

APS Code of Ethics and Business Practices



TABLE OF CONTENTS

CEO Message
Strategic Framework
Our Commitment
Safety
Employee Workplace
Business Integrity
Operational Excellence
Customers, Communities and Corporate Citizenship
Financial Records and Controls
Legal and Regulatory Compliance
Records, Privacy and Security
Environmental Stewardship and Sustainability 41
Governance
Waivers of Our Code Back Cover
Information Resources Back Cover

NOTE: Nothing in this document should be construed to prohibit any employee or contractor from reporting or disclosing any suspected instance of illegal activity of any nature to the United States Department of Labor or any other federal, state or local governmental agency or court or any nuclear safety concern to the United States Nuclear Regulatory Commission. Further, this document should not be construed to prohibit the employee or contractor from participating in any way in any state or federal administrative, judicial or legislative proceeding or investigation.



Don Brandt APS Chairman, President & CEO

Dear Fellow Employees,

At APS, our proud history of serving Arizona can largely be attributed to our dedication to doing the right thing. You can see the results in our customer satisfaction rankings, our focus on attracting and developing top talent, our investment in our communities and our leadership in renewable energy.

Like all aspects of our business, maintaining an ethical workplace requires ongoing training and constant vigilance. Even one lapse in judgment can dramatically impact our customers, our shareholders, our employees and our company.

Please take time to read this booklet. APS's Code of Ethics and Business Practices helps guide our ethical decisions and helps us live and work by our company values - safety, integrity and trust, respect and accountability. The Code also references our new corporate policies, which provide high-level guidance and expectations.

The Code of Ethics and Business Practices applies to all APS and Pinnacle West employees, leaders, officers and board members, as well as vendors representing our company.

While this booklet is comprehensive, it cannot cover every scenario or situation we might encounter in our daily work and interactions. If you are unsure about an ethical dilemma or if you have questions about the Code, I encourage you to speak with your leader.

To report a concern, please use one of our multiple resources, such as the Ethics Office, the Palo Verde Employee Concerns Program or our 24/7 Helpline. You will find a list of these resources on page 8. Be assured we will never tolerate retaliation against anyone reporting an issue.

We all share responsibility for operating with the highest integrity and protecting our company's hard-earned reputation. I know we are up to the task.

Sincerely,

Strategic Framework

Our success derives from the creative and dedicated people of our company who demonstrate our core values of safety, integrity and trust, respect, and accountability.

OUR VALUES

- Safety I will make a personal and conscious commitment in my decisions and actions to ensure the safety of myself, my co-workers, our customers and the general public. Safety will always be my top priority.
- Integrity and Trust I will be up front and truthful, protect confidential information, admit mistakes, support my colleagues both publicly and privately and represent APS in a manner that is honest, ethical and trustworthy. I will do the right thing.
- Respect I will treat my co-workers, our customers and the general public with the highest degree of courtesy, empathy and professionalism. I will do this by actively listening, encouraging different viewpoints and welcoming feedback.
- Accountability I will drive positive results and exceed the goals of our company by taking full personal ownership for my decisions, my actions and my performance. I will set challenging goals and work hard to achieve and exceed them.





Conduct business with the highest integrity.

APS has built its success since 1887 on a simple commitment: Conduct business with the highest integrity.

OUR CORE VALUES SUPPORT THAT COMMITMENT

- Safety
- Integrity and trust
- Respect
- Accountability

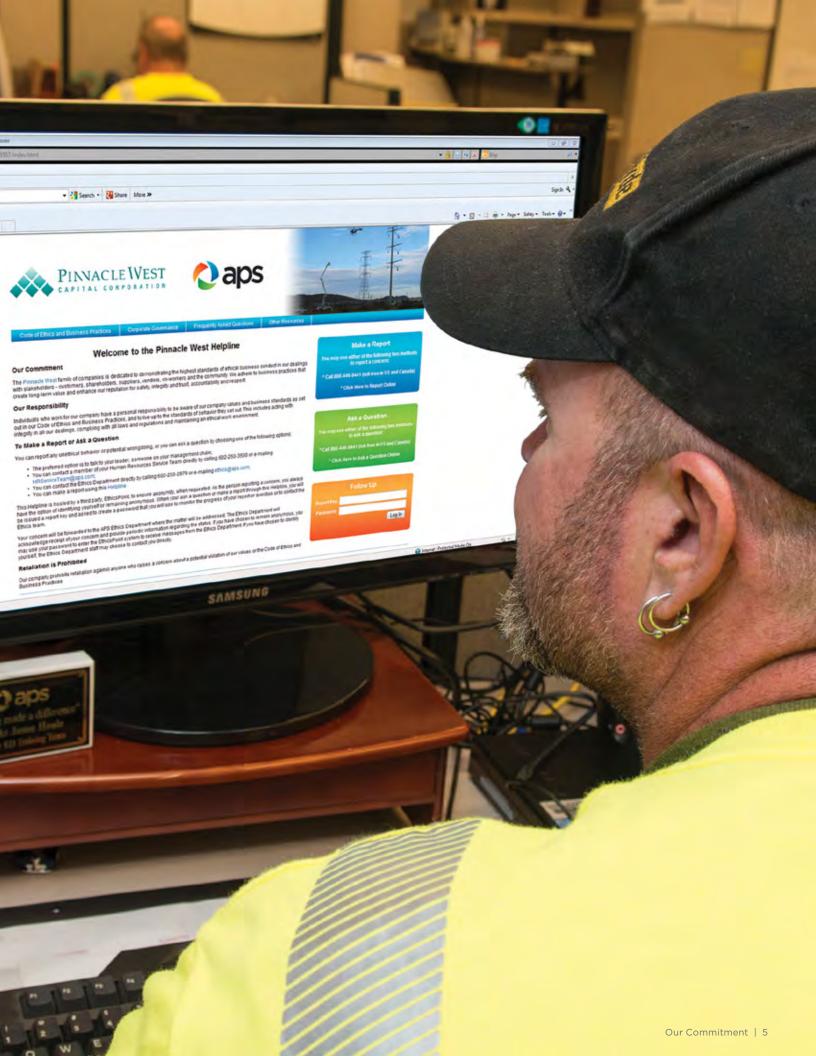
We see our core values as an integral part of our Strategic Framework, our Code of Ethics and Business Practices and-most important-our daily work experience.

WE WORK TO DEMONSTRATE OUR VALUES EVERY DAY

- Safeguarding our fellow employees
- · Working through the night to restore power to customers
- Donating millions of dollars and thousands of hours to our communities
- · Adhering not only to the letter of the law but to its spirit
- Safely, reliably and efficiently generating electricity to ensure a sustainable energy future for Arizona
- Increasing shareholder value by honestly and effectively using the billions of dollars invested in our company
- Building customer satisfaction and trust
- Embracing diversity and respecting diverse opinions
- Doing what we say we will do

WE HAVE BUILT A SOLID FOUNDATION TO SUPPORT OUR VALUES

- · Strong commitment from the Board of Directors and senior leadership team
- Ethics Office with a team of consultants / investigators
- 24/7 Helpline to report concerns by phone or website, with the option of remaining anonymous (operated by a third party)
- Palo Verde Employee Concerns Program
- Annual ethics training for every employee and member of the Board of Directors
- Strong performance-management system
- Governance structure of policies, processes and procedures



Red Flags

Have you heard, said or thought any of the following?

- · No one will find out!
- It's not my problem. Someone else will catch it and raise the concern.
- It seems suspicious, but I don't have any proof.
- I know the policies and the code, but this is just "how things get done around here."

This code describes our values, our governing policies and our expectations. It also cites the laws and regulations with which we comply. The code provides guidance to employees and vendors and assurance to our customers, communities and shareholders.

No single document can address every ethical issue that may arise, but the company offers numerous resources to help us make ethical decisions and report concerns. As employees of APS, we are accountable for demonstrating the company's core values, abiding by the code, complying with laws and regulations and exercising good judgment.

In the end, if we don't have integrity, nothing else matters.

TO WHOM THE CODE APPLIES

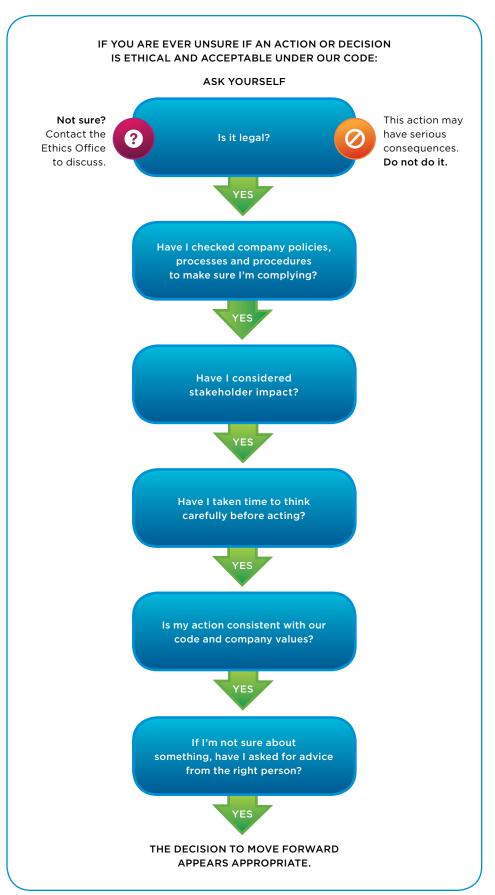
This code applies to all company employees, leaders, officers and board members. We expect our contractors and third-party agents to follow similar principles when working with or on behalf of our company.

ABIDING BY OUR CODE

We all have the responsibility to understand and abide by this code. Remember, following the code is a condition of employment with the company. Code violations can result in serious consequences - up to and including termination of employment.

LEADER RESPONSIBILITIES

- Demonstrate commitment to the company's values and its culture of doing business with the highest integrity.
- Ensure those who report to you receive the training and information necessary to perform their work in accordance with our code.
- Encourage open communication, feedback and discussion.
- Be available and approachable for employees to ask questions and raise concerns.
- Take concerns seriously, respond promptly and support those who raise concerns.
- Ask internal resources to investigate, when appropriate.
 - Take action on investigation findings.
 - Follow up with the employee who raised the concern.



Making Ethical Decisions One poor decision can damage not only you but your co-workers and our company's operations, financial results and reputation.

Your Reporting Resources

You can ask questions or raise concerns by contacting:

- Your leader
- Your leader's manager or any other member of management
- APS Ethics Office: (602) 250-2979 or ethics@aps.com
- Human Resources Service Team: (602) 250-3500 or hrserviceteam@aps.com

Employees at Palo Verde also may contact:

- Palo Verde Employee Concerns Program: (623) 393-2702 or ecppv@apsc.com
- Nuclear Regulatory Commission
 - Resident Inspector: (623) 393-3737
 - Headquarters Operations Center: (301) 816-5100
- Other programs under Palo Verde's integrated issues-resolution process, such as Palo Verde Action Request (PVAR), Management Issue Tracking & Resolution (MITR) or Differing Professional Opinion (DPO)

To raise a concern anonymously:

- The APS Helpline, operated by a third party, is available 24 hours a day, seven days a week:
 (800) 446-8441 or ethicspoint.com
- If you work at Palo Verde, you also can call the Palo Verde Employee Concerns Program's Hotline at (800) 293-6498 or issue an anonymous PVAR.

ASKING QUESTIONS AND RAISING CONCERNS

If you become aware of a situation that could violate our code or any law or policy, you have a duty to report it promptly. Doing so helps our company identify potential misconduct before it can become an issue or prevent a situation from escalating. Each of us has the responsibility to report a decision, action or behavior that may violate our Code of Ethics and Business Practices, our policies or the law.

INVESTIGATING CONCERNS

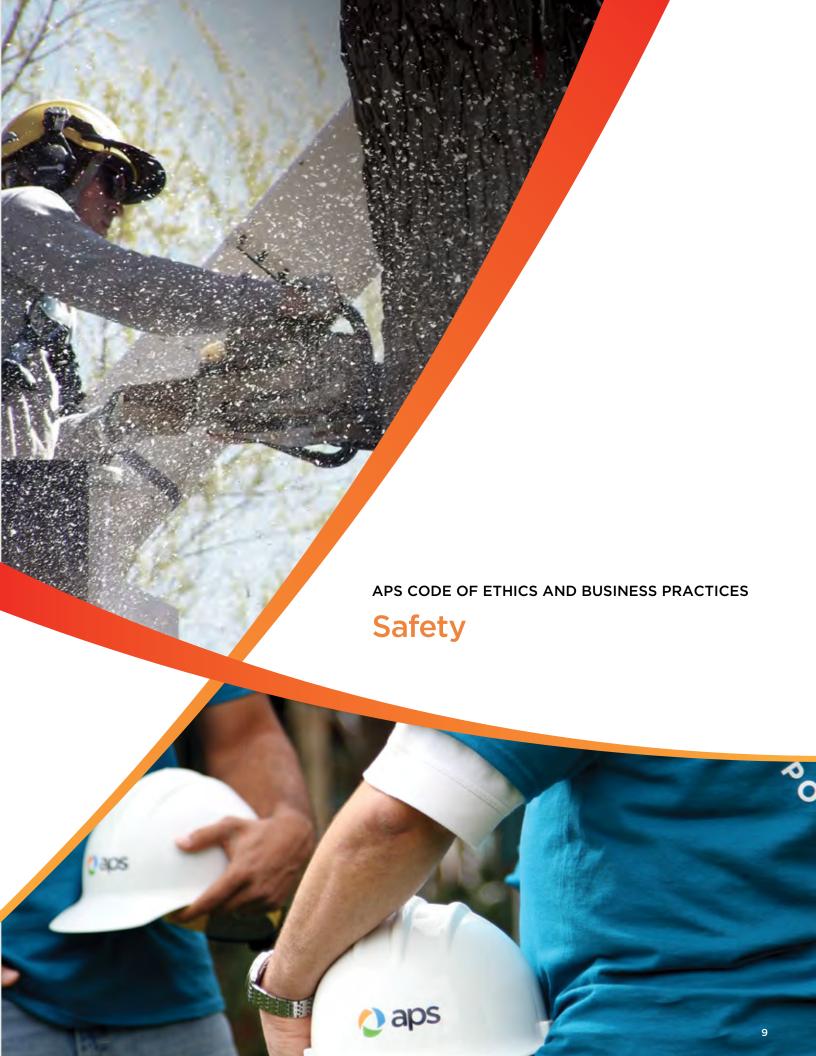
Our company investigates issues or concerns promptly, thoroughly and fairly and will take appropriate action where warranted. Reports of violations will be investigated by the appropriate area of the company. Each of us is expected to cooperate fully in any internal investigation.

ENSURING NO RETALIATION

Each of us may report any suspected violation of our code, company policy or the law without fear of retaliation. It is a violation of our policy and contrary to our values to engage in retaliatory acts against:

- Any employee who makes a good-faith report of wrongdoing of any type
- Any employee who participates in an investigation

Anyone who retaliates against someone for making a report or participating in an investigation will be subject to disciplinary action, up to and including termination.





OUR FOCUS

- Foster a zero-incident culture.
- Be aware of and comply with all applicable safety and health laws and regulations.
- Ensure that safety is never compromised.
- Promptly report actual or potential unsafe working practices, conditions or hazards.
- Ensure any work-related injuries or illnesses are reported, evaluated and treated in a timely manner.
- Minimize risk through corrective action plans.
- Comply with company safety policies, processes and procedures.

PROVIDING A SAFE WORKPLACE

Each of us must perform every task, activity and job as safely as possible. We are committed to achieving a safe environment free of injuries—one injury is one too many.

To help ensure a safe work environment, APS prohibits violence and threatening or abusive language or behavior in the workplace.

STAYING SAFE IN THE WORKPLACE

The company takes seriously the safety of all employees, and we work to prevent and stop acts or threats of violence in our workplace. If you observe any such act or threat, immediately report it to your leader or Corporate Security. The company makes every effort to handle reports confidentially.

If you are aware of violence at work, promptly report the matter to law enforcement and then contact Security. Reporting acts of violence could protect you, your peers and the public from possibly being injured in the future.

You may not carry firearms when you are on the job, representing the company or using company property. You may be subject to a search for such items prior to entering company property.



Each of us must perform every task, activity and job as safely as possible. We are committed to achieving a safe environment free of injuries one injury is one too many.

COMPLYING WITH NUCLEAR SAFETY

The company's nuclear operations and facilities are governed by federal, state and local laws and regulations. We comply with those laws and regulations, and we obtain and comply with operating licenses issued to our Palo Verde Nuclear Generating Station by the Nuclear Regulatory Commission (NRC). We are committed to:

- Following all NRC orders
- Respecting each employee's right to discuss concerns with the NRC or with company reporting resources without fear of retaliation

BEING FIT FOR DUTY

We take pride in a work environment free from alcohol and the illegal or inappropriate use of drugs (including misused prescription or over-the-counter drugs). Inappropriate use or abuse of these substances may subject you to disciplinary action.

When carrying out your job, never:

- Sell, possess, use or manufacture controlled substances
- · Sell or engage in the unauthorized use of prescription drugs
- Sell, possess or consume alcohol
- Operate or use company property, including vehicles, while under the influence of alcohol or any controlled substance

The company may randomly test employees for drugs and alcohol and may request drug or alcohol testing for any individual whose job performance or behavior might indicate use of these substances. Notify the Health Services Department if you are using medication that might impair your job performance.

If you have unescorted access to the protected area at the Palo Verde Nuclear Generating Station, you are responsible for complying with the Palo Verde fitness-for-duty policies and must report any behavior or condition that calls into question your fitness for duty. Direct these reports to the Palo Verde Fitness for Duty Department.

YOUR FOCUS

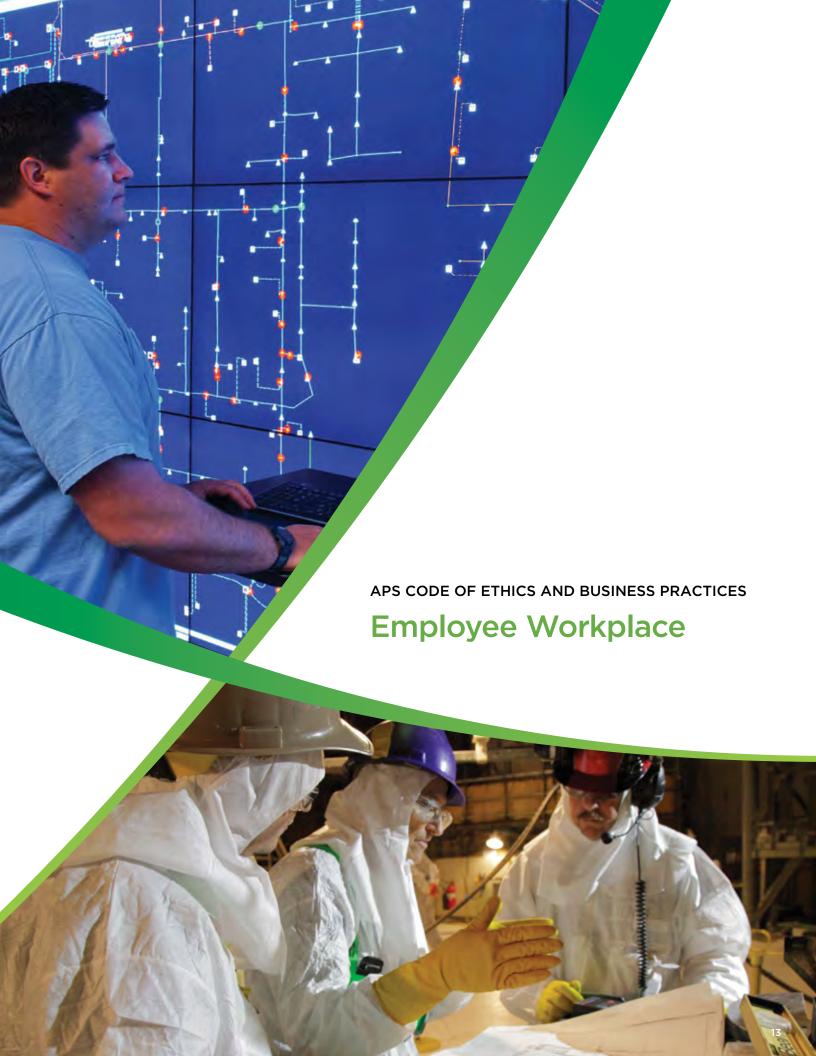
- Be vigilant. Safety is our number-one priority.
- · Report any acts of workplace violence immediately.
- Ensure you are fit for duty and safe to work.



More Information:

Safety Policy

References related company policies, processes and procedures



Employee Workplace

Q: In a meeting, an employee commented on another person's religious beliefs. Everyone laughed, including the leader. I know it's wrong, but my group is small, and I'm afraid the group will know if I report the concern. What should I do?

A: It's a difficult position, but you should report your concern about the leader's behavior. Everyone has the right to work in a harassment-free environment.

OUR FOCUS

- Ensure equal employment opportunities for all employees.
- Provide a safe and respectful work environment.
- Provide fair and competitive employee compensation, benefits and programs.
- Create a high-performing work environment that helps employees reach their full potential.
- Foster diversity of all types.
- Cultivate an environment of trust and open communication.
- Provide consistent operating policies and processes.
- Set clear performance expectations of employees.
- Provide regular performance feedback.
- Ensure a workplace free of retaliation.

PROVIDING A RESPECTFUL WORK ENVIRONMENT

The company complies with equal employment opportunity laws to ensure all people are treated fairly throughout the employment process.

We tolerate no forms of harassment. Sexual harassment may include unwanted advances, sexual or unwelcome jokes, sexually suggestive comments, touching, requests for sexual favors and inappropriate comments about another's appearance. We also do not tolerate ridicule, displaying offensive materials, gambling, making slurs based on any protected groups or bullying or intimidation.

We do not allow any employment decisions, such as hiring, promotion, discipline or discharge, to be influenced by unlawful criteria such as:

Race

- Veteran's status

Color

- Marital status
- Disability or perceived disability

- National origin
- Gender
- Exercise of state or federal legal rights

- Religion
- Gender identity
- Age

Sexual orientation



Types of retaliation:

- Excluded from appropriate decisions and work activities
- Verbally abused
- Not given earned promotions or raises
- · Fired, demoted or transferred
- Relocated or reassigned
- Hours or pay cut
- Harassed

CHAMPIONING DIVERSITY

We value a highly qualified and diverse workforce. Decisions and actions regarding employment and promotions reflect our commitment to equal employment opportunity and diversity at all levels. Our hiring practices are designed to place the most qualified candidates in our company, while reflecting the multicultural communities we serve.

PROVIDING A FAIR WORKPLACE

We uphold individual human rights in all of our operations. We also have a zero-tolerance policy for the use of child or forced labor, human trafficking or slavery of any kind.

You may report any suspected violation of our code, company policy or the law without fear of retaliation. You also may participate in an investigation involving possible misconduct without fear of retaliation. Individuals who retaliate against a person for making a report or participating in an investigation are subject to disciplinary action, up to and including termination. Regardless of whether retaliation comes from someone in management or a fellow employee, such conduct always violates our code.

AS AN EMPLOYEE

- Treat others with respect and dignity when I represent the company
- Think carefully before making comments or writing emails that could be viewed as harassment
- Promptly report any actual or perceived harassment

I WILL NOT ...

- Engage in verbal or nonverbal threats. insults, abuse or ridicule (sexual or otherwise)
- Possess or display obscene, defamatory, libelous or similarly offensive materials
- Make remarks about someone based on differences protected by law or company policy; for example, gender, sexual orientation or age
- Make unwelcome physical contact with someone or otherwise unlawfully touch or restrict someone's movement

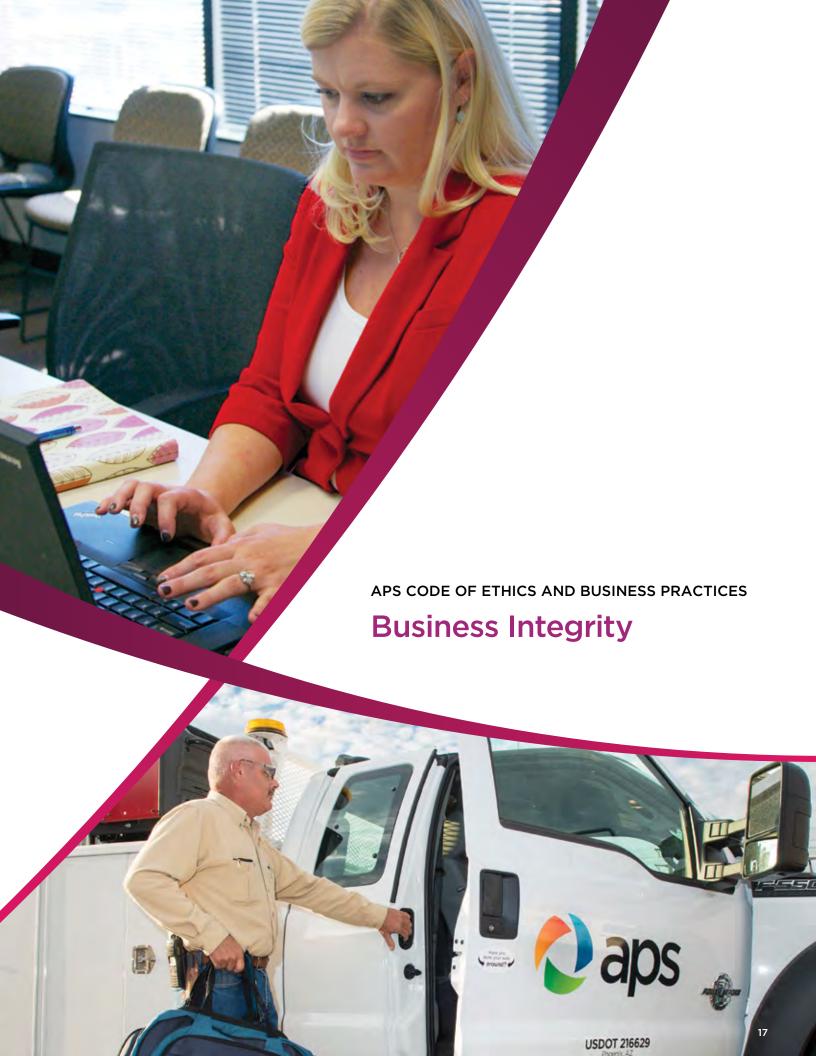
YOUR FOCUS

- Do your part to ensure a fair and respectful work environment.
- Immediately report any acts of harassment or retaliation.



More Information:

Employee Workplace Policy References related company policies, processes and procedures



Business Integrity



OUR FOCUS

- · Always do the right thing, act with integrity and conduct business with the highest ethical standards.
- Uphold the company's values and its Code of Ethics and **Business Practices.**
- Understand and honor both the letter and the spirit of the laws and regulations that apply to our business.
- Build and maintain trust and deal fairly with our shareholders, customers and suppliers.

PROTECTING APS

We are responsible for advancing our company's business interests when we have the opportunity to do so. We should never:

- Take opportunities for ourselves that belong to the company
- Take advantage of opportunities discovered through the use of company property, information or position that benefit us personally or someone close to us
- Compete with our company
- Use company property, information or our position for personal gain

USING COMPANY RESOURCES

We are responsible for using company resources appropriately and protecting them from theft, damage, misuse, carelessness and waste. We must use these resources for legitimate business purposes and not for personal financial gain.

Time

Vehicles

Information

· Office equipment and supplies

Facilities

Tools

Occasional use of company resources (such as a telephone or computer) for personal reasons is acceptable, so long as such use does not interfere with job performance or violate any company policies.

Protecting company resources includes ensuring that procurement activities comply with company procedures and make the best use of our financial resources. This includes purchasing materials and equipment and paying for services and labor. If you are involved in selecting vendors or suppliers, make sure your decisions are fair and reflect no conflict of interest or other biases.

EVALUATING GIFTS, ENTERTAINMENT AND BUSINESS GRATUITIES

The giving and receiving of gifts and entertainment require serious consideration in the business world. Exchanging gifts and entertainment with our vendors, customers and prospective service providers can help to strengthen our business relationships. However, we must avoid accepting a gift or entertainment that may seem to influence our decisions or create a sense of obligation.

Accept a gift only if it:

- Is offered infrequently and has nominal value
- Is customary and part of normal business practices
- · Is not cash or a cash equivalent, such as a voucher or gift card
- Imposes no sense of obligation on the giver or recipient
- · Involves no special treatment, such as free services or special discounts
- Is not a loan or payment from a vendor, contractor or other business contact
- · Would not be perceived as likely to influence your business judgment
- · Would be appropriate to reciprocate in a similar manner at company expense

Follow the same guidelines when giving a gift or offering entertainment to others outside our company. In all cases, ask questions, be thoughtful and seek help when needed.

Potentially questionable gifts:

Travel

- Lodging
- Clothing
- Raffle and door prizes

Conference fees

- at conferences
- Sports tickets
- Pleasure trips
- Services
- Payments
- Rounds of golf

- Special discounts
- Entertainment
- Loans
- Meals or drinks (frequency or value)
- · Refunds or rebates

GIFTS AND ENTERTAINMENT

REASONABLE	EXCESSIVE
Occasional lunch or dinner with a vendor	Weekly lunch with a vendor or dinner at a lavish restaurant. (Ask: Would it be out of line for APS to reciprocate?)
Tickets to a sporting event, play, etc.	Floor tickets, back-stage passes, VIP tickets, bowl games, tickets for your family
Modest gift for a thank you, personal event or holiday	Lavish personal gift, such as a weekend away, expensive golf outing or spa day
Unsolicited vendor gift of modest value, such as a ball cap, paper weight, notebook, pen	Vendor gift of cash, monetary equivalents or gift certificates

For rules that apply to gifts for political candidates, government agencies and public officials, see the Legal and Regulatory Compliance section of this code.

- Q: A supplier just offered me the use of her cabin in Flagstaff for a week. She indicated I didn't need to pay anything. Can I accept this offer since she owns the cabin and there is no cost incurred?
- A: No. Even though no cash is changing hands, this offer has more than nominal value. Look at it this way: APS would not reciprocate the offer if given the opportunity.

- Q: I have a side business that I conduct on weekends and evenings. The work is similar to what I do for the company. Do I need to let APS know about this side business?
- A: Yes. Your side business must be disclosed because it could create the perception of a conflict of interest if your coworkers believe you are doing personal business during work time. APS has a conflict-of-interest disclosure process to help prevent actual, potential or perceived conflicts of interest. You need to complete the disclosure form, and the Ethics Office will then work with you and your leadership on conditions to avoid any conflict of interest.

AVOIDING CONFLICTS OF INTEREST

All business decisions must be made in the best interests of the company. This means we must avoid situations when our personal interests, activities or relationships compete or conflict with the interests of the company. A conflict of interest may arise whenever personal interests interfere—or appear to interfere—with the interests of the company. These situations may make it difficult to perform our company work objectively and effectively.

Examples of conflicts of interest:

- Family members or close friends working in the same business unit, particularly where one individual supervises the other
- · Friends or family pursuing business with the company
- Participating in negotiations with a vendor who employs a close friend or family member
- Participating in activities that create a potential, perceived or actual conflict with the company
- · Having outside interests or activities that:
 - Adversely affect the company or your job performance
 - Include activities similar to the work you perform for the company
 - Provide products or services to the company as a vendor, directly or indirectly
 - Compete with the company

Even the appearance of a conflict of interest may adversely affect our company. Be alert to situations where your judgment could potentially be influenced by personal interests or the interests of someone else, including family members or other individuals with whom you have a close relationship.

Disclose and receive company approval of any potential conflict of interest prior to engaging in the interest. These disclosure and approval guidelines apply if you take a position as an employee, officer, board member, consultant or owner in connection with any activity described above.

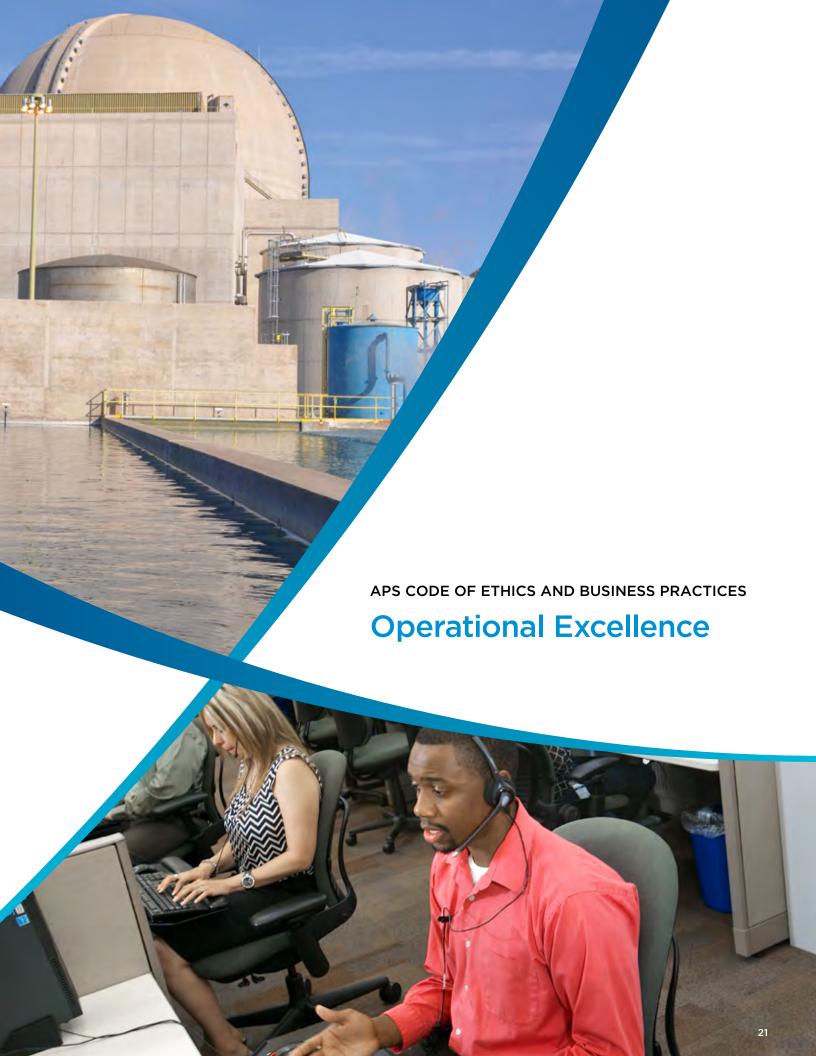
If you have questions about a potential conflict of interest or need help resolving one, talk with your leader or the Ethics Office.

YOUR FOCUS

- Always do the right thing.
- Do not misuse company opportunities or resources.
- Use caution when accepting gifts and entertainment.
- Avoid actual, perceived or potential conflicts of interest.

More Information:

Business Integrity Policy References related company policies, processes and procedures



Operational Excellence

Our corrective action program (CAP) is a continuous-improvement process to strengthen all aspects of our performance. CAP helps us identify the root causes of safety, environmental and operational issues and how to prevent their recurrence.

OUR FOCUS

- Enable a sustainable energy future for Arizona.
- Deliver value to customers through safe, efficient and reliable business processes.
- Ensure skill versatility, knowledge transfer and cross training in the workforce.
- Maximize vendor relationships and value through strategic supply-chain sourcing.
- Safeguard our employees, vendors and the communities in which we operate.
- Conduct our business at the highest level of craftsmanship, professionalism and skill.
- Foster an open environment and questioning workplace attitude to drive process improvement and safety.
- Recognize each business unit's uniqueness while maximizing efficiency across the enterprise.
- Prevent negative events and strengthen the performance of business processes by using a corrective action program / human-performance improvement model.
- · Manage our physical assets and our operations and maintenance costs through financial rigor and continuous process improvement.
- · Ensure robust plans for emergency response, recovery and business resumption.

ENSURING CONTINUOUS IMPROVEMENT

Our corrective action program (CAP) is a continuous-improvement process to strengthen all aspects of our performance. CAP helps us identify the root causes of safety, environmental and operational issues so that corrective actions can be taken to prevent their reoccurrence.

The human-performance (HP) process takes a systematic approach to addressing and resolving safety, reliability and other operational issues by providing people with the processes and tools to improve their performance.



Our company's riskmanagement process helps us identify, assess and respond to risk events (uncertainties) that could impact achieving our company goals and objectives.

IDENTIFYING RISKS

Our company's risk-management process helps us identify, assess and respond to risk events (uncertainties) that could impact achieving our company goals and objectives.

Each of us has a duty to report to our leader any area of risk that could impact the company's safety, finances or reputation.

PLANNING FOR EMERGENCY RESPONSE, RECOVERY AND **BUSINESS CONTINUITY**

The company requires each business unit and function to be prepared to respond to and recover from significant or catastrophic events. Business areas have the responsibility to:

- · Conduct risk and threat analysis to identify response-and-recovery needs.
- Develop, implement, test and review their preparedness for continuity of operations as documented in their response-and-recovery and / or resumption plans.
- Approve, file and retain necessary documentation.

We should be aware of and understand our business unit's response, recovery and business continuity plan. Talk with your leader if you have questions.

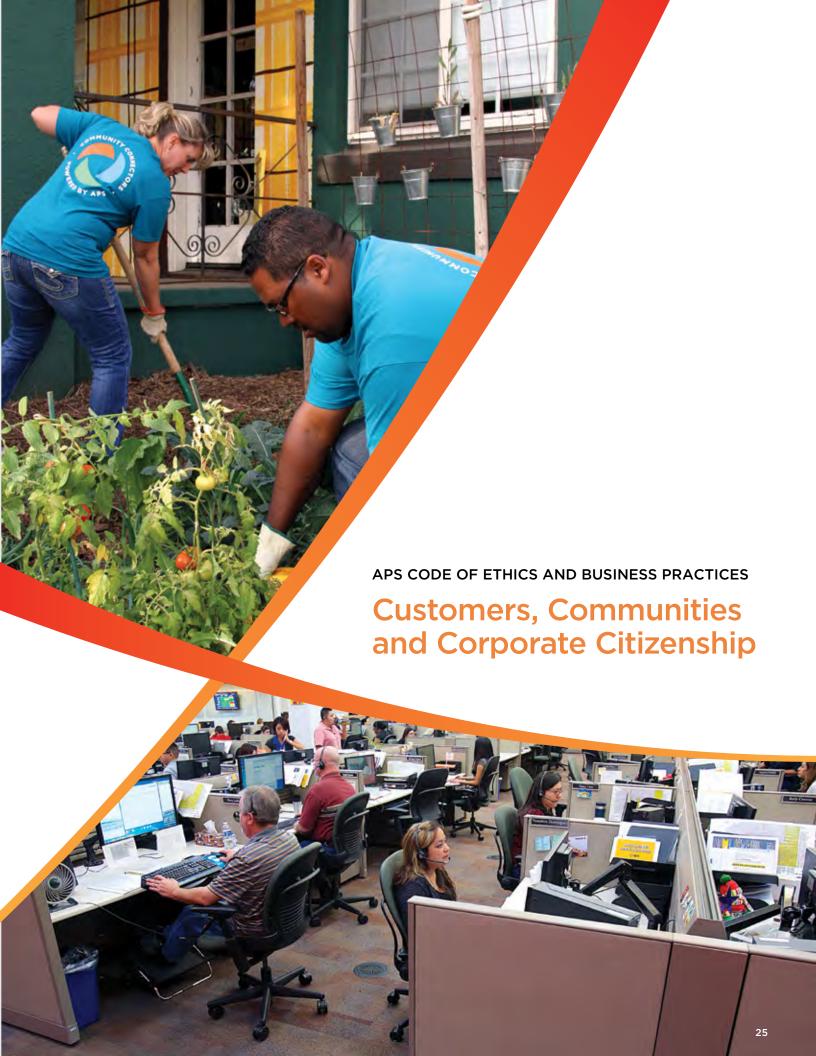
YOUR FOCUS

- Make operational excellence a way of life, and strive for continuous improvement.
- Be prepared. Understand your organization's emergency procedures.
- Document workplace deficiencies, including safety, work practices, programs and procedures, in the corrective action program.
- Understand the human-performance process and how it applies to your job.
- Immediately report any area of risk to your leader or another reporting resource.



More Information:

Operational Excellence Policy References related company policies, processes and procedures



Customers, Communities and Corporate Citizenship



Follow the APS Guidelines on Solicitation and Fundraising for Charitable Causes, which describes how we can support charitable events and causes while also ensuring a productive workplace. For more information, talk with the Corporate Giving Department.

OUR FOCUS

- Adhere to responsible business practices that protect the economy, the environment and the communities in which we operate.
- Preserve and strengthen our reputation and brand.
- Operate in an efficient, safe and reliable manner.
- · Enhance customer satisfaction.
- Communicate openly and honestly with stakeholders.
- Be a recognized leader in community support and outreach.
- Align charitable giving, volunteerism and economic development programs with our business strategies and the needs of our communities.

COMMUNICATING ABOUT APS

To protect our reputation and business, individuals designated to speak on behalf of the company must effectively communicate the company's business objectives and accomplishments, whether in media interviews, social media, external presentations or other opportunities. Any communications on behalf of the company should be conducted by or approved in advance by the Corporate Communications Department.

SUPPORTING OUR COMMUNITIES

As a good corporate citizen, APS supports numerous charitable events and fundraisers. We also encourage employees to take active roles in their communities, whether serving on the board of a non-profit organization, participating in fundraising events or increasing awareness of important causes.

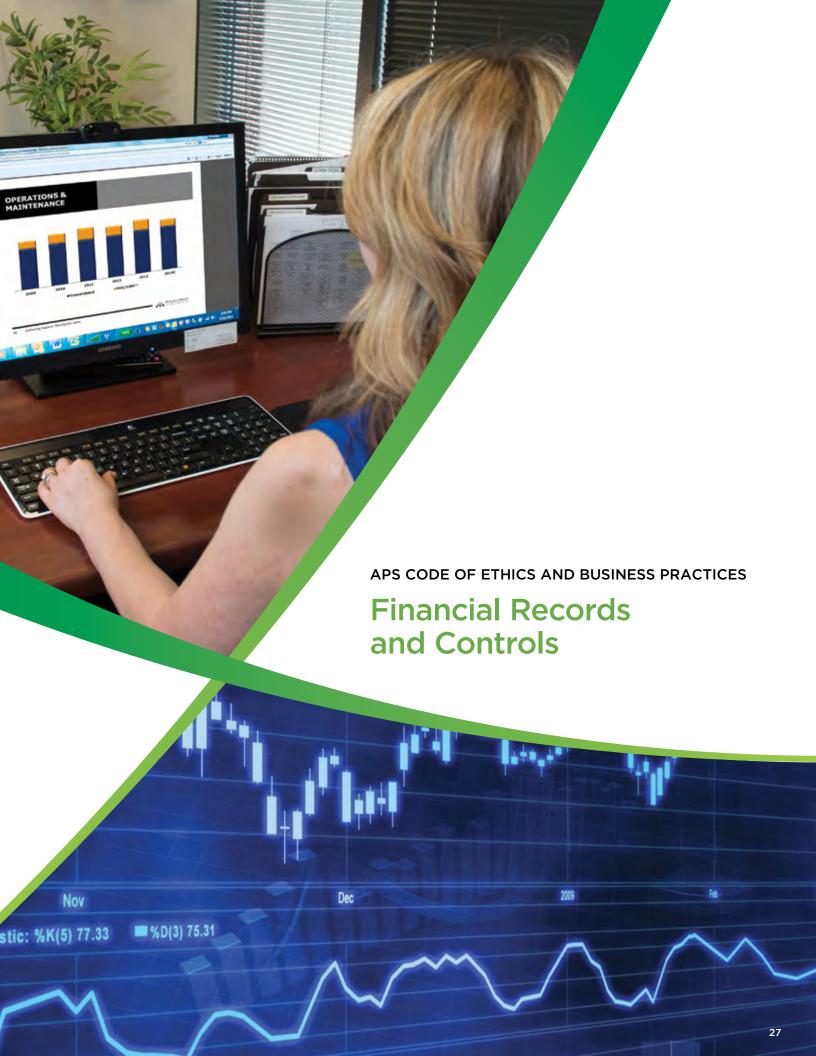
Because the company's success is tied to the value we provide to our customers and communities, our company supports volunteering and community involvement. Decisions about volunteering during work hours are made by individual leaders based on each group's business needs.

More Information:

Customers, Communities and Corporate Citizenship Policy References related company policies, processes and procedures

YOUR FOCUS

- Do not speak on behalf of the company unless granted permission to do so by the Corporate Communications Department.
- Follow the solicitation and fundraising guidelines.
- Be a brand ambassador in your community.



Financial Records and Controls

If you have concerns about accounting, internal controls or auditing matters, contact one of these resources:

- Audit Services (602) 250-2605
- Ethics Office (602) 250-2979 or ethics@aps.com
- General Counsel (602) 250-3252
- Helpline (800) 446-8441 or ethicspoint.com

OUR FOCUS

- Prepare and maintain accurate financial records.
- Report accurate, timely and understandable financial information.
- Maintain adequate internal controls to protect against theft, misuse and misappropriation of company financial information or assets.
- Comply with internal company controls, processes and policies.
- Promptly report any errors or possible errors or misstatements in the company's financial records.
- Protect the confidentiality of non-public information.
- Ensure financial transactions have been properly authorized.
- Comply with all applicable laws and regulations.
- Adhere to applicable retention schedules for maintaining and destroying financial records.

DISCLOSING FINANCIAL INFORMATION

As a publicly held company, Pinnacle West must fully and fairly disclose its financial condition. This means adhering to applicable accounting principles, laws, rules and regulations. Our financial statements must be prepared in accordance with generally accepted accounting principles and fully and fairly present, in all material respects, our company's financial condition.

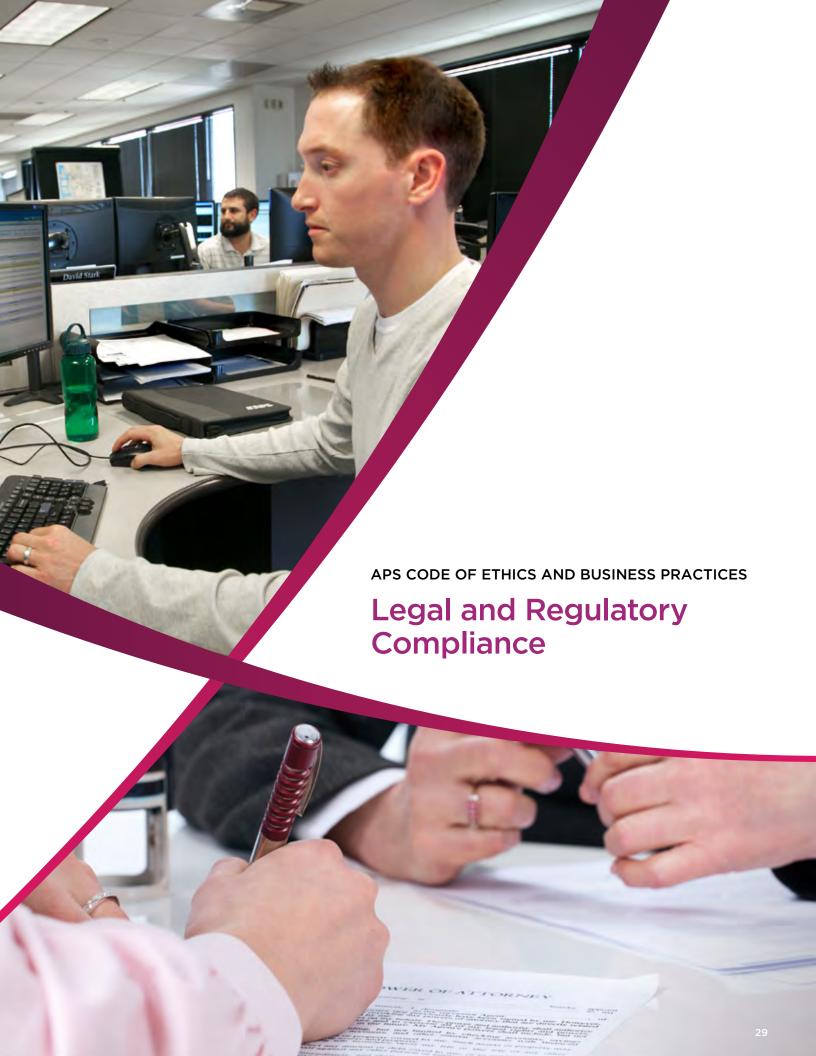
YOUR FOCUS

• Contact any of the resources listed above if you have any concerns about company accounting or financial controls.



More Information:

Financial Records and Controls Policy References related company policies, processes and procedures



Legal and Regulatory Compliance



Our business is governed by numerous regulatory agencies.

OUR FOCUS

- Ensure compliance with all applicable laws, rules and regulations.
- Protect the company's intellectual property (patents, trademarks, copyrights and trade secrets).
- Ensure compliance with all federal grants and contracts.
- · Respect others' intellectual property rights.
- Monitor compliance and report accurately to outside agencies.
- Seek a fair, balanced regulatory environment.
- Ensure our governmental affairs activities reflect the company's commitment to integrity and transparency and comply with all federal, state and local laws and regulations.
- Engage outside legal services only with the approval of the General Counsel.

ENSURING REGULATORY COMPLIANCE

Our business is governed by numerous regulatory agencies.

Examples:

- The Nuclear Regulatory Commission (NRC) oversees reactor safety and security, reactor licensing and renewal, radioactive material safety and spent fuel management.
- The Federal Energy Regulatory Commission (FERC) regulates the transmission and wholesale sale of energy in interstate commerce. FERC also approves and enforces, through other entities like the North American Electric Reliability Corporation and the Western Electricity Coordinating Council, many "bulk electric system" reliability requirements.
- The Arizona Corporation Commission (ACC) addresses via the APS Code of Conduct how APS may interact with its competitive electric affiliates.
- Violations of any of these regulators' rules can result in serious consequences for the company.

AVOIDING INSIDER TRADING

Federal and state laws, including U.S. Securities and Exchange Commission regulations, and our insider-trading policy make it illegal to buy or sell Pinnacle West or another company's securities if we have "inside information." Inside information is any significant information about a company that is not publicly known and that an investor would consider important in making an investment decision.

These laws and our insider-trading policy cover any transactions in company securities, including transfers between the Pinnacle West stock fund and other funds in the company's 401(k) savings plan. Inside information also can include business plans, knowledge of acquisitions or divestitures, anticipated business risks and other information that may have a financial impact on Pinnacle West.

We are prohibited from sharing inside information with anyone who does not need to know such information for business purposes. Direct any questions to the Law Department.

COMPLYING WITH INTERNATIONAL TRADE CONTROL LAWS

Our job duties may require us to:

- Travel abroad
- Ship or exchange goods with other countries
- Share technology or technological information with individuals from other countries who are located at one of our company sites

The company is governed by U.S. import and export laws and regulations. An "export" occurs when a product, software, technology or piece of information is shipped to another country. However, an export also can occur when technology, technical information, service or software is disclosed or provided to a citizen of another country, regardless of where that person is located. For example, providing export-controlled technology to a non-U.S. person located at one of our company sites would be a "deemed export" and subject to export controls laws. Before traveling abroad, shipping goods outside of the U.S. or sharing technology or technical data with non-U.S. persons, please contact the APS Export Compliance Team at exportcompliance@apsc.com.

Import activity (bringing goods we purchase from a foreign or external source into another country) also is subject to laws and regulations. This activity may require us to submit documentation and pay duties and taxes. Our company is responsible for the accuracy of import information, even when the import transaction is conducted by a licensed customs broker.

Under U.S. law, we are not permitted to cooperate with any request concerning unsanctioned foreign boycotts or similar restrictive trade practices. This means we cannot take any action, furnish any information or make any declaration that could be viewed as participation in an illegal foreign boycott. If you think you may have received a boycott-related request or information (written or oral), immediately notify the Law Department.

Be aware of and comply with international trade control laws and our policies. If you have questions, contact the Law Department.





Each employee, officer and director should deal fairly with our customers, suppliers, competitors and employees.

CONDUCTING BUSINESS FAIRLY

Each employee, officer and director should deal fairly with our customers, suppliers, competitors and employees. Conduct business with integrity and never participate in unfair business practices, including taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation or any other unfair dealing. For example, never engage in deceptive advertising or marketing activities.

Avoid these potential violations of unfair-competition laws, unless they are approved in advance by the Law Department:

- Collaborating or communicating with competitors on:
 - How to price or sell goods or services
 - What to pay for goods or services
 - Whom to buy from or sell to
 - How to fix other terms and conditions of sale, such as credit terms and quantity discounts
 - Allocation of customers or markets, geographically or otherwise, unless the Arizona Corporation Commission has approved such an agreement
- Forcing a customer to buy goods or services as a condition of buying other goods or services
- Purchasing goods or services from a supplier on the condition that the supplier purchases other products or services from our company

Antitrust laws prohibit anti-competitive behavior and unfair business practices. They can impact how our company does business with its customers, competitors and vendors. For instance, antitrust laws generally forbid entering into formal or informal agreements with competitors that may restrain trade. In general, avoid conversations about competitively sensitive information with representatives of our competitors.

Anti-corruption laws apply to our business activities and forbid the bribery or attempted bribery of a government official. A bribe is anything of value (including money, gifts, favors or entertainment) given to a government official that may be seen as an attempt to:

- · Influence an official's actions or decisions
- Obtain or retain business
- Acquire any sort of improper advantage

Government officials may include foreign, federal, state or local government employees, political candidates and even employees of businesses owned by a government.

These laws, including the U.S. Foreign Corrupt Practices Act, can carry severe consequences if they are violated.

Similarly, we may not offer or accept a kickback. This means we cannot return or accept the return of a sum already paid (or due to be paid) as a reward for making or fostering business arrangements. Our company also prohibits any act of commercial bribery. This term refers to offering a bribe to customers, suppliers or anyone working on their behalf with the intent to obtain or retain business. Do not retain a third party to engage in these or other illegal activities and carefully screen all third parties, using our due-diligence procedures, before retaining them.

If you are uncertain whether any business-related activity could raise unfair competition, antitrust or anti-corruption concerns, contact the Law Department immediately.

PARTICIPATING IN POLITICAL ACTIVITIES

In the political process, rules define proper conduct for personal participation, and laws limit the amount of money or other contributions that may be made to candidates for elected office.

Laws governing contributions to candidates are complex, and any proposed contributions should be approved through the Federal Affairs and / or Government Affairs departments. In certain cases, political action committees (PACs) may be allowed to solicit contributions from eligible company employees and shareholders.

Guidelines for personally participating in the political process:

- · Campaign contributions or expenditures must be made personally and not in the company's name or on its behalf.
- Contributions to the Pinnacle West Political Action Committee may not be reimbursed.
- · Make honest, complete reports to government agencies that oversee and enforce campaign finance laws.

Personal contributions or support for candidates seeking election to the Arizona Corporation Commission could be attributed to our company and give the appearance that our company or the candidate behaved improperly. Before making a personal contribution or public show of support, ensure your actions will not reflect negatively on our company or any candidate or official.

- Q: A friend of mine is running for political office, and I want to help her campaign. Is this a problem?
- A: No. Your personal support of candidates for political office is your personal business. Just make sure you do not use APS resources - including company time or the company's name - to advance the campaign. You also should use caution in discussing this topic in the workplace, as others may not support your friend or share your political views.

In dealings with public officials, do not:

- Influence or attempt to influence public officials by offering gifts, gratuities or other promises of reward or benefit
- Expect reimbursement (directly or indirectly) for any political contribution
- Offer or accept bribes
- Intentionally submit incorrect, misleading or fraudulent information (written or oral) to a public official or government agency

ENGAGING WITH PUBLIC AND GOVERNMENT OFFICIALS

Our company maintains honest and professional relationships with public officials, as well as government employees and representatives. Certain company employees may work with or lobby elected officials, meet with regulatory authorities, submit reports and filings to government agencies or work with government representatives on a multitude of issues, including inspections of company facilities, property and documents. If your activities may be governed by lobbying laws, you have a special responsibility to understand those legal requirements.

Contact the Law Department or Government Affairs with questions or concerns.

In dealings with public officials, do not:

- · Influence or attempt to influence public officials by offering gifts, gratuities or other promises of reward or benefit
- Expect reimbursement (directly or indirectly) for any political contribution
- Offer or accept bribes
- · Intentionally submit incorrect, misleading or fraudulent information (written or oral) to a public official or government agency

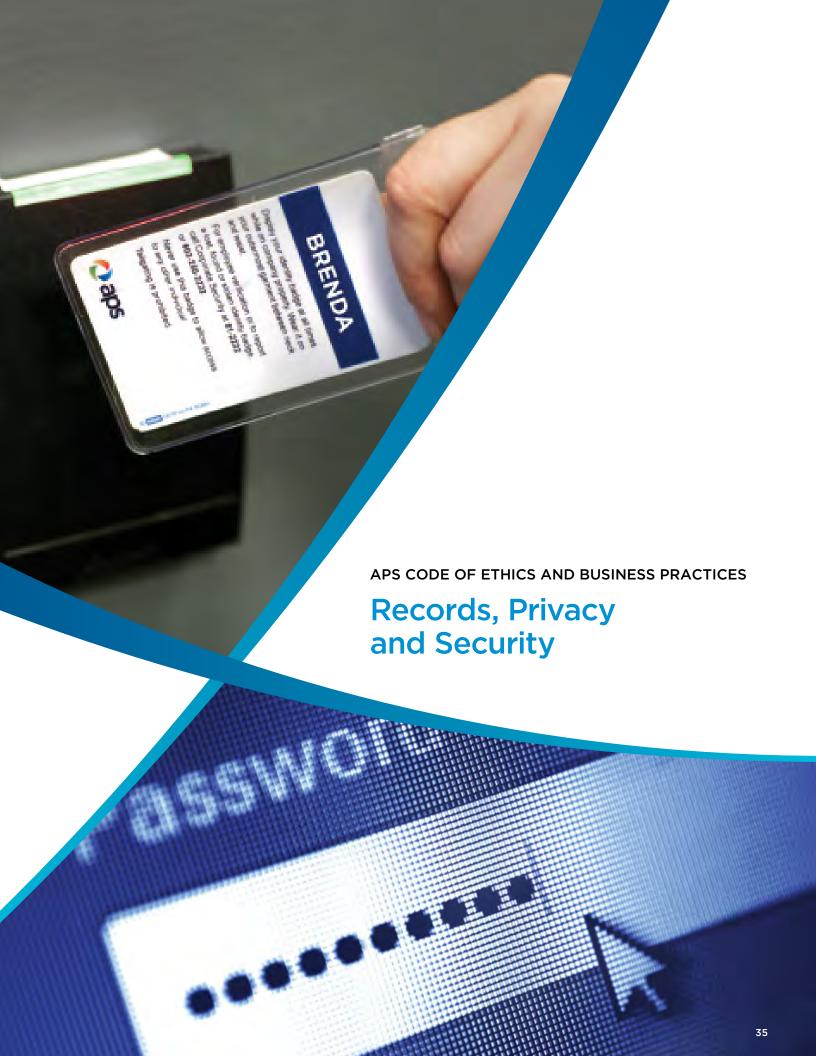
YOUR FOCUS

- Know what regulations and laws apply to your job.
- · Understand the rules for dealing with public officials or participating in political activities.
- · Do not share inside information.



More Information:

Legal and Regulatory Policy References related company policies, processes and procedures



Records, Privacy and Security



We are all responsible for appropriately using the company's electronic systems.

OUR FOCUS

- Protect and preserve the company's confidential information.
- Respect the privacy of customers, employees, shareholders, suppliers, contractors and other business partners.
- Safeguard confidential information and processes to prevent nonbusiness-related disclosure and misuse.
- Protect proprietary business practices and intellectual property.
- Secure company assets and information when they are not in use.
- · Disclose and handle sensitive information only in accordance with Law Department-approved processes and contractual provisions or forms.
- · Provide information access to support legal, regulatory and operational needs.
- Comply with legal-hold requests and requirements.
- Adhere to applicable retention schedules for maintaining and destroying records.
- Safeguard security procedures, processes and mechanisms intended to protect company employees and critical operating assets.

USING TECHNOLOGY

When using our electronic information technology, communications and records, follow these guidelines:

- Ensure your personal use of company technology is limited, does not impact your productivity and does not violate any other applicable company policies.
- Protect company technology and information from loss or theft.
- Prevent unauthorized access to company technology and information (including sensitive data, such as passwords).
- Use, copy or add only authorized software to company technology.
- Connect only authorized devices to company networks.
- Do not copy company software.
- Do not install company software on personal computers or other devices without permission.
- Do not install non-standard or personal software on company equipment without proper authorization.
- Do not use your personal email for company business.

Company electronic communications may be monitored and are the company's property. Report any lost, stolen or damaged company computer equipment or information, as well as any abuse or concerns regarding these resources.

We are all responsible for appropriately using the company's electronic systems. Although occasional personal use may be allowed (provided it does not affect your work or violate company policy), generally use these systems only for business-related purposes, and never use your personal email accounts to conduct company business.

When using company computers and systems, conduct yourself professionally and courteously. Electronic communications typically are permanent and can be forwarded and altered without your knowledge or permission.

Exercise care when posting to blogs, social networking sites or chat rooms while using company systems. If you are not authorized to speak on behalf of company, note that in your post. For example, state that the comments or opinions in your post are yours and not those of the Arizona Public Service Company. Understand that the company's policies against harassment and discrimination could apply to posts on blogs, chat rooms or other social media.

PROTECTING PRIVACY AND KEEPING INFORMATION CONFIDENTIAL

In the process of doing business, you may need to handle confidential information belonging to the company, customers, suppliers or other business partners. Confidential information includes all non-public information, including information that could be useful to a competitor or harmful to the company or our customers. Make protecting it a top priority.

When handling confidential information, avoid:

- Using the information for personal financial gain
- Releasing it to unauthorized persons inside or outside the company
- Accessing company information, data or applications not necessary to perform your job
- Disclosing information that could give a vendor an unfair advantage in bidding on work for the company
- Using or disclosing confidential information or trade secrets that belong to former employers, competitors or other companies unless you secure written permission

Some of our company's most valuable assets include past, current and future information the company holds in confidence or considers proprietary. Only use confidential and proprietary information for company-related purposes and do not disclose such information to outside parties.

- Q: I recently joined APS from another company. I have documents and forms that I used at my previous job and would like to use them here. Is that all right?
- A: No. You may not possess, use or share the documents at APS unless they are publicly available or you have your former employer's permission. APS believes in protecting confidential information - whether it is ours, a customer's or another company's.

Each of us is responsible for the integrity of the information, reports and records under our control. Examples of information you should protect include:

- Business and marketing plans
- Security information
- Financial information
- Sensitive information about customers, contractors or other third parties
- Research and development data
- Internal business methods and techniques
- Intellectual property
- · Risk assessments

Do not release information classified as "security-sensitive information." Doing so could jeopardize the company's regulatory compliance programs as well as the security of our company's critical facilities, such as:

- Power plants
- Transmission and distribution systems
- · Communication systems
- Computer network systems

Your responsibility to protect this information continues even after your employment with the company ends. Before leaving, do not copy or retain any documents or materials that contain confidential or proprietary information.

KEEPING OUR FACILITIES SECURE

Ensure the security of our buildings and critical infrastructure.

- · Never use your identification badge to allow another person into a company building.
- Never allow someone to follow in behind you without the proper badge authorization (tailgating).
- · Wear your company identification badge at all times when on company property.
- Immediately report suspicious persons or behavior.

MANAGING COMPANY RECORDS

Data owned, used and managed by our company must be accurate and complete. Information records must be maintained according to company records-retention schedules and to accurately reflect company transactions.





HANDLING INQUIRIES FOR INFORMATION OR RECORDS

We may receive an inquiry about the company's position on a subject, action or thing from a third party, such as a shareholder, financial analyst, law-enforcement official or the media. Do not respond on behalf of the company unless authorized by the company to do so.

Direct the inquiry to the appropriate company contact:

- Shareholders: Corporate Secretary / Shareholder Services
- Portfolio managers, financial analysts: Investor Relations
- Media: Corporate Communications
- Law enforcement: Corporate Security
- Subpoenas or other legal documents: Law Department

If you are not sure where to direct the inquiry, talk with your leader.

RESPONDING TO AUDIT REQUESTS

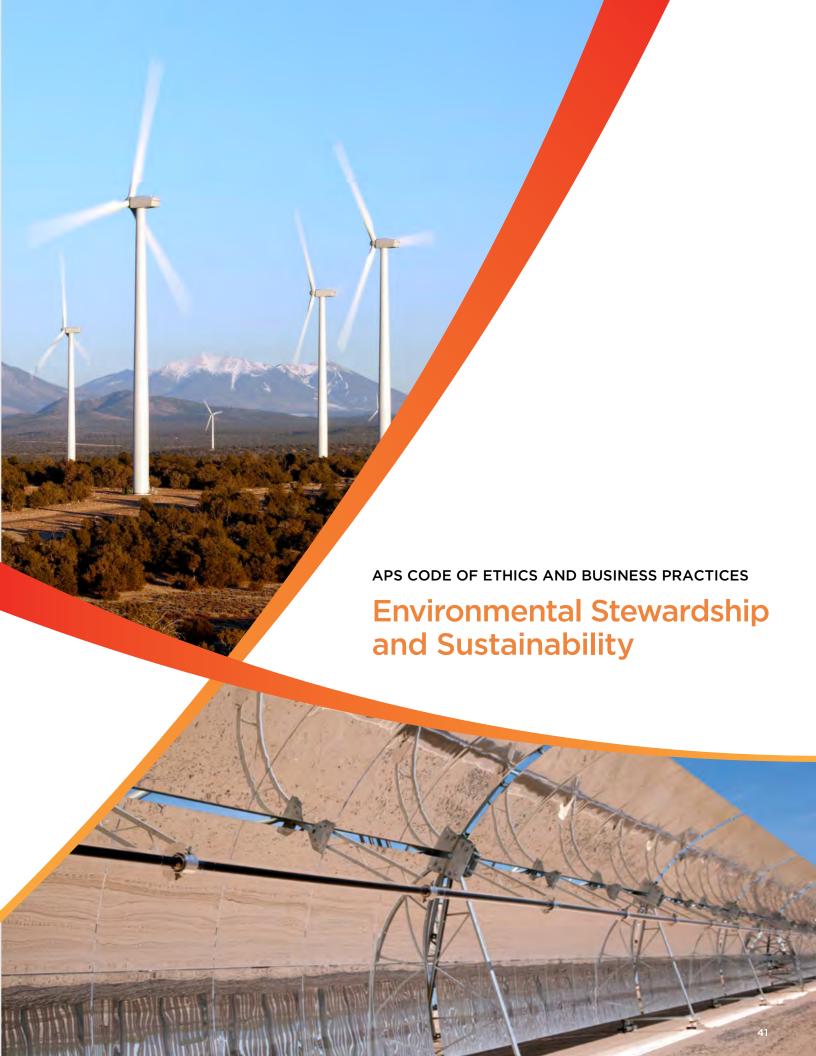
If you receive a request for information from either the internal Audit Services Department or the company's external auditor, respond with accurate and complete information. Always discuss any concerns you have about the requested information with your leader and the auditor.

YOUR FOCUS

- Protect and keep confidential the company's proprietary information and records, as well as confidential information received from third parties.
- Follow all document-retention guidelines.
- · Use technology appropriately and in accordance with company policies.



Records, Privacy and Security Policy References related company policies, processes and procedures



Environmental Stewardship and Sustainability



OUR FOCUS

- Provide reliable electricity from environmentally compliant, diverse sources.
- Consider the environmental impact of all decisions and ensure those decisions align with our vision of creating a sustainable energy future for Arizona.
- Act as responsible stewards of natural resources throughout our operations and strive to reduce our environmental footprint.
- · Comply with all environmental laws and regulations, going beyond compliance when appropriate.
- · Incorporate key sustainability issues into our businessplanning process.
- Establish customer programs that provide eco-efficiency and reduce energy use.
- Effectively communicate our sustainability and environmental goals and performance to our stakeholders.

BEING A RESPONSIBLE CORPORATE CITIZEN

Environmental stewardship forms a critical element of our corporate strategy. The company seeks to be an environmental leader, and its standards for environmental stewardship, performance and compliance guide our environmental programs and activities and support our vision of providing a sustainable energy future for the communities we serve.

DRIVING SUSTAINABILITY

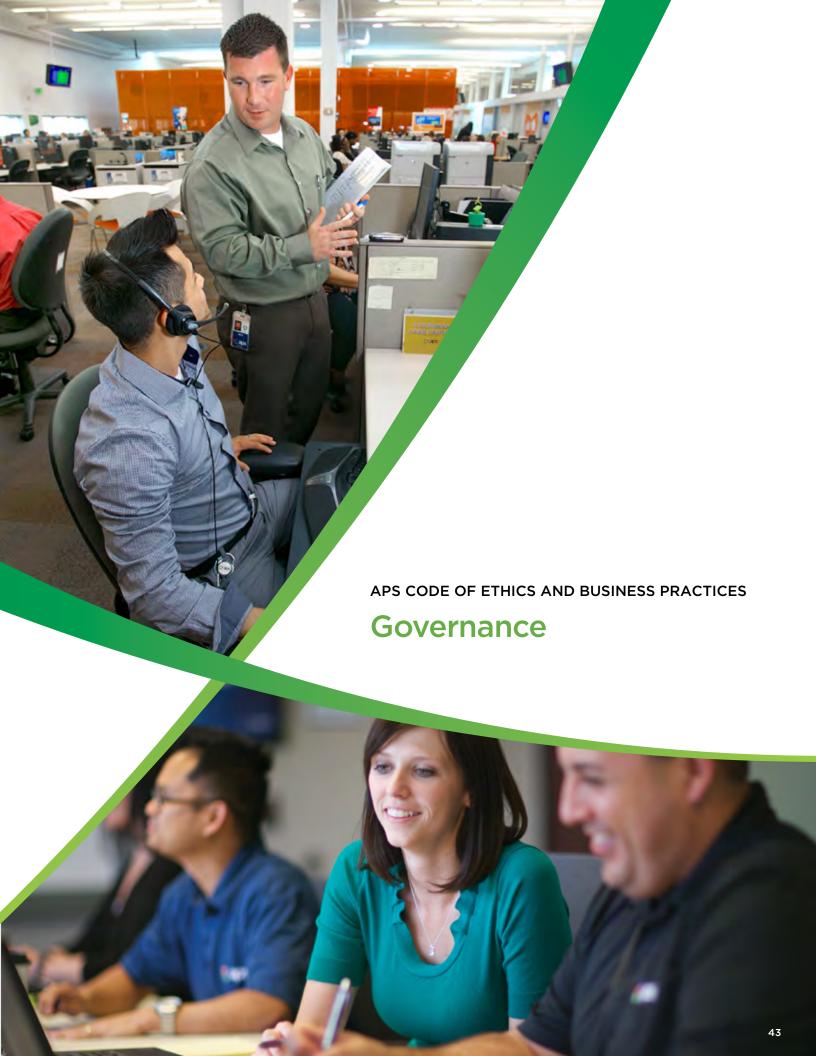
APS views sustainability as a core business strategy, not a stand-alone program, and we have incorporated sustainability throughout our business. Examples include energy efficiency programs and energy from diverse sources, including renewables.

YOUR FOCUS

• Understand and support the company's commitment to being a sustainable energy leader.

More Information:

Environmental Stewardship and Sustainability Policy References related company policies, processes and procedures



Governance

Corporate Policies

- · Provide statements of principles, strategies, values and expectations
- Apply across the company, driving alignment and operating efficiency
- · Provide guidance on what "good" is
- · Establish accountability and oversight for important company processes (internal control framework)

Require sponsorship by an officer and ownership by the chief executive officer

OUR FOCUS

- Provide a system and structure of governance that enable the company to deliver shareholder value and realize its vision of a sustainable energy future for Arizona.
- Set strategic goals and objectives and develop business plans to achieve them.
- Monitor results of business plans.
- Implement rigorous legal, regulatory and ethical compliance and controls.
- Establish and comply with consistent operating policies, processes and procedures.

Being a responsible, sustainable company requires effective corporate governance. The company has a strong corporate governance structure and strives for transparency with our employees and other stakeholders.

USING POLICIES, PROCESSES AND PROCEDURES

Our company policies, processes and procedures provide an organizational framework of how the company does business. They help the organization mitigate risk, ensure consistent application and retain and transfer knowledge.

- · Policies Set forth the principles or standards that guide employees' conduct and create the framework within which employees exercise discretion and judgment.
- Processes Define how work is done, providing instructions and sequences of actions required to produce a desired result.
- Procedures Provide detailed, step-by-step instructions to implement a process or a portion of a process.

PROVIDING GOVERNANCE AND OVERSIGHT

The company maintains governing committees and councils at the executive level to ensure effective and efficient operations and desired business results.

ADOPTING ANNUAL BUSINESS PLANS

The company's business-planning process provides consistent, enterprise-wide, gap-based planning. The objectives:

- Develop effective business plans for all business units and corporate resource functions.
- · Develop the overall planning framework, calendar and roles and responsibilities.
- Integrate the results of the corporate resources operating model (CROM).
- Establish a process for annual management review of business plans' metrics and targets. This process helps drive allocation of resources.
- · Conduct post-implementation reviews.

DEVELOPING TIERED METRICS

The company sets annual performance metrics and targets that drive the alignment and achievement of critical business goals.

- Tier 1: Corporate Metrics
 - Most important company metrics
 - Align with our strategic framework's critical areas of focus
 - Reflect key company outcomes
- Tier 2: Business Unit / Corporate Resources Metrics
 - Reflect key outcomes supporting Tier 1 metrics
 - Apply across the company
- Tier 3: Department Metrics
 - Reflect key department-level outcomes that support Tier 2 metrics
- Tier 4: Supporting Department Metrics
 - Align with and support Tier 3 metrics

YOUR FOCUS

- Understand the business planning process.
- · Know, understand and comply with all policies, processes and procedures applicable to you and your job.
- Understand the company's performance metrics and targets and how you and your performance contribute to the company's success.

Energy Policy Committee

- Determines APS's strategic positions on energy policy
- Develops the five-year corporate strategy for recommendation to the Chairman and the Board of Directors
- Develops the corporate performance targets (Tier 1 metrics) and corporate business plan each year
- · Provides oversight of the businessunit strategies and performance targets (Tier 2 metrics)
- · Reviews metrics, financial results and business plans to ensure alignment with corporate performance targets



More Information:

Governance Policy

References related company policies, processes and procedures

WAIVERS OF OUR CODE OF ETHICS AND BUSINESS PRACTICES

Consistent with the requirements of the New York Stock Exchange, only the Pinnacle West Board of Directors or a committee of the Board may waive a provision of this code for directors or executive officers. Any waiver shall be disclosed as required by applicable laws and regulations. Waivers of this code for any other person may be made only by the appropriate officer and must be reported to the Ethics Office.

INFORMATION RESOURCES

APS Ethics Office:

(602) 250-2979 • http://ethics • ethics@aps.com

APS Helpline (Operated by a Third Party):

(800) 446-8441 • www.ethicspoint.com

Human Resources Service Team:

(602) 250-3500

http://empower • hrserviceteam@aps.com

Palo Verde Employee Concerns Program:

(623) 393-2702 • http://pvonline/ecp

ecppv@apsc.com

Palo Verde Employee Concerns Program Hotline:

(800) 293-6498

Audit Services:

(602) 250-2605

Law:

(602) 250-3630 • http://legal.apsc.com

Corporate Security:

(602) 250-2222 (corporate headquarters)

(602) 371-7775 (Deer Valley facility)

http://security • secchq@apsc.com

3P Point Document Repository (Policies, Processes and Procedures):

http://policies