

Code of Conduct guidelines applicable to BC Hydro contracts

Attachment 1 to Director and Employee Code of Conduct

In its ongoing efforts to ensure that BC Hydro and its subsidiaries behave and are perceived to behave as ethical corporations, BC Hydro has adopted a Code of Conduct that provides guidelines for the behaviour of its Directors, Officers and Employees and for BC Hydro's expectations of the behaviour of its suppliers, consultants, contractors and business associates.

Unless it is inappropriate to do so, the guidelines set out below are to be included in every tender call, request for proposals and contract with BC Hydro and its subsidiaries.

A supplier, consultant, contractor or business associate may be required to give assurances that it conducts itself in accordance with the standards set in these guidelines before it will be considered qualified to enter into a business relationship with BC Hydro.

A supplier, consultant, contractor or business associate with which BC Hydro has a contract will be expected to comply with the standards set in these guidelines. Failure to do so, may be treated by BC Hydro as a reason for terminating the contract. In some cases, other terms of a specific contract may impose a higher standard. In these cases, the contract terms with the higher standards apply.

Guidelines

In these guidelines:

"BC Hydro" means BC Hydro and Power Authority or any of its subsidiaries that has entered into the Contract described in these guidelines;

"Contractor" means the contractor, consultant, supplier or business associate who has a contract with BC Hydro in which these guidelines are included as a term of the contract.

*1. The Contractor shall act at all times with integrity and honesty

- a) in its dealings with BC Hydro, and
- b) in its dealings with a third person if, in those circumstances, the Contractor is acting as a representative of or on behalf of BC Hydro.

2. If the conduct of business with a competitor of BC Hydro during the term of the Contract would require the Contractor to act contrary to the best interests of BC Hydro, the Contractor shall not conduct such business unless the Contractor has the prior written permission of BC Hydro.

3. Before the Contract is entered into and from time to time as circumstances require, the Contractor shall disclose in writing to BC Hydro to the best of the Contractor's knowledge:

- a) any business relationship that the Contractor or any of its owners or officers has with a Director or Employee of BC Hydro,

* See next page.

- b) the name of any Director or Employee of BC Hydro who is a relative of the Contractor or any of its owners or officers, and
 - c) the name of any Director or Employee of BC Hydro with whom the Contractor or any of its owners or officers is connected by frequent or close association.
4. The Contractor shall read BC Hydro's Code of Conduct that is available from Hydro's contract representative or available at BC Hydro's web site at **www.bchydro.com** and shall take all reasonable steps to avoid placing a Director or Employee of BC Hydro in a conflict of interest as contemplated by the Code.
 - *5. The Contractor shall keep confidential all information provided to it by BC Hydro or developed during performance of the Contract and shall not use that information for any purpose unrelated to performance of its obligations under the Contract.
 6. If the Contractor is given access to any BC Hydro property in order to perform the Contract, the Contractor shall use that property solely for purposes of performance of the Contract.
 7. The Contractor shall not attempt to secure preferential treatment with BC Hydro by offering entertainment, gifts or benefits to BC Hydro Directors or Employees. Reasonable exchanges common to business relationships are acceptable.
 8. Unless the Contractor has the express permission of BC Hydro, the Contractor shall not offer employment to a BC Hydro employee during the term of the Contract.
 9. The Contractor shall provide its employees, including any employees of BC Hydro with whom the Contractor has a close working relationship, with a safe and healthy workplace that is harassment and discrimination free.
 10. The Contractor shall ensure that when it is participating in any public discussions or taking a position of leadership in other organizations that it does not represent itself as a spokesperson of BC Hydro unless the Contractor has been retained specifically to act in that capacity.

Contractors who wish further information or advice on the application of these guidelines to particular circumstances are encouraged to speak to BC Hydro's contract representative.

Clarification

Issued August 2000

This discussion provides clarification of the intention of Item 3 of the Code of Conduct Guidelines applicable to BC Hydro Contracts which refer to "owners" of a Contractor. The following may be used to determine whether a disclosure is required for a particular owner of the Contractor.

If the Contractor is a corporation with more than two shareholders, a disclosure will only be required for a shareholder who is:

1. an individual who beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting shares of the Contractor, or
2. an individual who together with his or her associate** beneficially owns, directly or indirectly, more than 20 per cent of the voting rights attached to all outstanding voting shares of the Contractor.

* See Clarification issued September 2005 in this attachment to the Code (overleaf) on "**Conflicts of Interest**", "**Integrity and Honesty**", and "**Confidentiality**" (items 1 and 5 above).

If a Contractor is a partnership with more than two partners, a disclosure will only be required for a partner who is:

1. an individual who beneficially owns, directly or indirectly, more than 20 per cent interest in the partnership, or
2. an individual who together with his or her associate** beneficially owns, directly or indirectly, more than 20 per cent interest in the partnership.

** **“associate”** means

1. a spouse*** of the shareholder or partner,
2. a son or daughter
 - of the shareholder or partner, or
 - of the spouse of the shareholder or partner,

if the son or daughter is under 19 years of age or is living in the family residence of the shareholder or partner, or

3. a relative of the shareholder or partner who is living in the family residence of the shareholder or partner.

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

Clarification

Issued September 2005

This discussion provides clarification of items 1 and 5 of the Code of Conduct Guidelines applicable to BC Hydro Contracts with respect to Conflicts of Interest; Integrity and Honesty; and Confidentiality.

Item 1

Item 1 states: The Contractor shall act at all times with integrity and honesty

- a) in its dealings with BC Hydro, and
- b) in its dealings with a third person if, in those circumstances, the Contractor is acting as a representative of BC Hydro.

Although this obligation has a broader scope than this discussion, this document is intended to address specifically the issue of conflicts of interest that may arise in the course of a Contractor providing services to BC Hydro or otherwise acting for or on behalf of BC Hydro. In such circumstances BC Hydro expects that a Contractor acting with integrity and honesty will conduct itself as follows:

1. At all times during the term of a contract, the Contractor will avoid any potential conflicts of interest between its interests and those of BC Hydro.
2. Before a contract is entered into, the Contractor will make a written disclosure of any potential conflicts of interest that might arise during the term of the contract.
3. If a potential or actual conflict of interest arises during the term of an existing contract, the Contractor will make a written disclosure of the circumstances at the earliest possible opportunity to the BC Hydro representative responsible for the contract.

4. After making the required written disclosure, the Contractor will take any steps reasonably required by BC Hydro to ensure that BC Hydro's interests are protected, including refraining from any activity or ceasing any activity that has given rise to the conflict of interest. For these purposes, BC Hydro's interests include non-economic considerations such as reputation.

These expectations are consistent with those required of the employees and directors of BC Hydro as set out in its Code of Conduct for Employees and Directors.

Potential conflicts of interest are more likely to occur if the Contractor has been engaged to perform the following types of activities:

1. To administer or manage other BC Hydro contracts. For example, if the Contractor is engaged to administer or manage the contract of another BC Hydro contractor that is a competitor of the Contractor, the Contractor has a conflict of interest if it has access to the other contractor's proprietary information or methods for carrying out the contract or if the Contractor has the opportunity to treat the other contractor in an inequitable or unfair manner.
2. To carry out purchasing functions including preparing all or part of the tender documents or RFPs, conducting the tendering or RFP process, recommending award of contracts. For example, if the Contractor has been engaged to prepare the scope of work or services for a contract upon which it, or any related business (see interpretation at the end of this discussion), intends to or is considering submitting a bid or proposal, the Contractor has a conflict of interest.
3. To develop or manage a budget. For example, if the Contractor has been engaged to develop or manage a budget for BC Hydro operations and the Contractor's current business relationship or future business relationship with BC Hydro is or could be affected by that budget, the Contractor has a conflict of interest.
4. To provide services to or manage a special project. For example, if the Contractor has been engaged to evaluate BC Hydro's needs in respect of a certain issue e.g. adequacy of equipment; business organization, and the Contractor is in the business of supplying or refurbishing equipment or providing business management services, the Contractor has a conflict of interest.
5. To conduct negotiations on behalf of BC Hydro. For example, if the Contractor has the opportunity in these negotiations to benefit itself – other than as contemplated in the contract with BC Hydro – the Contractor has a conflict of interest.
6. To speak for BC Hydro.

The Contractor has an actual conflict of interest if the Contractor, while performing these activities, has the opportunity to further its own interests. The Contractor has an apparent conflict of interest when a reasonably well informed person could perceive that the Contractor's ability to perform these activities was or may be affected by the Contractor's interests.

For purposes of this discussion, a Contractor's interests include the interests of the Contractor's directors, officers, employees and of a related business.

For purposes of this discussion, "related business" includes, but is not limited to:

1. an affiliate, as defined in the Business Corporations Act SBC 2002, as amended from time to time, of the Contractor;
2. an owner as described in the Clarification Statement issued August 2000 in respect of the Code of Conduct Guidelines applicable to BC Hydro Contracts; and
3. any other entity in which the Contractor has an ownership or financial interest.

Item 5

Item 5 of the Guidelines, although dealing specifically with confidential information, is often related to Item 1 discussed above.

Item 5 states: The Contractor shall keep confidential all information provided to it by BC Hydro or developed during performance of the Contract and shall not use that information for any purpose unrelated to performance of its obligations under the Contract.

A Contractor acting with integrity and honesty will take special care to ensure that any confidential information it has been provided by BC Hydro or that it has developed for BC Hydro will not be used for its own purposes. For example, this information should not be used by the Contractor to prepare any bids or proposals in response to a BC Hydro tender or proposal call or to take advantage of any business opportunities disclosed in the information or to acquire a competitive advantage over other businesses or to harm BC Hydro.

For further advice on issues relating to conflicts of interest or confidentiality of information please contact your BC Hydro representative responsible for the contract or BC Hydro's Code of Conduct Advisor.