

# Director and Employee Code of Conduct

## **Introduction**

The Director and Employee Code of Conduct provides general guidance on the standards of conduct expected of Directors, Employees and Contractors of BC Hydro, including guidelines on conflict of interests. The guidelines applicable to Contractors are attached to this Code as Attachment 1. Within the Corporation there are other policies or procedures which complement or support the general Code of Conduct and reference is made to them throughout this Code.

See page 8 for Definitions of Terms used in the Code of Conduct and related documents.

BC Hydro, recognizing the need for a neutral and independent resource to provide a clear interpretation of its standards of business conduct and guidelines for conflict of interest, has established a Code of Conduct Advisor. The Code of Conduct Advisor, an independent contractor appointed by the Board:

1. reports through the Office of the Chair;
2. reviews, updates or establishes appropriate policy, guidelines, procedures and processes for BC Hydro's code of business conduct and conflict of interest guidelines; and
3. provides independent expert advice, receives disclosures and if appropriate, issues written opinions or directives to Directors, Employees and Contractors on code of conduct and conflict of interest matters that they may encounter when fulfilling their respective responsibilities.

The fundamental relationship between Director and/or Employee and BC Hydro must be one of trust; essential to trust is a commitment to honesty and integrity.

## **Compliance with law**

BC Hydro's Directors and Employees shall comply with all applicable provisions of laws and regulations of the countries in which BC Hydro operates. Directors and Employees shall contact BC Hydro's legal counsel if they have any questions regarding applicable laws.

No one in BC Hydro shall commit or condone an illegal act or instruct another Employee, partner or Contractor to do so.

Employees are expected to be sufficiently familiar with any legislation that applies to their work, to recognize potential liabilities and to know when to seek legal advice. If in doubt, ask for clarification from BC Hydro's legal counsel.

No Director or Employee shall create or condone the creation of a false record. No Director or Employee shall destroy or condone the destruction of a record, except in accordance with BC Hydro policies.

Directors and Employees must not engage in or give the appearance of being engaged in any illegal or improper conduct that is in violation of this Code.

## **Conflicts of interest\***

Directors and Employees will perform their duties conscientiously and will not put themselves in a position in which their private interests and those of BC Hydro might be or perceived to be in conflict.

A Director or Employee has an actual conflict of interest when the Director or Employee is performing a duty or function of the position and in the performance of that duty or function has the opportunity to further his or her private interests.

There is an apparent conflict of interest when a reasonably well-informed person could perceive that a Director's or Employee's ability to perform a duty or function of the position was or will be affected by the Director's or Employee's private interests.

Every Director and Employee must avoid any situation in which there is an actual or apparent conflict of interest that could interfere or could be perceived to interfere with the Employee's or Director's judgment in making decisions in BC Hydro's best interests.

BC Hydro depends on the integrity of all Directors or Employees who have knowledge of a decision or activity of BC Hydro that involves or might involve a conflict of interest to disclose the circumstances. Assurance that no conflict of interest or other breach of this Code exists may be required, in writing, from time to time.

Every Director and Employee shall disclose all circumstances that constitute an actual or apparent conflict of interest. Disclosure shall be made, in the case of Directors, to the Chair, in the case of the Chair, to the Chair of the Corporate Governance Committee, and in the case of Employees, to their manager.

Some conflicts are quite clear, but others are less obvious. BC Hydro recognizes that its Directors and Employees have perfectly legitimate outside interests; however, there may also be situations which could be perceived as a conflict of interest no matter how innocent the intentions of the Employee or Director.

The following are examples of circumstances where a Director's or Employee's private interests would be in conflict with the interests of BC Hydro:

1. an Employee who is responsible for awarding a BC Hydro printing contract is a partner in a printing firm that has tendered for that contract;
2. a Director discloses confidential information about future real estate acquisitions of BC Hydro to a close personal friend with whom the Director has had business dealings in the past;
3. the teenage son of an Employee who is negotiating a contract with an environmental consultant is offered and accepts a free week long trip on a northern BC river from the environmental consultant;
4. a Director who is aware of a significant contract being negotiated between a public company and BC Hydro purchases shares in the public company before the contract is announced publicly.

Directors or Employees who find themselves in an actual or apparent conflict of interest must disclose the conflict and abstain from voting or other actions that impact the outcome of the activity or business transaction. Full disclosure enables Directors and Employees to resolve unclear situations and gives an opportunity to dispose of or appropriately address conflicting interests before any difficulty can arise. More generally, such Directors and Employees should excuse themselves from discussions and communication with management and staff where the issues could raise an actual or apparent conflict.

Where necessary, an Employee or Director may refer an individual situation to BC Hydro's Code of Conduct Advisor, who may recommend actions needed to eliminate or address a conflict of interest.

The following provides a more detailed discussion of circumstances where a conflict of interest could arise and how BC Hydro expects its Directors and Employees to behave.

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\* Refer to Appendix A for further clarification on **Conflicts of Interest, Benefits and Outside Collaborative Activities**.

## **Outside business interests**

In this discussion, “business activity” refers to ownership, participation in decision-making as a member of a board of directors, or engagement as an advisor or consultant or as an active member of staff in any position.

Employees should declare their outside business activities at the time of engagement and are required to limit outside business activities to avoid any conflicts of interest or other breaches of the provisions of the Code. Notwithstanding any outside business activities, Employees are required to act in the best interests of BC Hydro.

No Employee or Director should hold a substantial private interest, directly or indirectly, through a relative, friend or associate, or hold or accept a position as an officer or director, in an entity where by virtue of his or her position in BC Hydro the Director or Employee could in any way benefit the entity by influencing the decisions of BC Hydro.

## **Confidential information**

A Director or Employee should at all times maintain the confidentiality of all confidential information and all records of BC Hydro and must not make use of or reveal such information or records except in the course of performance of their duties or unless the documents or information become a matter of general public knowledge.

Similarly, Directors or Employees may not use confidential information obtained through their association or employment with BC Hydro to further their private interests or the private interests of their friends or relatives.

A Director or Employee using BC Hydro's computer data base or electronic mail system will be expected to comply with any internal policies and procedures that guide the storage, use and transmission of information through this medium.

## **Investment activity**

Directors or Employees may not, directly or indirectly, through friends, relatives or associates, acquire or dispose of any interest, including publicly traded shares, in any entity when in possession of confidential information obtained in the performance of their duties with BC Hydro which could affect the value of such interest.

Each province has its own legislation on “insider trading”, which means buying or selling securities on the basis of “inside” knowledge not available to the public. Penalties are severe for violations and Directors or Employees who trade in, or are contemplating trading in securities, should familiarize themselves with the relevant legislation.

## **Outside employment\***

BC Hydro Employees may hold outside jobs or engage in modest self-employment activities on their own time, using their own resources, and in a manner not adversely affecting their performance or objectivity for BC Hydro.

However, no BC Hydro Employee, may accept work with a competitor, or with any entity that could lead to a conflict of interest or situation prejudicial to BC Hydro's interests.

## **Non-profit and professional associations**

BC Hydro encourages its Employees to contribute to their communities through involvement with charitable, community service and professional organizations. However, Employees should only use BC Hydro time or resources for such activities with the prior agreement of management.

From time to time, individual Directors and Employees reach positions of leadership in non-profit associations where they may be viewed as spokespersons for those groups. In such situations, the individuals should ensure that they are seen as speaking for their organization or as individuals, and not as an Employee or spokesperson of BC Hydro.

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\* Refer to Appendix B for further clarification on **Outside Employment**.

## **Entertainment, gifts and benefits**

In this discussion, “gifts or benefits” includes cash, preferred loans, securities or secret commissions.

It is essential to efficient business practices that all those who do business with BC Hydro, as contractors or customers, have access to BC Hydro on equal terms.

Directors and Employees and their associates should not accept entertainment, gifts or benefits which grant or appear to grant preferential treatment to a potential or actual contractor of BC Hydro. Any entity offering such inducement must cease this practice; a business relationship with BC Hydro will be conditional on compliance with this Code.

Similarly, no Director or Employee may offer entertainment, gifts or benefits in order to secure preferential treatment for BC Hydro.

Gifts, entertainment and benefits may only be accepted or offered by a Director or Employee in the normal exchanges common to business relationships. The following criteria will guide your judgment:

1. the gift, entertainment or benefit would be considered by the business community to be within the bounds of propriety taking into account all the circumstances of the occasion;
2. the exchange does not nor is it expected to create an obligation;
3. it occurs infrequently; and
4. it could be justified on a BC Hydro expense statement if the Employee or Director offers rather than receives it.

Inappropriate gifts that are received by a Director or Employee should be returned to the donor and may be accompanied by a copy of this Code. Perishable gifts can be donated to a charity and the donor notified. The Code of Conduct Advisor will be advised of the circumstances of an inappropriate gift.

In some cultures or business settings, the return of a gift or refusal of a favour, benefit or entertainment would be offensive; in these cases, a Director or an Employee should refer the circumstances to the Chair for guidance.

Full and immediate disclosure to BC Hydro management of borderline cases will always be taken as good-faith compliance with this Code.

## **Business relations with contractors**

BC Hydro will deal fairly and openly with all its Contractors and will facilitate access to its business by all entities, provided conditions of quality, reliability and competitiveness are met.

No Director or Employee may benefit directly or indirectly from BC Hydro's business relationships unless the benefit is an ancillary benefit that BC Hydro intends its Directors or Employees to enjoy.

## **Professional development**

BC Hydro encourages and supports the professional development of its Employees. Where staff are members of a recognized profession, they are expected:

1. to keep abreast of professional developments in their field;
2. to perform their duties in accordance with the recognized standards of that profession; and
3. to abide by any code of ethics adopted by their professional association.

## **Environment and safety**

Environmental protection is a fundamental BC Hydro value; every Director and Employee has a role in ensuring BC Hydro's operations comply with environmental legislation and standards.

Safety must be everyone's concern. BC Hydro is committed to providing all Employees a safe, healthful and harassment-free workplace and to ensuring safe and respectful work practices and conditions.

Management and Directors have both a legal and a moral responsibility for safety and the protection of the environment, and every manager has a specific obligation in this respect.

Every Employee has a personal responsibility to take all prudent precautions in every activity, not just to ensure personal safety, but also to avoid creating any danger to others or demonstrating behaviour which can be reasonably construed as discrimination or harassment.

## **Use of Corporation property**

BC Hydro assets must not be misappropriated for personal use by Directors or Employees.

Directors and Employees are entrusted with the care, management and cost-effective use of BC Hydro's property, including the use of BC Hydro's name, and should not make significant use of these resources for their own personal benefit or purposes.

Directors and Employees should ensure that all BC Hydro property assigned to them is maintained in good condition and should be able to account for such property.

Directors and Employees may not dispose of BC Hydro property except in accordance with the guidelines established by the Investment Recovery Manager or other designated Employee.

## **Patents and discoveries**

Employees are often engaged in various forms of research or problem solving for BC Hydro. The product of their efforts produced within the scope of their employment belongs to BC Hydro, whether the product was conceived while actually at work or not.

Such products include computer programs, technical processes, inventions, research methods, reports or articles and any other form of innovation or development. Patents, rights or copyright, as appropriate, must be assigned by Employees to BC Hydro.

## **Political Participation**

Directors and Employees are encouraged to participate fully as private citizens in the democratic process at any level, including campaigning in elections and running for or holding public office.

However, Directors and Employees engaging in the political process should do so on their own time and must take care to separate their personal activities from their association with BC Hydro.

## **Responsibility**

BC Hydro is determined to behave, and to be perceived, as an ethical corporation. Each Director and Employee must adhere to the standards described in this Code of Conduct, and to the standards set out in applicable policies, guidelines or legislation.

An Employee's failure to adhere to these standards could lead to disciplinary action and the policies and procedures currently in place at BC Hydro respecting disciplinary action will apply.

A Director's failure to adhere to these standards could result in a recommendation for removal from office.

To demonstrate our determination and commitment, BC Hydro asks each Director and Employee to review the Code periodically throughout the year. Take the opportunity to discuss with the Code of Conduct Advisor or senior management any circumstances that may have arisen which could be an actual or potential violation of these ethical standards of conduct.

Directors of BC Hydro and its subsidiaries, members of BC Hydro's Corporate Management Committee, officers appointed by subsidiary boards of directors and any other officer of BC Hydro as required by BC Hydro's Board of Directors are required to sign a Form of Declaration annually and file it with the Corporate Secretary, see Attachment 5.

Directors are also required to comply with the Protocol for Directors, see Attachment 2.

Integrity, honesty, and trust are essential elements of our business success. Any Director or Employee who knows or suspects that this Code of Conduct has been or is likely to be breached has a responsibility to report it.

A Director or Employee who requires advice on a particular Code of Conduct matter or suspects improper activities should seek clarification from the appropriate official, either the Code of Conduct Advisor or the appropriate manager.

### **Where to seek clarification**

For Directors, you should refer such matters to the Code of Conduct Advisor.

For Employees, your immediate manager will provide guidance on any item in this Code of Conduct. You may then be directed to the sources of information, including relevant corporate policy, or be referred to one of the authorities mentioned below.

If the issue is one which you feel unable to discuss with your immediate manager, you should refer to the next level of management or to a member of BC Hydro's senior management, or to the Code of Conduct Advisor.

The privacy of a Director or Employee who discloses a breach or potential breach under this Code of Conduct will be respected by management of BC Hydro as much as is possible in the circumstances. Management of BC Hydro is responsible for ensuring that any individual who, in good faith, has made a disclosure of a breach or potential breach of this Code of Conduct does not suffer any adverse consequences as a result.

All disclosures to the Code of Conduct Advisor will be kept strictly confidential unless, in the sole opinion of the Advisor, the matter disclosed constitutes an actual or potential threat of serious harm to BC Hydro, its Employees or to the general public. In that event, the Advisor will act in accordance with any disclosure procedure issued by the Advisor. See Procedure for Disclosures to Code of Conduct Advisor (Attachment 3A), as well as Procedure for Confidential Reporting of Financial Concerns (Attachment 3B).

### **Exemptions from Code requirements**

An Employee or a Director may request an exemption from a requirement of this Code in accordance with the published administrative procedures. See Exemption Procedures for Employees (Attachment 4A), Directors (Attachment 4B), and Policy Guidelines (Attachment 4C).

In extraordinary circumstances and where it is clearly in the best interests of BC Hydro to do so, the President and CEO of BC Hydro or its subsidiaries, as the case may be, may grant to an Employee an exemption from the requirements of this Code to allow the continuation of circumstances that would otherwise be considered an actual or apparent conflict of interest under this Code or that would be considered a breach of this Code. Conditions may be attached to an exemption. In extraordinary circumstances and where it is clearly in the best interests of BC Hydro to do so, the Chair of the Board of Directors of BC Hydro may exempt a Director of its Board or the Board of Directors of any of its subsidiaries from a requirement of this Code following full and detailed disclosure by the Director of all material and relevant circumstances respecting the matter. Conditions may be attached to an exemption.

If a Director or Employee is exempted from a requirement of this Code for the continuation of circumstances that would otherwise be considered an actual or apparent conflict of interest, the Director or Employee must refrain from participating in any way in any decision-making respecting the subject matter of the conflict of interest except to the extent specifically authorized in the decision granting the exemption.

**Note:** *The provisions of this Code of Conduct are in addition to, and not in substitution for, any obligation to BC Hydro imposed upon a Director or Employee by common law, equity or statute. Compliance with the Code shall not relieve a Director or Employee from any such obligations.*

# Definitions

Throughout this Code and in any related or referenced documents,

**“associate”** means

1. a spouse of the Director or Employee,
2. a son or daughter of a Director or Employee or of the spouse of a Director or Employee if the son or daughter is under 19 years of age or is living in the family residence of the Director or Employee,
3. a relative of the Director or Employee who is living in the family residence of the Director or Employee,
4. a corporation of which the Director or Employee beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting securities of the corporation,
5. a corporation of which a person referred to in paragraph 1 or 2 beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting securities of the corporation, or
6. a trust or estate in which the Director or Employee has a substantial beneficial interest or for which the Director or Employee serves as trustee;

**“BC Hydro”** means the British Columbia Hydro and Power Authority and includes its subsidiaries and related corporations, if any, as the case may be;

**“confidential information”** includes business, operating and marketplace information about BC Hydro, personal information about Employees and customers of BC Hydro, information about the business interests of customers, suppliers or other third parties with whom BC Hydro business relationships and information provided by legal counsel;

**“contractor”** includes a supplier or consultant of BC Hydro and a BC Hydro business associate such as its partner or joint-venturer;

**“friend”** includes an individual with whom the Director or Employee is connected by frequent or close association;

**“private interest”** means a pecuniary or economic interest or advantage and includes any real or tangible benefit that personally benefits the Director or Employee or his or her associate but does not include an interest arising from the performance of the Director’s or Employee’s official duty or function that applies to the general public, affects an individual as one of a broad class of the public, or concerns the Director’s or Employee’s remuneration and benefits received in that capacity;

**“relative”** means a relative by blood, adoption or marriage;

**“substantial private interest”** means a private interest that is substantial enough in the particular circumstances to benefit materially from a decision of BC Hydro;

**“spouse”** means a person the Director or Employee is married to or with whom the Director or Employee is living in a marriage-like relationship, including a person of the same gender, but does not include a person from whom the Director or Employee is separated or living apart and with whom the Director or Employee has entered into an agreement to live apart or who is the subject of an order of a court recognizing the separation.