Energy closely guards its own confidential information, you must respect the confidentiality rights of others. You may not acquire confidential or proprietary information (including technology) about other companies through improper means, such as deceit, misrepresentation or receipt of information illegally acquired by a third party, nor any information from their present or former employees who are legally prohibited from disclosing it. You must abide by the terms of any valid nondisclosure agreement relating to confidential information of which you come into possession.

Continuing obligations

Because of the potentially sensitive nature of company documents, if you're terminated or you resign, you're prohibited from taking or retaining any documents that relate to your work at the company, unless you provide these documents to your supervisor and your Human Resources representative for review and approval for retention.

Learn more

To learn more, refer to the company's Confidentiality, Fair Disclosure, Information Management, and Media Relations Policies.



Conflicts of interest

You have the responsibility to safeguard the integrity of Sempra Energy's business decisions by ensuring that those decisions are made solely on the basis of what is best for the company and are not improperly influenced by personal interests.

Conflicts of interest arise in any situation where there is a potential for divided loyalties between your personal interests and your obligations to the company. While an activity that's an actual conflict of interest is never acceptable, you must also avoid activity that involves even the appearance of such a conflict.

Also, you may not get around this policy by using other people to do indirectly what you are prohibited from doing yourself. Pay special attention to potential conflicts with respect to customers, suppliers and competitors. A conflict of interest may arise if a family member works for or has a major financial interest in a customer, supplier or competitor.

The company has no intention of interfering with your activities when you're not working. The company only has an interest if you conduct yourself in such a way that damages the reputation of the company, negatively affects your performance or creates conflicts of interest.

Before you engage directly or indirectly in any other business or gainful employment, you must seek approval from your supervisor and your Human Resources representative. They can assist you with ensuring that outside activities don't constitute a conflict with the company's business concerns.

Learn more

To learn more, refer to the company's Conflicts of Interest Policy.

Business gifts or courtesies

The company knows that it's sometimes the custom for employees doing business with others to provide or accept gifts, entertainment, meals or similar business courtesies. The appropriateness of providing or accepting business courtesies to strengthen business relationships depends on the circumstances involved.

You should not accept or provide any business courtesy if it will compromise or be perceived to compromise your ability to make a fair and objective business decision.

Business courtesies may include such items as gifts; meals; drinks; edibles (boxes of chocolates, fruit baskets); entertainment (including tickets to sporting events); recreation (including golf course fees); door prizes; raffles; honoraria; transportation; discounts; promotional items; and accommodations.

Business gifts or courtesies to or from our customers, suppliers, government officials or competitors can raise serious ethical and legal questions that could greatly harm and embarrass you and the company. Therefore, you need to use extreme caution when dealing with such matters.

For the most part, it's OK to accept or provide a business gift or courtesy if these criteria are met:

- It's consistent with accepted business practices and of customary value, as determined by local or industry practices (so no one could construe it as excessive, or as a bribe or a kickback).
- Public disclosure wouldn't reflect adversely on the company or the people involved.
- Its acceptance or provision has been disclosed to your supervisor, if you believe the gift or courtesy could be construed by others as more than a mere token.

- Your Sempra Energy company doesn't have a policy or rule against such activity. In some Sempra Energy companies, accepting gifts other than low-cost food items or tokens of appreciation is not allowed.

Asking for a courtesy is not OK in any case. Neither is accepting cash or cash equivalents. Also, you may not use your position with the company to solicit vendors to provide preferential personal treatment.

Providing business gifts or courtesies to foreign or U.S. government officials, their families or employees is covered by the Foreign Corrupt Practices Act and by specific rules and regulations that differ from country to country, state to state and even city to city. If you're thinking about business or social contact with such people, you should obtain advice in advance from the Legislative Policy and Analysis section of the Governmental and Community Affairs department. Also see the following sections of the guidelines for more guidance about International Business and Political Laws.

If you're unsure of the appropriateness of a business gift or courtesy, seek guidance from your supervisor, your Human Resources representative or the chief ethics officer.

Learn more

To learn more, refer to the company's Business Courtesies Policy.

Discrimination and harassment

You must treat co-workers, customers, suppliers and visitors with respect, fairness and dignity, no matter their race, color, religion, national origin, ancestry, gender, sexual orientation, marital status, age, medical condition (including pregnancy), disability, service disability or veteran status. The company won't condone or tolerate any discriminatory behavior, including sexual harassment.

If you become aware of possible discrimination or harassment taking place at work, report it at once to your supervisor, the Office of Corporate Diversity Affairs, the chief ethics officer, or the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls.

Any supervisor who becomes aware of possible discrimination or harassment and fails to report it at once is subject to disciplinary action up to and including termination of employment.

The Office of Corporate Diversity Affairs will promptly investigate all reported incidents and take proper action.

Learn more

To learn more, refer to the company's Policies Against Discrimination and Harassment.



Violence in the workplace

The company is committed to maintaining a safe work environment free from the hazards of violence. To maintain a safe work environment, the company will not tolerate any of the following in the workplace, or in situations that may affect the workplace:

- Firearms, weapons, explosives or bullets;
- Threats or actions that create a hazard for employees and others;
- Violent physical contact or actions, violent verbal or written exchanges, or threats of violence against employees or their families; or
- Harassment, stalking or any action that creates a real or perceived threat.

Every threat or perceived threat of violence will be taken seriously. Excuses such as "I was joking" or "I didn't really mean it" will not relieve the offender of responsibility. You must not make threatening statements or engage in threatening actions, whether or not you intend such statements or actions to be threatening.

If you see a violent physical act that involves immediate danger, or think such an act will take place, you must call local law-enforcement officials at once through a local emergency phone number (in the United States at 911).

When it's safe to do so, you must also make a follow-up call to Corporate Security. Also, you must promptly report to Corporate Security any threats or actions where you believe violence isn't an immediate danger. If the matter is not urgent, you can also use the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls to report or discuss concerns about issues of violence. Corporate Security will investigate reports promptly and take proper action.

It's crucial that any supervisor who becomes aware of imminent or actual violence must report it at once as set forth above. Failure to do so will result in disciplinary action up to and including termination of employment.

Any employee who engages in violent acts or conduct is subject to disciplinary action up to and including termination of employment. Besides internal discipline, the company will cooperate with law-enforcement officials in criminal prosecutions against offenders.

Learn more

To learn more, refer to the company's Security and Emergency Preparedness, and Violence in the Workplace Policies.

Substance abuse

You must report to work able to perform duties safely and efficiently. You're subject to discipline up to and including termination, if:

- You report to work in an unfit condition due to use of drugs or alcohol.
- Your use of drugs or alcohol affects job performance.
- You use, possess or sell illegal drugs during working hours or on company property.

In some Sempra Energy companies, any use of alcohol during working hours (including lunch breaks) is not allowed. Check with your supervisor or your Human Resources representative for your company's policy.

The company's drug and alcohol policy includes pre-employment and reasonable-cause testing for all employees, as well as random and other testing as required by government agencies for certain jobs.

The company offers access to the Employee Assistance Program, a confidential program for any employee, including those with substance-abuse problems.

Learn more

To learn more, refer to the company's Substance Abuse and Testing Policy.

Company assets

You have a responsibility to protect the company's assets and ensure their efficient use. Theft, carelessness or waste have a direct impact on the company's profitability. Therefore, you must:

- Acquire assets in compliance with company policies.
- Use company property only for business purposes, and only for legal and ethical activities.
- Safeguard assets from damage, waste, loss, misuse or theft.
- Dispose of assets only with proper approval.

Company assets, such as computers, telephones and cell phones, fax machines and copy machines, are meant for company business. The company allows limited personal use of these assets, as long as such use is occasional, doesn't result in excessive costs, doesn't interfere with your work duties, and complies with applicable laws, regulations and company policies.

You may use other company assets, including such things as vehicles, construction equipment and tools, only for company purposes.

The company's corporate identity, logo and trademarks are also valuable business assets that may get destroyed or diluted by improper use.

Sempra Energy, like any other company, must guard against fraudulent activities in the handling of money, company assets, documents or other areas covered in these guidelines. The company's system of internal business controls not only provides tools to help achieve Sempra Energy's desired business goals and objectives, it also helps curb fraudulent activities by reducing the temptation and increasing the likelihood of early detection.

Management is responsible for being alert for symptoms of wrong-doing and for continually assessing the need for and putting in place proper controls to prevent fraud.

You have a responsibility, however, to understand and adhere to the company's internal business controls. These controls include these guidelines, and all the associated policies and procedures in place to help ensure a company culture of integrity, honesty and respect.

If you witness any incidents, misappropriations or improper use of company property, or have concerns about the potential of fraud, report them to your supervisor, Corporate Security, the chief ethics officer, or the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls.

Learn more

To learn more, refer to the company's Procurement, Corporate Approval and Commitment, Telecommunications, and Use of the Company Name and Logo for Co-Branding Policies.



Company records

Financial-statement integrity and accuracy of the company's books and records

The integrity of the company's financial records is vital to the operation of our business. These records are crucial to maintain the confidence and trust of our employees, shareholders and other stakeholders. All transactions must be properly recorded, classified and summarized in accordance with Sempra Energy's accounting policies, which ensure compliance with generally accepted accounting principles, applicable laws and regulations.

Finance and accounting officers and personnel have a special fiduciary responsibility to ensure that finance and accounting practices support the full, fair, accurate, timely and understandable disclosure of the company's financial results and condition.

You're responsible, however, for recording and reporting clear, accurate and honest information on reports, expense reports, time sheets and other documents. The company doesn't tolerate concealment of information or misrepresentation of a transaction. If you aren't sure about the proper way to record a transaction, contact your business unit's accounting department or the corporate controller.

If you feel you're being asked to create a document or an electronic record, or to record a transaction, in a less-than-honest and accurate manner, you must report this at once to your supervisor, the corporate controller, the chief ethics officer, or the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls.

Learn more

To learn more, refer to the company's Internal Control Policy.

Employee business expenses

When on company business, use good judgment; keep business expenses reasonable and request reimbursement only for needed, business-related expenses. You're expected to comply with the company's requirements for incurring, reporting and supporting proper business expenses. Report all expenses for your supervisor's review promptly and accurately.

Learn more

To learn more, refer to the company's Employee Business Expense and Corporate Travel Policies.

Retention of company records

You must follow the applicable policies of the company to protect and maintain all documents and records that are required for the proper conduct of its business, and the fulfillment of legal and contractual obligations. These records include all documentary material, no matter the form (written, printed, typed, magnetic or electronic), that is generated or received by the company in connection with transacting its business, that is related to the company's legal obligations and that is to be retained for a specific period of time.

You are responsible for ensuring that all nonessential records are appropriately destroyed on a timely basis, and always being mindful of the costs and risks of creating and maintaining unnecessary records in any form. Also, you should avoid unnecessary duplication of records and you should destroy all drafts leading to a final document.

You should review your files at least once a year to ensure that records are being retained and destroyed in accordance with your business unit's retention schedule.

Due to the company's reliance on electronic media, you should pay special attention to programs and policies that cover electronic correspondence.

Learn more

To learn more, refer to the company's Records Management and Retention, and Information Management Policies.

Information protection

The company's technological infrastructure is meant to improve communication and information sharing by users. Because these systems are for business purposes only, you can assume that they contain business-critical information. Therefore, compliance with the company's Confidentiality and Information Management Policies is vital.

Company property, including lockers, desks, computers and access to computers, e-mail, the Internet and voice mail, is provided for business purposes.

As such, the company reserves the right to examine or search company property and employee property that's on company premises. This includes accessing computer hard drives and other data-storage media, monitoring and/or reading e-mail, monitoring Internet activity, listening to voice mail, or other activities related to the capture and monitoring of electronic communications. You should have no expectation of privacy for any personal property or equipment kept or maintained on company property.

You must not transmit or forward messages that contain immoral, indecent, foul, or other objectionable content or language, nor access or download material from improper Internet sites. Use good business ethics, including company policies that cover discrimination and harassment, as your guide.

Learn more

To learn more, refer to the company's Confidentiality, Information Security, Internet-Intranet Acceptable Use, and CAN-SPAM Act of 2003 Compliance Policies.

Key compliance areas

This section of the guidelines sums up the key compliance areas that you face. Many of the guidelines refer to specific company policies that serve as the governing documents. You can find those detailed policies by going to the Index of Corporate Policies on *SempraNet*, found by clicking "Conduct, Compliance, Policies" under the *SempraNet* Contents section.

Questions

If you have questions about these or other compliance areas, discuss them with your supervisor, the proper subject-matter expert within the company or the chief ethics officer.



Affiliate-transaction rules

It's your responsibility to get to know the California Public Utilities Commission's (CPUC) affiliate-transaction rules, merger rules/remedial measures, Federal Energy Regulatory Commission's (FERC) Order 2004 and the related compliance plans for Sempra Energy companies. All transactions and relationships between and among the Sempra Energy companies, including the parent company, are to be guided by and conducted in accordance with these rules and measures.

Besides complying fully with the affiliate-transaction rules, remedial measures and FERC standards of conduct, all employees, but especially those performing shared-service functions, must take care to avoid creating circumstances wherein they could become conduits to get around the rules. The term "conduit" most often means doing indirectly what the rules forbid being done directly.

Learn more

To learn more, refer to the company's affiliate compliance policies on the Index of Corporate Policies on *SempraNet*, found by clicking "Conduct, Compliance, Policies" under the *SempraNet* Contents section; or call the Affiliate Compliance Hotline at (619) 696-2340.



Antitrust

The company and its employees comply with all federal and state antitrust laws and similar laws in any nation in which the company does business.

The purpose of antitrust laws is to assure the preservation of a free and competitive economy. To achieve this end, these laws, for the most part, prohibit any agreement or combination among competitors that has the effect of unreasonably restraining trade.

You must not take part in illegal, anticompetitive acts, which include agreements to fix prices, manipulate or divide markets, limit production or otherwise restrict competition. Some specific cases include:

- Talking with counterparts at competitors about what future prices or levels of rates would be appropriate in the market (unless the rates will get approved through a formal regulatory proceeding).
- Agreeing with competitors about which customers are "theirs" and which customers are "ours."
- Setting Sempra Energy's prices below company costs to drive a competitor out of the market, then raising prices once the competitor is out of the market.

Regulated companies have limited exemptions from some antitrust laws. Refer to the company's Antitrust Compliance Policy.

If you become aware of a potential antitrust violation, talk to your supervisor, the chief ethics officer, or call the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls.

If you're unsure how the laws might apply, contact the general counsel's office in the Law department.

Learn more

To learn more, refer to the company's Antitrust Compliance Policy.

Environmental and safety

Laws, regulations and reporting requirements related to employee and public safety, and environmental protection affect nearly all aspects of the company's business.

The company strives to serve worldwide customer energy needs in a manner that protects and conserves the environment and the health and safety of its employees, its customers and the diverse communities in which the company operates and provides service. The company strives to comply at all times with all applicable legal and regulatory requirements.

It's your responsibility to understand the environmental and safety issues, and the laws, regulations, and company policies and procedures that apply to your job. It's also your personal responsibility to fully comply with all applicable laws, regulations and procedures.

If you see a potential problem or violation, or have questions, talk to your supervisor, either the corporate or your business unit's environmental and safety department, the chief ethics officer, or call the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls.

Learn more

To learn more, refer to the company's Environmental and Safety Policies and Standards of Conduct.

Equal employment opportunity

Sempra Energy is committed to providing all employees with the same opportunities for success, no matter their race, color, religion, national origin, ancestry, gender, sexual orientation, marital status, age, medical condition (including pregnancy), disability, service disability, veteran status or any other nonjob-related factor.

The company doesn't tolerate behavior, comments, e-mail messages or other conduct that creates an intimidating or offensive environment. Slurs based on race, gender or religion, or any other conduct, remarks, jokes or pictures that encourage or foster an offensive work environment, aren't allowed and may lead to disciplinary action up to and including termination of employment.

Discrimination and harassment are serious violations of state and federal laws, and of company policy.

If you experience or see discrimination or harassment on the job, or if you're unsure whether someone's behavior constitutes discrimination or harassment, talk to your supervisor, the Office of Corporate Diversity Affairs, the chief ethics officer, or call the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls.

Learn more

To learn more, refer to the company's Policies Against Discrimination and Harassment, and its Workplace Diversity Policy.



International business

Foreign Corrupt Practices Act

Companies doing business outside the United States must comply with the provisions of the Foreign Corrupt Practices Act (FCPA). The FCPA prohibits giving anything of value, such as payment, gift or bribe, to obtain the influence of foreign officials, candidates or political parties. This prohibition extends to the official's friends and family members. It's a violation to engage in any form of bribery, even if it's a local practice or custom.

Any employee involved with foreign transactions or activities, including joint ventures with foreign officials, or any employee who plans to retain agents or consultants in other countries to assist with foreign transactions or activities, must comply with the company's guidelines on the FCPA. You must discuss any proposal or investment that involves a foreign partner with the general counsel's office in the Law department before engaging in any such transaction or activity.

For prospective transactions with foreign entities, agents or consultants, it's the company's policy to undertake due diligence to assess their reputations for honesty, integrity and high quality.

If you become aware of possible foreign transactions or activities that appear outside the normal scope of business, or that appear unusual or excessive, report them at once to your supervisor, the chief ethics officer, the general counsel's office in the Law department, or call the Ethics Helpline at (800) 241-5689 or 001-770-582-5249 for international calls.

Learn more

To learn more, refer to the company's guidelines on compliance with the FCPA.

Export regulations

Extensive federal regulations apply to certain exports from the United States (including delivery to foreign nationals in the United States) of information, products or technology. These regulations describe which products and technology someone may sell, disclose or otherwise transfer to foreign countries or nationals.

You may not export certain commercial information, products or technology without prior written approval from the federal government.



Antiboycott laws and trade embargoes

Federal laws provide civil and criminal penalties, denial or suspension of export privileges, and loss of tax benefits for companies that agree to comply with a foreign country's boycott of a country friendly to the United States.

The antiboycott laws also prohibit Sempra Energy from furnishing any information that would further the boycott of countries friendly to the United States. Sempra Energy is required to report any request for such information.

From time to time, the United States imposes embargoes on trade with foreign countries. These embargoes mostly prohibit companies (sometimes including foreign subsidiaries) from engaging in any transactions with the embargoed countries or their citizens.

Questions

Proper international conduct is a complex and changing matter. Fines and criminal penalties may be imposed for violating these laws and regulations. You should address any questions in this area to the general counsel's office in the Law department.

Copyrights

Creating unauthorized copies of copyrighted material may result in violations subject to civil and/or criminal penalties. Although copyright infringement most often involves the unauthorized copying of publications or other print media, it can also extend to unauthorized use of photographs and graphic displays or designs.

As a rule, computer software is copyrighted, is sold subject to license agreements and is almost universally restricted in its use. You may not copy software or use it on a different computer unless the license agreement so permits.

Questions

Direct any questions in this area to the general counsel's office in the Law department.



Securities-trading activities

You are prohibited from buying or selling company stock while having knowledge of material nonpublic information. These trades violate not only company policy, but also insider-trading laws that impose both civil and criminal penalties.

These laws also prohibit providing inside information to others to assist them in their trading or transactions. The laws also prohibit making recommendations to buy or sell while in possession of inside information. The inside information need not be about your own company, but any company.

These trading prohibitions do not apply to ongoing purchases under employee-savings or dividend-reinvestment plans. They do apply, however, to increases in savings-plan contributions and transfers of savings-plan investments into and out of company stock. They also apply to sales of stock-option shares, including cashless exercises of options.

Also, employees who routinely have nonpublic information about quarterly financial results are prohibited by company policy from buying or selling company stock during a quarterly blackout period. Employees who are subject to this prohibition are so notified.

To avoid insider trading, you must know when information is "material" and "nonpublic." Information about a company is nonpublic if it has not been broadly distributed to investors and is material if a reasonable investor would consider it important in making an investment decision.

Also, as a matter of company policy, you're prohibited from trading in puts, calls, options, or other future rights to purchase or sell stock of Sempra Energy, because of the speculative nature of such transactions.

Learn more

To learn more, refer to the company's Information Confidentiality and Insider Trading Policy.

Political laws

Contributions

No one in the company may coerce or bring undue pressure on an employee to contribute to, support or oppose any political group, candidate or ballot measure. The company contributes to candidates, political parties and ballot measures only as permitted by law, which imposes complex reporting requirements and limitations.

Therefore:

- You're urged to support candidates and ballot measures of your choice; however, using your work time and/or use of company facilities may constitute a political contribution by the company. You must not work on a political campaign or ballot-measure campaign during working hours, or use the facilities or property of the company for that purpose, without prior approval of your supervisor and your Human Resources representative, and review by the Law department.
- You must coordinate all political contributions made on the company's behalf with the Legislative Policy and Analysis section of the Governmental and Community Affairs department at the Corporate Center to ensure that contributions are properly reported and don't exceed statutory limits. Never use a personal check to give a political contribution and then seek reimbursement from the company on your expense report.
- The company can't make campaign contributions to candidates for federal office. Sempra Energy's Employees' Political Action Committee (SEEPAC), however, may contribute to candidates for federal office. The SEEPAC Steering Committee must approve all such contributions.
- Gifts to government employees and/or public officials are subject to strict yearly limitations, and may also require reporting and/or the officials to disqualify themselves from voting on company matters. You should obtain advice in advance from the Legislative Policy and Analysis section of the Governmental and Community Affairs department at the Corporate Center prior to giving any such gift.

Lobbyist registration and reporting

Contacts with any local, state, or federal elected or appointed officials; state or federal regulatory officials; or any other high-level federal, state or local employees; may require you to register as a lobbyist and file reports. Prior to such contacts, you must contact the Legislative Policy and Analysis section of the Governmental and Community Affairs department at the Corporate Center to find out if registration and reporting are required.

Revolving-door laws

Former government employees and officials who become employees of private companies may become subject to "revolving-door" restrictions as to the matters on which they may work. If you're thinking about hiring former government employees or officials, you should obtain advice in advance from the Legislative Policy and Analysis section of the Governmental and Community Affairs department at the Corporate Center to ensure that the person's ability to act on behalf of the company isn't limited.

Special nature of federal-government business

The laws and regulations that govern contracting with the federal government impose different and far more extensive requirements than those with other customers. Violating government requirements could subject the company to damaging litigation, a reduction of negotiated contract prices or a prohibition from bidding for future contracts. If you're involved, you could become subject to civil or criminal prosecution, with possible fines and prison sentences. You must comply with all laws and regulations in transactions with the government.

Questions

If you have questions about government contracts you should seek advice from the general counsel's office in the Law department.

References for more information and help

Besides your supervisor, you can use these references to help answer your questions about the company's Business Conduct Guidelines:

- "Employee Conduct and Compliance," found by clicking "Conduct, Compliance, Policies" under the *SempraNet* Contents section.
- "Index of Corporate Policies," found by clicking "Conduct, Compliance, Policies" under the *SempraNet* Contents section.
- "Index of Utility Policies" page on *UtiliNet* (for employees of the Sempra Energy utilities).
- "Policies & Guidelines" section of the *GlobalNet* home page (for employees of Sempra Energy Global Enterprises).
- "Compliance Training," found by clicking "Conduct, Compliance, Policies" under the *SempraNet* Contents section.
- Chief ethics officer at (619) 696-4537 or Ethics@sempra.com.

Other referenced subject-matter experts:

- Affiliate Compliance at (619) 696-2340.
- Chief Compliance Officer at (619) 696-4989.
- Corporate Controller at (619) 696-4888.
- Corporate Environmental and Safety Compliance at (619) 696-2476.
- Corporate Security at (619) 696-2030 (San Diego) or (213) 244-2933 (Los Angeles).
- General Counsel's Office in the Law Department at (619) 696-4641.
- Human Resources:
 - Corporate Center at (619) 696-2486,
 - The Sempra Energy utilities at (213) 244-3639,
 - Sempra Energy Global Enterprises at (619) 696-2399 or
 - Sempra Energy Trading at (203) 355-5510.
- Legislative Policy and Analysis section of the Governmental and Community Affairs department at (619) 696-2320.
- Office of Corporate Diversity Affairs at (619) 696-4144.

COMPLIANCE TRAINING - FIVE YEAR PLAN - SAMPLE											
Web-Based Training	Participants					Frequency			Content/Design		Course Description
	Leadership Team	Managers Supervisors	Selected Non-Rep Employees	Represented Employees (a)	New Hires (c)	Annual	Bi-Annual	Tri-Annual	Company	Outsourced	
Business Conduct Guidelines	x	x	x	x	x	x			x		Overviews Company's policies and ethical standards. Employees must acknowledge their understanding of and compliance with these guidelines annually.
FCPA	x		x		x		x			x	Overviews the Foreign Corrupt Practices Act (FCPA). This training covers implementation of both law and Company's Corporate Policies.
Affiliate Compliance - State	x		x		x		x		x		Defines Affiliate Compliance at the state level, outlines the associated rules, and provides practice applying the California Public Utilities Commission rules.
Affiliate Compliance - Federal	x		x		x		x		x		Helps employees better understand the FERC's Order No. 2004 (Standards of Conduct for Transmission Providers) and Codes of Conduct for energy marketing affiliates.
Antitrust	x		x		x		x			x	Introduces the major areas of Antitrust Law and explains how the laws affect employees in their day-to-day contact with customers and competitors.
Insider Trading	x		x		x		x			x	Overviews "Insider Trading" Rules, company policy and the law.
Environmental & Safety	x	x	x	x	x		x		x		Overview of Company's Environmental & Safety Guidelines. Increases employees awareness of their personal responsibilities and liability with regard to Environmental & Safety compliance.
Company Records - Info Protection	x	x	x		x		x		x		Overviews employee's responsibilities regarding records & information management. Covers the definition, classification, retention, storage and disposal of Company records, and addresses both the law and Company's Policies.
Internal Controls (SOX)	x	x	x		x		x			x	Overviews employee's internal control responsibilities and new SEC and NYSE requirements from Sarbanes-Oxley and other new regulations.
Legal Aspects of Supervision:											This series of 6 modules helps supervisors understand their responsibilities to ensure that their employees, comply with employment laws, regulations, and rules.
Family Medical Leave Act (FMLA)	x	x			x			x		x	Covers 1) implementation of law and Company policies, 2) effectively managing employee performance/behavior, 3) minimizing the Company's exposure to legal liability.
Disabilities in the Workplace (ADA)	x	x			x			x		x	Helps determine when employees are working with people protected by the ADA Act, and how to ensure that they receive appropriate treatment.
Preventing Workplace Violence	x	x			x			x		x	Explains some of the myths/realities of workplace violence, shows how to identify the warning signs, and explains how to deal with and prevent violence in your workplace.
Preventing Workplace Harassment	x	x			x			x		x	Covers 1) implementation of the relevant law and Company policies, 2) effectively managing employee performance/behavior, 3) minimizing the Company's exposure to legal liability.
Affirmation Action Fundamentals	x	x			x			x		x	Describes Company's affirmative action policies and relevant laws.
Fair Labor Standards Act (FLSA) Topics	x	x			x			x		x	Covers wage and hour rules, Company policy and the law.

(a) optional and not tracked (b) optional (c) as required by position

2005 Compliance Web-Based Training Calendar - *SAMPLE*

Course Description	Employees		January	February	March	April	May	June	July	August August	September	October	November	December	January	
	All	Selected														
FCPA		x														
Preventing Violence in the Workplace		x														
Sexual Harassment		x														
Antitrust		x														
Affiliate Compliance		x														
Environmental & Safety	x															
Records Management		x														
Business Conduct Guidelines	x															

Blue - Selected Employees
 Green - All Employees

SAMPLE CORPORATE COMPLIANCE AND ETHICS PLAN

[Company] and its subsidiaries and affiliates (collectively the "Company") conduct its business in compliance with federal, state and local laws and regulations that are applicable to their activities. International subsidiaries conduct their businesses in compliance with applicable laws and regulations in each country where they are located.

Employees are expected to conduct their business affairs in a lawful manner. Conduct must conform to company compliance guidelines and policies, and in a manner that is consistent with the company's values and ethical standards. This Compliance Plan provides the framework for the on-going efforts of the Company to maintain a business environment that requires business conduct that achieves these goals at all levels within the organization.

This plan, reviewed and adopted by the Senior Management team, is designed, implemented and enforced to be effective in establishing and maintaining a culture and environment that encourages ethical conduct. This includes a commitment to compliance with the law as fundamental tenets to preventing, detecting and penalizing criminal conduct consistent with current standards set forth in the United States Sentencing Guidelines.

The Compliance Plan covers the following areas:

1. Compliance Oversight
2. Delegation of Authority
3. General Corporate Risk Areas
4. Written Policies
5. Communication and Education
6. Monitoring and Auditing
7. Enforcement
8. Detected Offenses

1. Compliance Oversight**A. Chief Compliance Officer**

"The Chief Compliance Officer for the Company shall be the Vice President and Chief Compliance Officer reporting directly to the Chief Operating Officer. The Chief Compliance Officer shall be responsible for the Company's implementation of the Corporate Compliance and Ethics Plan focusing on the direction and execution of compliance responsibilities. The Chief Compliance Officer will also have dotted-line reporting responsibility to the Corporate Compliance Committee and report regularly to the Audit Committee of the Board of Directors."

B. Corporate Compliance Committee

The General Counsel shall chair, and the Chief Compliance Officer shall vice chair, a Corporate Compliance Committee that will report regularly to the Chief Executive and Chief Operating Officers and to the Audit Committee of the Board of Directors. The purpose of the Committee is to direct and oversee the Company's compliance with the laws and regulations governing its business activities. Its responsibility is to meet periodically and review the effectiveness of the companies' compliance and ethics programs as administered by the responsible parties. The Committee will include at a minimum, the following members:

- Executive Vice President, General Counsel - Chair
- Chief Compliance Officer - Vice Chair
- Chief Ethics Officer
- Chief Financial Officer
- Corporate Controller
- Vice President Audit Services
- Chief Operating Officer - Unregulated Subsidiaries
- Chief Operating Officer - Regulated Subsidiaries
- Chief Financial Officer - Unregulated Subsidiaries
- Chief Financial Officer - Regulated Subsidiaries
- Chief Environmental Officer - Unregulated Subsidiaries
- Chief Environmental Officer - Regulated Subsidiaries
- President - Selected Subsidiary(ies)

The General Counsel, Chief Compliance Officer and the Corporate Compliance Committee will oversee and monitor the Company's compliance and ethics programs. This includes:

- identifying areas of risk
- oversight of communication of corporate values and ethics and oversight of training programs which focus on the elements of the compliance program
- oversight of internal compliance reviews, an anonymous helpline, and other monitoring and reporting activities
- review of independent investigations, audits, and enforcement of matters related to the compliance and ethics programs

C. Corporate Compliance Division

The Corporate Compliance Division shall report to the Chief Compliance Officer. The Division will be responsible for identifying areas of risk and ensuring the integrity of environmental and safety compliance and business conduct programs. The Division reflects the company's ongoing commitment to compliance with both the letter and spirit of the law and monitors risk consistent with leading corporate governance practices.

Responsible Parties: Executive Vice President and General Counsel; Chief Compliance Officer

2. Delegation of Authority

All levels of employees, including officers and senior management, are subject to the corporate compliance and ethics programs.

No employee with a known history of illegal behavior will be put in a material decision making position that could implicate the Company. No employee of the Company shall delegate substantial discretionary company authority to any individual who is known to have a propensity to engage in illegal activities.

Responsible Party: Chief Ethics Officer.

3. General Corporate Risk Areas

Each of the following areas shall have developed policies and procedures identifying areas of risk based on Company activities and business plans, compliance training in order to prevent and detect any improper activities, and written policies for any associated possible discipline.

- Affiliate Compliance
- Antitrust
- Employee Benefits
- Employee Discrimination/Harassment/Equal Employment
- Environmental and Safety
- Foreign Corrupt Practices Act
- Financial Reporting
- Political Activities/Lobbying/Political Contributions
- Records Management
- Energy Risk Management
- Securities Laws

Responsible Party: The Chief Compliance Officer shall be responsible for updating and maintaining current the risk categories listed above.

4. Written Policies

The Chief Executive Officer will establish the Company's values and these will be communicated in writing to employees.

Annually the Company will issue employee guidelines which provide general guidance on legal and ethical compliance standards for employees of the Company. Each employee will be asked to follow the guidelines.

The guidelines are based on the following fundamental ideas:

- The Company conducts its business in compliance with international, federal, state, and local laws and regulations.
- Honesty, integrity, and respect are and will be key tenets in the conduct of company business.
- Employees are expected to conduct themselves in a manner which assures that customers and fellow employees are treated with respect, fairness and dignity, regardless of their race, religion, color, national origin, age, sex, disability or sexual orientation.
- Each employee is expected to conduct his or her business affairs in a lawful manner. Conduct must conform to Company compliance guidelines and policies.
- Conduct undertaken by any officer, employee, or agent that violates laws and/or regulations will not be tolerated or condoned, and will be cause for discipline up to and including termination as well as possible referral to the authorities for criminal or civil prosecution.
- These high standards will remain the same regardless of changes that occur to the Company and the environment in which it operates.
- Policies and appropriate procedures for each area of risk will be developed and sponsored by the applicable internal department or work group. **Corporate-wide policies will be reviewed by the Corporate Compliance Committee and maintained by the Corporate Compliance Division.**
- Policies will be reviewed periodically with the intent to constantly improve compliance and business activities.

Responsible Party: The Chief Compliance Officer will distribute the employee guidelines, administer acknowledgements, and maintain corporate-wide policies.

5. Communication and Education

The values and requirements of the Company compliance and ethics programs will be regularly communicated to the Company Board of Directors and to all employees through appropriate programs.

Employees will be provided annually with employee business conduct guidelines, and given legal and field training necessary for them to comply with compliance requirements considering their level and specific job description.

Training will be done at the time of hiring as well as regularly scheduled as appropriate.

Training will be designed to detect areas of potential exposure and prevent any activity not consistent with the Company guidelines.

The Corporate Compliance Division will keep records of employee training and compliance with guidelines.

Training will include multiple medias including on-line training.

Responsible Party: The Corporate Compliance Officer will develop and maintain corporate-wide training in coordination with the various subject matter experts throughout the company responsible for the applicable compliance area.

6. Monitoring and Auditing

The Company will maintain both an anonymous helpline and a direct e-mail site to the Chief Compliance and Chief Ethics Officers to allow employees to report on any inappropriate activity without fear of reprisals.

Internal audit will set up and implement a regular auditing and monitoring schedule for the parent company and its subsidiaries and affiliates, including on-site visits and spot checks as appropriate.

Responsible Party: The Chief Compliance Officer shall manage the anonymous helpline and other reporting channels. In collaboration with the Law Department, Vice President- Audit, and the Chief Ethics Officer, the Chief Compliance Officer shall coordinate delegation of appropriate investigations and/or responses to issues raised. Vice President Audit Services shall be responsible for audits and reporting to the Corporate Compliance Committee and the Chief Ethics Officer shall be responsible for handling employee misconduct issues.

7. Enforcement

The Company is dedicated to effective implementation of its Business Conduct Guidelines.

New and existing employees are informed of the Company's standards through the Business Conduct Guidelines or other Company communications.

The Company will consistently enforce its policies through rewarding compliance and penalties for non-compliance. Performance evaluations will include compliance criteria. Non-compliance will result in discipline on a consistent basis.

The disciplinary measures which may be invoked include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment, and restitution.

Persons subject to disciplinary measures shall include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against employees or agents for reporting violations or violators.

Responsible Party: Chief Ethics Officer.

8. Detected Offenses

Once a potential offense has been identified, the Company as directed or managed by its Law Department will conduct an appropriate investigation. The investigation will evaluate information as to credibility and gravity and will initiate an informal inquiry or formal investigation.

In the event that an investigation indicates there has been criminal wrongdoing the Company shall report violations and cooperate with any appropriate legal process.

The Company shall review and revise its internal controls related to any such area in order to prevent any future occurrences.

Responsible Party: Executive Vice President and General Counsel.



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Material Type: Sample Forms & Policies
Title: Cordant Technologies: Code of Ethics and Standards of Business Conduct
Source: Cordant Technologies

Cordant Technologies: Code of Ethics and Standards of Business Conduct
 Intro Letter from COB and CEO

Dear Fellow Corporate Office Employee:

Cordant Technologies and its operating business units are dedicated to achieving our business objectives and, at the same time, doing so in accordance with the high ethical standards we have set in our Code of Ethics. Often, good common sense is all we need to act in an ethical manner. However, in some situations, more guidance may be needed and that is the purpose of our Standards of Business Conduct.

You may find it helpful to view the Code's and the Standards' underlying values in the context of the stakeholders Cordant Technologies serves:

- our customers
- our shareholders
- our fellow employees
- our suppliers
- the communities in which we live and work

In addition, the Cordant Technologies corporate headquarters serves a sixth group of stakeholders: all of the business units that make up the Company.

Please read this booklet carefully, and then sign and return the enclosed acknowledgement card. If there is anything in our Code of Ethics or Standards of Business Conduct that is unclear, ask for help from one of the sources listed in this booklet. If you ever become aware of a violation of our Code or Standards, our Board of Directors and I expect you to report that violation to appropriate Company management. If you prefer to make an anonymous report, the Hotline may be used for that purpose.

We expect the Code and Standards to be followed by you and your fellow employees in all our business dealings. Our dedication to high ethical standards in the work place is absolutely essential to our continued success.

James R. Wilson
 Chairman of the Board
 and Chief Executive Officer

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