

Procedure for confidential reporting of financial concerns to the Code of Conduct Advisor - Issued January 2004

Attachment 3B to Director and Employee Code of Conduct

Background

The *Sarbanes-Oxley Act of 2002* represents the most significant change to accounting requirements and securities laws since the 1930s. The legislation applies to all companies with reporting requirements to the United States Securities and Exchange Commission.

Sarbanes-Oxley provides for increased corporate responsibility, increased penalties for accounting or auditing improprieties and the protection of shareholders. As a result, its provisions are increasingly considered a best practice for companies operating outside the U.S. Securities and Exchange reporting environment.

Where practicable and useful, the Board of Directors believes that certain recommendations from *Sarbanes-Oxley* should be adopted by BC Hydro.

Guidelines for accounting and auditing complaints – protection of ‘whistleblowers’

Sarbanes-Oxley states:

“Each Audit Committee shall establish procedures for:

1. the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting or auditing matters, and
2. the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters. ”

Your responsibility – what this means to you

Consistent with BC Hydro’s conduct expectations, employees of BC Hydro and its Subsidiaries are expected to adhere to the standards described in the Code of Conduct, as well as to the Corporation’s corporate policies and procedures. Employees have the responsibility to report a breach or suspected breach of the Code of Conduct including any concerns about questionable accounting or auditing practices.

These procedures do not replace other responsibilities and obligations under the Code of Conduct, but rather outline the process in place to enable you to make confidential disclosure of accounting or auditing concerns to the Audit and Risk Management Committee of the Board of Directors of BC Hydro.

If you encounter a questionable accounting or auditing practice, you are of course encouraged to raise this issue first with your Manager. Management has an obligation under the Code of Conduct to respect your privacy as much as is possible in the circumstances when addressing the reported concern and to ensure that you do not suffer any adverse consequences as a result of making this report in good faith.

If you are not comfortable speaking with your Manager, or if your reporting of the concern to your Manager has not resulted in resolution of the issue, you should report your concern in confidence to the Code of Conduct Advisor.

Under these procedures, the Code of Conduct Advisor will forward the reported information to BC Hydro's Audit Services Group – without disclosing your name. The confidentiality of your report will be strictly maintained, however the Code of Conduct Advisor may need to contact you again to obtain additional information that Audit Services may require to conduct its investigation.

As is the case with all reports made under the Code of Conduct, if you are concerned about possible reprisals for reporting an issue, the Code of Conduct Advisor will monitor the circumstances on your behalf and report any concerns to the Vice-President responsible for Human Resources on a confidential basis.

Role of Code of Conduct Advisor ('The Advisor')

1. The Advisor will receive and log accounting and auditing concerns received from employees in confidence under these procedures.
2. The Advisor will forward information respecting each report made under these procedures to BC Hydro's Audit Services Group without disclosing the name of the employee who made the report.
3. The Advisor will receive a copy of the quarterly report provided to the Audit and Risk Management Committee.
4. In the event the Advisor is made aware of a concern respecting BC Hydro's Audit Services Group, such disclosure will be provided directly to the Chair of the Audit and Risk Management Committee by the Advisor.

Role of BC Hydro's Audit Services group

1. Audit Services will perform a preliminary investigation to establish the validity and materiality of the information forwarded by the Code of Conduct Advisor in a report made under these procedures.
2. Audit Services will summarize and report on all disclosures made under these procedures to the Audit and Risk Management Committee of the Board of Directors on a quarterly basis.

Role of the Audit and Risk Management Committee

The Audit and Risk Management Committee of the Board of Directors of BC Hydro will review the quarterly report from Audit Services and direct further investigation and follow-up where required.