

Clarification of “Conflicts of Interests” and “Benefits” - Issued July 2002

The purpose of this Clarification Statement is to establish some general rules for and to clarify the Corporation’s intention in respect of two matters: the nature of a private interest that may create a conflict of interest and the prohibition against receiving a benefit from a BC Hydro business relationship.

For further advice please contact your Manager or the Code of Conduct Advisor.

Private interests resulting in conflicts of interest

Under the Code, a Director or Employee is to avoid all conflicts of interest and where there is an actual or potential conflict of interest or perception of a conflict of interest must make full disclosure and must not participate in the matter giving rise to the conflict. The conflict of interest provisions are not intended to treat all private interests, as defined in the Code, in the same manner.

Potential conflicts of interest arising out of private interests which are trivial are generally of less concern to the Corporation. A trivial interest is an interest of such minimal value or so remote from influence by a Director or Employee that it would not reasonably be considered to constitute a risk of conflict of interest.

The following are examples of interests that would ordinarily be considered so remote as not to constitute a risk of conflict of interest:

- **Publicly traded corporation** – Ownership of shares in a widely publicly traded corporation where:
 - (a) the Director or Employee does not hold, directly or indirectly, sufficient shares to have effective control of the corporation, and
 - (b) the Director or Employee or an associate of them (“associate” is defined in the Code) is not a director, officer, employee, consultant or advisor of that corporation.
- **RRSP** – Ownership of shares of a corporation by means of a Registered Retirement Savings Plan, or similar financial product e.g. RESP, that is not self-administered.
- **Mutual Funds** – Ownership of units in a mutual fund which is managed by an independent fund manager where the Director or Employee or an associate of them is not a director, officer, employee, consultant or advisor of that fund.

If a Director or Employee has a “trivial” private interest, the Director or Employee should disclose the interest as required under the Code. In this situation, the Director or Employee is not required to abstain from voting or taking other actions that may impact the outcome of the matter that involves such interest unless the Board of Directors, in the case of a Director, or the Manager, in the case of an Employee, determines otherwise, or in all of the circumstances the Director or Employee could, despite the trivial nature of the interest, be perceived to be in a conflict of interest.

Benefits from BC Hydro business relationships

The prohibition against receiving a benefit from a BC Hydro business relationship is not intended to be absolute. The Code expressly qualifies the prohibition by stating that it does not apply to a benefit that the Corporation intends its Directors or Employees to enjoy. This Clarification Statement describes other qualifications on the prohibition:

1. It is only intended to apply to a pecuniary or economic benefit or to a benefit to which a pecuniary or economic value may be attributed.
2. It is not intended to prohibit a benefit which is trivial. A benefit will ordinarily be considered trivial if it is of minimal value or if it is remote from the business relationship. The following situations are two examples of when a benefit would be considered remote from a business relationship:
 - (a) If the Director or Employee owns units in a mutual fund that holds shares in a company with which the Corporation does business, an increase in the value of the units of the mutual fund would, in the absence of exceptional circumstances, be considered a benefit that is remote from the Corporation's business relationship.
 - (b) If a Director or Employee owns shares in a publicly traded company and a subsidiary of that company does business with the Corporation, the benefit received by the subsidiary from that business would, in the absence of exceptional circumstances, be considered a benefit that is remote from the Corporation's business relationship.
3. It is generally not intended to prohibit a benefit received from a business relationship in which the Director or Employee, in any official or unofficial capacity, did not participate or did not have the opportunity to influence. However, in certain circumstances receipt of such benefits could nonetheless result in the perception of a conflict of interest. Usually, the most effective way to avoid this perception is to refuse the benefit.

For additional advice on perception of a conflict and its avoidance, contact the Code of Conduct Advisor.

4. It is not intended to apply to a benefit received from a business relationship which the Director or Employee, in an official or unofficial capacity, had the opportunity to influence **if**:
 - (a) at the earliest opportunity, the Director or Employee makes full disclosure of the particular circumstances to the Board of Directors, in the case of the Director, and to a Manager, in the case of an Employee,
 - (b) the Director or Employee abstains from voting or taking any other actions that could impact the outcome of the business relationship, and
 - (c) the Board of Directors, in the case of the Director, or a Manager, in the case of an Employee, approves the benefit received.

Whenever in doubt about the application of this prohibition, full disclosure of the circumstances is the most effective way to prevent an inadvertent breach of the Code of Conduct.