



Board Governance Manual

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Relevant Legislation

The following legislation can be viewed by following the links provided.

- Hydro and Power Authority Act

http://www.bclaws.ca/Recon/document/ID/freeside/00_96212_01

- Utilities Commission Act

http://www.bclaws.ca/Recon/document/ID/freeside/00_96473_01

- BC Business Corporations Act (applicable section is Division 5 (Indemnification) of Part 5)

http://www.bclaws.ca/Recon/document/ID/freeside/02057_00

CORPORATE GOVERNANCE POLICY

BC Hydro is committed to:

- applying sound commercial business practices in the achievement of our objectives;
- carrying out the financial and public policy responsibilities assigned to us by the Provincial Government ("government"), and;
- complying with applicable regulatory requirements and directives, and meeting appropriate standards of behaviour in the conduct of its business.

In so doing, BC Hydro's corporate governance will:

- assign clear responsibility for achieving the corporation's business and public policy objectives;
- ensure accountability for achieving the results expected by government, the corporation and the public at large.

To be accountable, BC Hydro will be clear about our objectives, will explain the strategies we will use to meet these objectives, will reveal the full cost of these strategies, and will report on BC Hydro's actual results.

Each employee is responsible for contributing to the implementation of the corporate strategic direction, including implementation of Line of Business (LoB), corporate group and subsidiary plans, and the performance of BC Hydro's financial and public policy objectives. Employees are responsible for advising management of business risks that they become aware of in the course of their work.

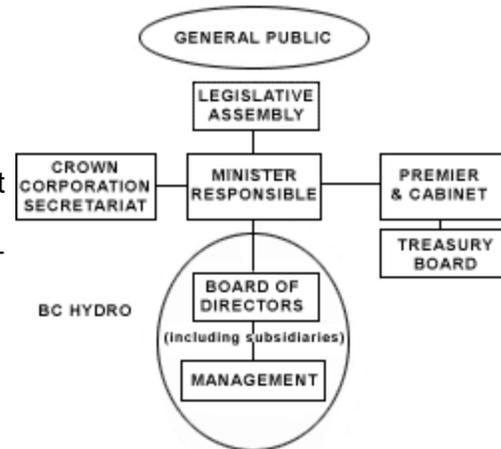
The figure on the following page shows the respective parties involved in the governance of BC Hydro. Each is more thoroughly described below.

Government is responsible for:

- articulating the government's financial and public policy objectives for the corporation;
- appointing Directors and the Executive Chair to guide the corporation's performance in achieving its objectives;
- conducting regular reviews of the corporation's performance in achieving its objectives.

The Minister Responsible has the prime responsibility to ensure regular and clear directions are communicated to the Board of Directors, to advise the Board about government plans, and to make recommendations to Cabinet concerning the affairs of BC Hydro. The Minister Responsible is the communications link between BC Hydro and the Cabinet and the reporting link to the legislative assembly. The Crown Corporations Secretariat is a central agency within the government that has responsibility for monitoring the overall activities and performance of BC Hydro and other Crown corporations.

BC Hydro is a Crown corporation, established under the Hydro and Power Authority Act, owned by the province of British Columbia, and chartered to generate and distribute energy in British Columbia. BC Hydro is subject to regulation by the British Columbia Utilities Commission and the corporation's financial returns revert to its sole shareholder, the government of the province. Governance within Hydro is accomplished at two levels – the Board of Directors and management.



The Board of Directors is appointed by and is accountable to the Government. The directors are stewards of the corporation. They are responsible for overseeing the conduct of business, supervising management and endeavouring to ensure that all major issues affecting the business and affairs of the corporation are given proper consideration. The Board of Directors is responsible for charting the corporation's future and for ensuring appropriate systems are in place to allow management to implement the chosen strategic direction. The terms of reference, roles and responsibilities of the Board of Directors are defined in the Board Governance Manual.

Management acts to direct and guide the efforts of employees in implementing the corporate strategic direction and achieving performance goals. Particular roles include:

President and Chief Executive Officer (President & CEO) is primarily responsible for leading the management team of the corporation, its Lines of Business (LoBs) and subsidiaries in developing a corporate strategic direction to be approved by the Board of Directors, and for providing timely and relevant information to assist the Board of Directors in evaluating strategy and assessing performance. The President and CEO is accountable to the Board of Directors.

Chief Financial Officer (CFO) is responsible for the financial integrity of the corporation, ensuring that systems are in place across all LoBs and subsidiaries to protect the corporation's assets, and to report financial and operating performance results to the Board of Directors and government. The CFO is accountable to the President and CEO.

The Executive Team (ET) is composed of the senior officers of the corporation and is responsible, as a group, for providing advice to the President and CEO, and acts for the overall benefit of the corporation. The ET is responsible for developing corporate policy to be approved by the Board of Directors. Individual ET members are responsible for developing and approving policies and procedures for their LoB or Corporate Group.

Accountability for Corporate Performance

BC Hydro's Board of Directors and management are accountable for the corporation's performance to the legislative assembly, through the Minister Responsible. Corporate accountability will be achieved primarily through the development of plans and budgets, and timely reporting of financial and operational performance results to senior management, the Board of Directors and government. Accountability documents may include:

- Strategic Business Plan.
- Annual business plans (corporation and business units).
- Comprehensive performance measures.

- Annual operating and capital budgets.
- Corporate Annual Report, which summarizes financial and operational performance for the applicable fiscal year.
- Corporate Financial Report, (which includes a statement of assets, liabilities and debt, employees' remuneration and expenses, and amounts paid to individual contractors and suppliers (Financial Information Act, Section 2).
- Business Performance Report (a frequent reporting of information essential to support managerial decision-making. It reports actual performance against plan projections for the corporation and individual units, and identifies changes expected due to new or changed initiatives.
- Annual Report on the Environment.

To assist the Board of Directors (and management) in fulfilling their control and audit responsibilities, the Audit Services group will undertake independent appraisal activities and will report regularly to the Audit and Risk Committee of the Board on business risks and related management controls. The Audit Services group has unrestricted access to all BC Hydro activities, records, property and personnel, including all confidential information.

SUPPORTING DOCUMENTATION

Detailed roles and responsibilities of the Board of Directors are set forth elsewhere in this Board Governance Manual.

DEFINITIONS

Corporate Governance: is a process to direct and manage the business and affairs of the corporation for enhancing shareholder value, including ensuring the on-going sustainability of the business. Governance is the authoritative direction or control over an entity. It encompasses the roles, relationships, authority, and accountability of shareholders, the board of directors and management. Governance refers to who is in charge, who sets direction, who makes decisions, who monitors progress, and who is accountable for the performance of the corporation.

Responsibilities: the roles, duties and tasks assigned or conferred to an individual or entity.

Accountability: is the obligation to account for responsibilities conferred. An accountability framework is a guide to all levels of governing as to how accountability will be met. It identifies:

- what BC Hydro is accountable for,
- who is accountable for BC Hydro performance,
- how BC Hydro is accountable for its performance (i.e. what, how and when information is to be provided and how the credibility of the information can be assured), and
- how the information will be used.

Performance Management: the use of measurement information to help set agreed-upon performance goals, allocate and prioritize resources, to inform managers to confirm or change

current policy or program directions to meet those goals, and report on the success in meeting those goals.

Line of Business (LoB): a major organizational unit functionally responsible for providing core business services to external customers. While each LoB has a defined set of responsibilities and develops its own objectives and plans, its focus remains secondary to the objectives of BC Hydro as a whole.

Subsidiaries: are legally independent organizations that are owned in whole or in part by BC Hydro. Each has its own Board of Directors, an independent charter, and specific objectives and plans. Some subsidiaries may be defined outside BC Hydro's regulatory framework, providing them with freedom to compete in unregulated markets. Subsidiaries which are owned or controlled by the corporation are accountable to the BC Hydro Board of Directors. In turn, the Board of Directors is accountable to government for the performance, actions and risks of the subsidiaries.

BOARD CALENDAR

The Board's meeting calendar is driven by and reflects the Government's reporting timelines.

	Q1 (Jun)	Q2 (Aug/Sep)	Q3 (Nov)	Q4 (Feb)
MAJOR REPORTS				
1. Approve Annual Report	✓ (June)			
2. Review Dam Safety Report	✓	✓	✓	✓
3. Review Emergency Preparedness and related plans	✓	✓	✓	✓
4. Review President & CEO's Quarterly Report	✓	✓	✓	✓
5. Review Safety Reports	✓	✓	✓	✓
6. Quarterly Communications, Customer Service, Regulatory and Risk Management Updates	✓	✓	✓	✓
7. Approve Financial Information Act Return		✓		
BUDGETS AND FINANCIAL PLANS				
1. Approve Annual Service Plan (and review annual Mandate Letter)				✓ (January)
2. Approve Audited Financial Statements	✓			
3. Review 5 Year Forecast (January) and Quarterly Updates	If required	✓	✓	✓ (January)
4. Review Quarterly Performance Report	✓	✓	✓	✓
5. Approve Capital Authorization Funding Requests (Expenditure Authorization Request)	<i>As Required</i>			

	Q1 (Jun)	Q2 (Aug/Sep)	Q3 (Nov)	Q4 (Feb)
PRESIDENT & CEO PERFORMANCE REVIEW and MANAGEMENT SUCCESSION PLANS				
1. Approve Overall Compensation Structure				✓
2. President & CEO's Performance Evaluation <ul style="list-style-type: none"> Approve President & CEO's Goals and Objectives for the upcoming year; President & CEO's year end evaluation and Total Compensation approval.	✓			
3. Management Succession Plans Reviewed		✓		
GOVERNANCE				
1. Board Calendar confirmed for following two calendar years	✓			
2. Board Evaluation Process: <ul style="list-style-type: none"> Initiate evaluation (GHRC) Report results to the Board of Directors 		✓		✓
3. Directors and Officers <ul style="list-style-type: none"> Annual Code of Conduct Declarations filed with the Corporate Secretary Record of Directors' Private Interests updated (and filed with Corporate Secretary) 	✓	✓	✓	✓
4. Review Code Advisor's Annual Report to the Board	✓			
SUBSIDIARY COMPANIES				
1. Powerex Corp. Activities/Chair's Report	✓	✓	✓	✓
2. Powertech Labs. Inc. Activities/Chair's Report	✓	✓	✓	✓
DIRECTOR EDUCATION				
1. Review of strategic issues, operational matters and new trends in corporate governance	✓	✓	✓	✓
2. Visits to regional facilities	<i>Arranged in conjunction with Strategic Retreats and as appropriate</i>			
3. Professional training and development	<i>As appropriate</i>			

BOARD OF DIRECTORS' GUIDELINES

Introduction

The Terms of Reference for the Board of Directors define the role of the Board at BC Hydro. The Board of Directors' Guidelines outline how the Board will operate to carry out its duties of stewardship and accountability.

Best Interests of BC Hydro

The Board of Directors (the "Board") oversees the conduct of business and supervises management, which is responsible for the day-to-day conduct of the Corporation's business. Although Directors are appointed by the Government to bring special skills and experience to Board deliberations, the best interests of BC Hydro must be paramount at all times.

Terms of Reference

Terms of Reference for the Board, Board Committees, Chair, President & Chief Executive Officer, Subsidiary Boards, Corporate Secretary and various Board processes are reviewed annually by the Governance and Human Resources Committee. This Committee will propose any changes to the Board for approval.

Corporate Strategy

Management is responsible for the development of an overall corporate business strategy to be presented to the Board. The Board's role is to ensure there is a strategic and business planning process, and then review, question, validate, and ultimately endorse the strategy for the Corporation and monitor its implementation.

Principal Risks

The Board should have a continuing understanding of the principal risks associated with the Corporation's business. It is the responsibility of Management to ensure that the Board and its Committees are kept well informed of changing risks. The mechanisms through which the Board reviews risks include the strategic business planning process and through reviews conducted by its various committees. It is important that the Board understands and supports the key risk decisions of the Corporation. More detail on the Risk Management Process is set out at Tab 12.

Internal Controls and Management Information Systems

Integral to the Board's overall responsibilities is the existence of control systems, which ensure the effective discharge of these responsibilities. A balance has to be achieved between imposing controls that give the Board reasonable assurance that its responsibilities are being discharged and avoiding the creation of an unnecessarily bureaucratic and costly system of control mechanisms. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

Succession Planning and Management Development

The Board considers succession planning and management development to be ongoing processes, including annual reports to the Board by the President & CEO. The President & CEO's views as to a successor in the event of unexpected incapacity and ongoing management development plans should be discussed at least annually with the Governance and Human Resources Committee.

Communications Policy

The Board approves a communications policy and a process for the review and approval of major reports to the public, including the Annual Report. Together, and in consultation with one another, the President & CEO and Chair act as the primary spokespersons for the Corporation and oversee interface with the Government and other stakeholders including developing and implementing a communications program and its interface with Government, regulatory bodies and other stakeholders.

It is expected that members of the public and persons interested in BC Hydro will, from time to time, communicate their concerns and questions to Directors rather than to management. It is important that Directors inform the Chair or the President & Chief Executive Officer, directly or through the Corporate Secretary, of such communications so that proper action can be taken and accurate responses made by the appropriate representative of BC Hydro.

Directors may be requested to assist with communications, or a Director may be approached directly to speak publicly about BC Hydro. In all cases, Directors are asked to advise the Chair's office, directly or through the Corporate Secretary of the request. The Chair is responsible for ensuring Director communication activities are properly coordinated and Directors are provided with full assistance in preparing and making any public statements or presentations.

The President & Chief Executive Officer - Board Appointment or Otherwise

The Board acknowledges that it is up to the discretion of the Shareholder whether or not to also appoint the President & CEO as a member of the Board of Directors. When the Shareholder has not appointed the President & CEO to the Board, Board policy will be that the President & CEO can expect to receive the same information as any other member of the Board, except that information pertaining to the President & CEO's performance, as appropriate.

Committees

The Board has developed a set of Guidelines for Committees which apply to all Committees established by the Board (please refer to Tab 18). Each Committee operates according to a Board-approved mandate outlining its duties and responsibilities. The Committee structure is subject to change from time to time as the Board considers which of its responsibilities will best be fulfilled through more detailed review in a Committee setting.

Advisory Committees, Task Groups and Project Boards

Task Groups and Project Boards are Committees of the Board, but differ from other Committees in that each Task Group and Project Board is established for a stated period of time to undertake a particular task or oversee a particular project, and is then disbanded. Each operates according to a Board approved Terms of Reference outlining its duties and responsibilities. Advisory Groups typically consist primarily of non-Directors and are put in place to provide input to the Board of Directors. Refer to Tabs 27 to 31 for additional detail with respect to Advisory Committees, Task Groups and Project Boards.

Committee Chairs and Committee Members

The Chair is responsible to the Board for annually proposing the leadership and membership of each Committee. In preparing recommendations, the Chair will consult with the Governance and Human Resources Committee, the President & CEO and the Board, taking into account the preferences, skills and experience of each Director. The Board supports a periodic rotation in

Committee leadership and membership in a way that recognizes and balances the needs for new ideas, continuity and maintenance of functional expertise.

Each Committee's meeting schedule and agenda will be determined by its Chair and members with the assistance of Management and the Corporate Secretary, based on the Committee's timetable and terms of reference. Each Committee reports in a timely manner to the Board on the results of its meetings.

Board Meetings and Agendas

Four regular business meetings and one annual retreat are scheduled each year. Special meetings are arranged as required.

The Corporate Secretary, in consultation with the Chair and President & CEO will develop the agenda for each Board meeting. Under normal circumstances, the agenda and supporting materials will be distributed to Directors not less than four business days before a meeting. All Directors are free to suggest additions to the agenda.

Meetings are generally held at BC Hydro's corporate headquarters at 333 Dunsmuir Street, 18th Floor, Vancouver, B.C. but meetings may be held at other locations around the Province as determined by the Chair.

Procedures at Board Meetings

The following describes general procedures regarding the conduct of Board meetings:

- Quorum:
 - The presence of at least 50% of Directors constitutes a quorum and the meeting shall, with respect to quorum, be validly constituted.
 - attendance at a meeting of the Board by any or all Directors may be by way of personal attendance or by way of telephone or video conferencing.
 - a meeting of the Board, once validly constituted, shall remain so despite the departure or recusal of any Director or Directors due to a declared conflict of interest.
- Questions arising at any meeting of the Board of Directors shall be decided by a majority of votes cast by those present and not excluded from voting on the question due to a declared conflict of interest. In a case of an equality of votes, the Chair of the meeting will have a second or deciding vote;
- a resolution circulated in writing (including by electronic means), and agreed to by signature or by electronically verifiable means by all the Directors not excluded from voting on the question due to a declared conflict of interest, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

Special Meetings of the Board

Special meetings of the Board of Directors may be held at any time at the call of the Chair. Like regular meetings, special meetings may be held by way of personal attendance or by way of telephone or video conferencing.

Notice of a special meeting will be valid if communicated verbally or by electronic means to each Director at any time prior to the start of the meeting.

In the Chair's absence, a special meeting may be called by:

- a member of the Executive Committee, or
- at the call of any two Directors.

The Chair shall be bound to call a special meeting of the Board of Directors on the requisition of three Directors and, if the Chair fails to do so within twenty-four hours from receipt of such requisition, any three Directors may convene a special meeting of the Board of Directors.

Information for Board Meetings

Material distributed to the Directors in advance of Board meetings should be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered. Reports may be presented during Board meetings by Directors, senior management, staff, or by invited outside advisors. Presentations on specific subjects at Board meetings should briefly summarize the material sent to Directors, so as to maximize the time available for discussion on questions regarding the material. Templates have been prepared to assist management in the preparation of Board briefing materials to ensure the appropriate focus and tone, as well as overall consistency.

It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance.

Directors are reminded that unless otherwise indicated Board materials should be treated as confidential.

Non-Directors at Board Meetings

The Board appreciates the value of having members of management, employees or others attend Board meetings to provide information and opinions to assist the Directors in their deliberations. The Board, through the Chair and through the President & CEO, will determine attendees at Board meetings. However, both the Board and management recognize that throughout the year there are times when the Board needs to meet without management in attendance.

Board Relations with Management

Board policies and guidelines are issued to management for their adherence. Directors may direct questions or concerns on management performance to the Chair, the President & CEO, or through Board and Committee meetings. Directors must respect the organizational structure of management. A Director has no authority to direct any staff member.

Size of the Board

From time to time, the Board, through its Governance and Human Resources Committee and Nominating Committee, will consider its size to ensure the Board has the necessary diversity of skills and experience to fulfill its obligations. Government sets the size of the Board through the appointment process.

Criteria for Board Membership

Although Government has the responsibility to appoint Directors, BC Hydro's Board of Directors has a responsibility to provide Government through its Board Resourcing Office with advice regarding the needs of BC Hydro and the criteria Government might consider when making appointments.

On behalf of the Board, the Governance and Human Resources Committee annually reviews the strategic direction of the Corporation and the skills, experience, background and diversity of the Board in relationship to the Corporation's strategic direction. Any recommendations resulting

from the review will be discussed with the full Board and communicated to Government through the Chair.

Communicating Director Criteria to the Government

The Chair has the responsibility to ensure that criteria developed by the Governance and Human Resources Committee are communicated to Government through its Board Resourcing Office well in advance of Director appointments. The communication should explain the reason(s) the criteria were developed and encourage Government to consider the needs of BC Hydro when making Director appointments.

Director Orientation and Education

New Directors will be provided with an orientation and education program which will include written information regarding the duties and obligations of Directors and the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other Directors. The orientation program for each new Director will be tailored to that Director's needs and areas of interest. The orientation process is described at Tab 13. Orientation and education continues during each Director's term of appointment.

Assessing the Board's Performance

The Governance and Human Resources Committee and the Chair are responsible for annually assessing the overall performance of the Board and its Committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review should identify any areas where Directors or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation. The Board evaluation process is described in more detail at Tab 14.

Board Compensation

Government establishes compensation policy for its Crown Boards of Directors. Details regarding Director compensation are outlined at Tab 16.

Term of Appointment

Each Director's term of appointment is established by Government through Order-in-Council.

Evaluation of the President & Chief Executive Officer (CEO)

The Governance and Human Resources Committee, the Chair, and the Board of Directors each play a role in conducting an annual performance evaluation of the President & Chief Executive Officer, measured against objectives and other relevant criteria established in the previous year by the Board and the President & CEO. An outline of the President & CEO's Performance Evaluation Process is located at Tab 15.

The performance evaluation will be communicated to the President & CEO by the Chair.

The evaluation will also be used by the Governance and Human Resources Committee and by the Board in their deliberations concerning the President & CEO's annual compensation.

Levels of Authority for Management and the Board

The Board of Directors' authority to make financial commitments on behalf of the Corporation is set out in the *Financial Responsibility and Approval Policy*. Individually, Directors have no authority to make financial commitments for the Corporation.

Director and Employee Code of Conduct

Directors are required to review the *Director and Employee Code of Conduct* and acknowledge their support and understanding of the Code by signing an annual Declaration Statement, details of which can be found at Tab 10.

Outside Advisors for Individual Directors

Occasionally, a Director may need the services of an advisor to assist with matters involving that individual's responsibilities as a Director. A Director who wishes to engage an outside advisor at the expense of the Corporation must first obtain the authorization of the Chair.

Administrative Support for Directors

The Corporate Secretary's office will provide all required administrative services for Directors in their capacity as Directors of BC Hydro.

Board of Directors' Governance Review

Through the Corporate Secretary, the Board Governance framework, including the Board of Directors' Guidelines, all Terms of Reference and any other governance matters will be reviewed annually by the Governance and Human Resources Committee.

TERMS OF REFERENCE BOARD OF DIRECTORS

Purpose

BC Hydro is a provincial crown Corporation established by the *Hydro and Power Authority Act* (the “*Hydro Act*”). The Directors and Chair are appointed by and accountable to Government. The Corporation also falls under the jurisdiction of the provincial Government through the *Utilities Commission Act*, *Financial Administration Act* and the *Financial Information Act*.

While the *Hydro Act* allocates the responsibility to “*manage the affairs of the Authority or supervise the management of those affairs*” to the Board, the Board delegates to the President & Chief Executive Officer the responsibility for the day-to-day leadership and management of the Corporation.

Directors are stewards of the Corporation. They have the responsibility to oversee the conduct of business, supervise management and endeavor to ensure that all major issues affecting the business and affairs of the Corporation are given proper consideration. In performing its functions, the Board also considers the legitimate interests in BC Hydro held by other stakeholders including employees, suppliers, customers and communities.

In supervising the conduct of business, the Board, through the President & Chief Executive Officer, sets the standards of conduct for BC Hydro and ensures the safety of its operations.

Procedures and Organization

The Board operates by delegating to management certain of its authorities, including spending authorizations, and by reserving certain powers to itself. Current approval authority levels are contained in the board-approved Financial Responsibility & Approval Policy.

The Board retains responsibility for managing its own affairs including the responsibility to:

- a) Annually review, in conjunction with the President & CEO, the skills and experience represented on the Board in light of the strategic direction of the Corporation, for the purpose of recommending the criteria Government should consider when appointing Directors.
- b) Make recommendations to the Chair and to Government regarding the criteria it should consider in making appointments to the Board.
- c) On the recommendation of the Chair, appoint, determine the composition of, and set the mandate for, Board Committees.
- d) Implement an appropriate process for assessing the effectiveness of Board governance, Committees and the contribution of Directors.
- e) Assume responsibility for the Corporation’s corporate governance practices and ensure they meet the needs of Government, the Corporation, and the public.

The Board of Directors has specific responsibility for environmental matters that have a bearing on the business of BC Hydro. On 23 May 2008, the Board adopted a standard that sets out these roles and responsibilities. In addition, certain environmental responsibilities were delegated by the Board of Directors to the Chief Executive Officer¹. Please refer to Tab 5.

Duties and Responsibilities

Commercial Interests and Public Policy

The shareholders of a commercial enterprise elect a Board of Directors to represent their ownership interests. In contrast, Government, as the representative of the public at large, is the sole shareholder of a crown corporation and Cabinet has responsibility for appointing suitable Directors to govern that Corporation. In its representative capacity, Cabinet must ensure that the business affairs of its crown corporations are conducted in the public interest.

The positioning of a crown corporation raises unique challenges for its governance. Commercial crown corporations such as BC Hydro, are governed not only by financial results but also by expectations of corporate behaviour consistent with standards that apply to the public sector.

BC Hydro applies sound business practices to manage its operations and develop corporate strategies that result in a profitable business enterprise. It is also committed to discharging the public policy responsibilities that are assigned to it by its shareholder, the Government, and agreed upon by the Corporation.

One of the major challenges of the Board and its management is to ensure the Corporation is operated in a commercial manner while fulfilling its public policy responsibilities.

Government's Mandate

Government's *Governance Framework for Crown Corporations* establishes guiding principles for the governance of its Crown agencies. The framework also identifies roles and responsibilities for the Shareholder and its Crown corporations and provides for a *Government's "Mandate Letter"* to be jointly developed.

The *Mandate Letter* confirms the shared understanding of the Shareholder, represented by the Minister of Energy and Mines, and BC Hydro, on issues of corporate mandate, public policy, strategic priorities and performance expectations. The *Mandate Letter* also serves as the basis of agreement between the Shareholder and BC Hydro on those issues, priorities and expectations and will, as a result, be utilized in the development of BC Hydro's annual Service Plan.

All Directors are required to sign the *Mandate Letter*. The current *Mandate Letter*, which is issued annually and amended as required, is located at Tab 31.

The following subsections describe various areas of the Board's responsibilities, and specify the role of the Board, to be exercised either directly or through its Committees, in respect of those responsibilities:

Selection of Management

The Board has the responsibility to:

- a) Appoint and replace the President & CEO and monitor and evaluate her or his performance.
- b) Approve the President & CEO's compensation.
- c) Provide advice and counsel to the President & CEO in the execution of the her or his duties.
- d) Ensure plans are made for management succession and development.

Strategy Determination

The Board has the responsibility to:

- a) Annually review with management, and approve the Corporation's strategic business plan, taking into consideration the public policy responsibilities of the Corporation.
- b) Safeguard the Corporation's resources by approving annual operating and capital budgets, and major new project proposals while maintaining a focus on customer service.

Monitoring and Acting

The Board has the responsibility to:

- a) Monitor BC Hydro's progress towards the objectives set in the corporate strategic business plan, operating and capital plans, and to revise and alter its direction through management in light of changing circumstances.
- b) Direct management to ensure that systems are in place for maintaining the integrity of and implementing BC Hydro's internal financial control and management information systems.

Risk Oversight

The Board is responsible for risk oversight across the entire portfolio of activities and risks engaged in by the Corporation, including understanding the relationship between the principal risks. With input from management, the Board identifies principal risks to BC Hydro achieving its objectives, endorses management's recommendations around risk tolerance and ensures that systems are in place to manage and monitor those risks. Through its review of reports from the Chief Risk Officer and with input from the Board Committees, the Board of Directors will assess the appropriateness and consistent application of systems to manage principal risks within the Corporation and ensure that key matters of risk are brought forward for action by the Board and management.

The President & CEO of the Corporation, with advice from the Chief Risk Officer, is responsible for establishing processes, procedures and mechanisms by which key matters of risk are identified, and ensuring that strategies are developed to manage such risks.

The Board will receive quarterly reports from the Chief Risk Officer, and from other areas of the Corporation as it considers appropriate or timely.

Policies and Procedures

The Board has the responsibility to:

- a) Approve and monitor, through management, compliance with all significant policies and procedures that govern BC Hydro's operations.
- b) Approve and act as the guardian of BC Hydro's corporate values.
- c) Direct management to implement systems designed to ensure that BC Hydro operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.

Corporate Communications

The Board must pay particular attention to the fact that it operates within a highly public environment. The actions of the Corporation have a significant public impact and there is a need to ensure communications with the public and Government are effective and appropriate.

The Board has the responsibility to:

- a) Ensure the Corporation has in place a policy to enable management and the Board to communicate effectively with the Government, stakeholders and the public generally.

- b) Ensure the financial performance of BC Hydro is adequately and promptly reported to the Government, the public, security holders and regulators.
- c) Ensure financial results are reported fairly and in accordance with generally accepted accounting principles.
- d) Ensure timely reporting of any other developments that have a significant and material effect on the performance of BC Hydro.
- e) Report annually to the Government on the Board's stewardship for the preceding year through the Service Plan Report.

General Legal Obligations of the Board of Directors

The Board is responsible for directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained.

Legal duties are imposed on Directors. The basic legal duties are imposed at common law. Directors are under a fiduciary² duty to BC Hydro to carry out the duties of their office:

- Honestly and in good faith.
- In the best interests of BC Hydro.
- With the care, diligence, and skill of a reasonably prudent person.

Directors have specific statutory duties and obligations under employment, environmental and financial reporting law as well as under the withholding provisions of taxation law.

² without being legally precise, a fiduciary duty is duty to act for the benefit of another, like a trustee.

DUTIES AND OBLIGATIONS OF BC HYDRO DIRECTORS

Introduction

BC Hydro is a statutory corporation created pursuant to the *Hydro and Power Authority Act* (“*Hydro Act*”) and is an unusual Corporation in a number of respects. Unlike an ordinary commercial corporation, there is no person who owns shares in BC Hydro. Section 2 of the *Hydro Act* says merely that BC Hydro is a Corporation “consisting of persons who are appointed as Directors and who hold office” as provided in that Act. Under section 4(1) of the *Hydro Act*, the Directors of BC Hydro are appointed by the Lieutenant Governor in Council (Cabinet) and hold office during pleasure - which means that they can be dismissed by Cabinet at any time.

Many important aspects of BC Hydro’s business are highly regulated. Amongst other things, the Corporation is subject to the jurisdiction of the British Columbia Utilities Commission (BCUC) under the *Utilities Commission Act*, and to the jurisdiction of the provincial Government under the *Financial Administration Act* and the *Financial Information Act*. Moreover, Section 3(1) of the *Hydro Act* declares the Corporation to be “for all its purposes an agent of the government and its powers may be exercised only as an agent of the government”.

BC Hydro’s business and affairs touch in distinctive ways upon important facets of the public and economic policy of the Province and its Government. The Corporation is an influential economic institution. It has powers of expropriation, its activities raise environmental issues that have a high public profile, it is an important employer and it is a significant participant in the international money markets, although formally its borrowings are undertaken through and in the name of the Province.

Simply put, BC Hydro does not fit neatly into any category of corporation. It is a hybrid, partaking in some respects of the characteristics of ordinary commercial corporations, but in other respects differing significantly from them.

The following discussion is intended to provide a general description of the powers, duties and obligations for Directors of BC Hydro. This document forms part of BC Hydro’s governance framework defining the roles and responsibilities of the Board and Management and the processes to be used for ensuring good governance at BC Hydro.

Duties of Directors

It is not surprising that, with few exceptions, the provisions of the British Columbia *Business Corporations Act* (the successor to the *Company Act*) which allocate rights and responsibilities among Directors and shareholders of ordinary commercial corporations and define the duties of Directors, do not apply to BC Hydro.

Unlike most British Columbia corporations, BC Hydro was not created or registered under the *Business Corporations Act*. Also, by virtue of Section 32 of the *Hydro Act*, most of the *Business Corporations Act*, and most other Provincial legislation, is not applicable to the Corporation.

The body of law that has grown up around Directors of ordinary commercial corporations is however useful in providing initial guidance on the powers, duties and obligations of BC Hydro Directors. Section 5 of the *Hydro Act* (in which BC Hydro is referred to as “the authority”) provides that the Directors of BC Hydro:

“must manage the affairs of the authority or supervise the management of those affairs, and may
a) exercise the powers conferred upon them under this Act;

- b) exercise the powers of the authority on behalf of the authority; and
- c) delegate the exercise or performance of a power or duty conferred or imposed on them to anyone employed by the authority.”

This provision is central. The Directors have a statutory duty either to manage BC Hydro's affairs themselves, or to supervise management by others. This duty cannot be avoided and, to put it in perspective, is consistent with the standard requirement that Directors be able to demonstrate “due diligence” if prosecuted for statutory offences, such as those under various environmental laws.

The nature, size and diversity of BC Hydro combine to make it practically impossible for the Directors to directly manage the affairs of the Corporation. It is both unavoidable and necessary for them to delegate significant management responsibilities to others. Section 10 of the *Hydro Act* permits the Corporation to appoint a secretary, executive officers, and other employees and consultants, to define their duties, and to “provide a system of organization to establish responsibility and promote efficiency”.

The general duty to supervise management means that each Director has an obligation to be satisfied that:

- a) in all circumstances, the arrangements made for the actual management of BC Hydro's affairs are reasonable;
- b) those arrangements are consistent with the *Hydro Act* and any other applicable legal requirement;
- c) actual management and operational responsibility is entrusted to persons who are competent and trustworthy;
- d) the Directors are kept adequately and regularly informed concerning performance of management functions; and
- e) when significant legal non-compliance matters come to their attention, the Directors follow up to ensure corrective action is taken.

Involvement of Directors in day-to-day affairs

To properly discharge the obligations noted above with respect to the duty to supervise management, a Director must be fully informed of the full scope of the activities of the Corporation, including details of its financial affairs and the way in which it interacts with relevant departments of Government and regulatory bodies. While it is reasonable for Directors to assume that appropriate arrangements exist for the conduct of BC Hydro's affairs by competent and trustworthy officers and employees, these arrangements, together with the Board governance framework, should be continuously reviewed.

A Director of BC Hydro is not bound to give continuous attention to BC Hydro's affairs. The duties of a Director are of an intermittent nature. They are to be performed at periodic meetings of the Board and of any Board Committees to which the Director may be appointed. The functions of Directors are to be exercised at meetings of Directors, or in such other forums as the Board determines to be appropriate. Individual Directors have neither the responsibility nor the authority to give detailed instructions to officers or employees of the Corporation on how they perform their job functions or how they are to act in a particular circumstance.

Reliance on Management

A Director is entitled to trust senior management, and to rely upon them, unless there are grounds for not doing so. Reliance upon information, opinions, and reports prepared or presented by others is entirely appropriate, unless there are reasonable grounds for believing that such reliance is misplaced. There may also be occasions on which it is prudent for the Board or a Board Committee to retain competent outside advisors.

The same principles apply to Directors in their capacity as Committee members. A Director who knows, or has reason to suspect that some person, information, or opinion should not be relied upon, has an obligation to bring that knowledge or suspicion to the attention of the other Board or Committee members.

Committees of the Board of Directors

A Director who is a member of a Committee should approach the work of the Committee in exactly the same fashion as the work of the Board is approached. Committees of the Board, and individual Directors who are delegated specific responsibility or oversight by the Board for some area of BC Hydro's business or operations, should recognize that the Board is placing particular reliance on them with respect to that area and, as a result, the members of such Committees and such individual Directors have additional responsibility to be diligent.

If there are reasonable grounds to believe that the sources of the Committee's or individual Director's information are competent and reliable, and the procedures by which that information was obtained are thorough and reasonable, such information may be relied upon.

A Director who has special competence in a particular aspect of the operations of BC Hydro has an obligation to take a special interest in those operations and to assist the other Directors to evaluate the conduct of them. Directors with special knowledge or insight are bound to use that knowledge to the advantage of the Board as a whole and, in this way, in the best interests of the Corporation. (See *Director's Duty of Care*)

Obligations of Directors

Directors of BC Hydro have a duty to exercise the care, diligence and skill of a reasonably prudent person. The duty of care, diligence and skill is an individual obligation and must be discharged by each Director.

In general, the powers of the Directors are exercised as a Board at meetings by means of resolutions. They are not exercised individually and separately. Individual Directors and sub-groups of the Directors cannot exercise the powers of the Board unless specifically authorized or constituted as a Committee by Board resolution. It is considered that the best interests of a corporation are more likely to be promoted by collective deliberation and an exchange of views at a meeting, than if meetings are not held.

Individual Directors do not have a legal duty to attend every Board or Committee meeting in the sense that failure to attend a particular meeting would be a breach of duty. Directors do, however, have a general obligation to attend meetings with sufficient regularity to ensure that they are able to discharge their obligation, as part of the collective, to supervise management.

Directors as Fiduciaries

The Directors of BC Hydro, no less than the Directors of any other corporation, occupy a “fiduciary” position. Perhaps the best known example of a fiduciary position is that of the trustee of a trust. The exercise of the powers of fiduciaries, including Directors, is subject to certain limitations. These are conveniently summarized in a provision of *the Business Corporations Act* which provides that Directors must exercise their powers and perform their functions “honestly and in good faith with a view to the best interests of the company”. These principles also apply to Directors of BC Hydro.

The powers of the Directors are conferred upon them to exercise on behalf and for the benefit of BC Hydro. The Directors are legally bound to serve the interests of the Corporation.

Conflict of Interest

a) *Hydro Act requirements*

Section 7 of the *Hydro Act* provides as follows:

“A director of the authority must not, directly or indirectly,

(a) [Repealed 2001, c. 31, s. 1]

(b) have an interest in any device, appliance, machine, article, patent or patented process that is used in the generation or supply of power, or

(c) have an interest in a contract for the construction of, or doing any work on, a power plant.”

The definition of “power” as used in Section 7(b) is very broad and includes energy, light, heat, electricity and natural, manufactured or liquefied gas. The definition of “supply” also used in Section 7(b) is similarly broad and includes transmission and distribution. The definition of “power plant” used in Section 7(c) includes land, water rights, buildings, machinery, devices, appliances, furniture and equipment, vehicles, and supplies constructed, acquired, used or adapted in connection with the generation or supply of power (as broadly defined). Thus, under Section 7 of the *Hydro Act*, a Director must not directly or indirectly (e.g. through interests held for the Director by others) have an interest in any device, machine or patent, or in any contract for construction of or doing work on any facilities or assets, in either case used in connection with generation, transmission or distribution of electricity, heat, light or gas. This prohibition is absolute and if a Director, or another person on the Director’s behalf, has any interest described above, it must be divested.

Note that the prohibitions in Sections 7(b) and 7(c) likely do not apply to interests held through investments in corporations, mutual funds or other managed investments. Former Section 7(a) of the *Hydro Act*, which was repealed in 2001, did prohibit BC Hydro directors from holding, acquiring or becoming interested in any share, stock, bond, debenture or other security of a company that generates or supplies power. That provision had the effect of prohibiting directors from directly or indirectly owning shares or bonds of companies generating, transmitting or distributing light, heat, electricity or gas, arguably including ownership through mutual funds or similar managed investments. The repeal of Section 7(a) removed perhaps the most onerous statutory limitation on directors’ investments through share, bond or mutual fund ownership. However, Directors should note that the Code of Conduct (including the July 2002 Clarification of “Conflicts of Interest” and “Benefits”) continues to address investments in companies and mutual funds where a

conflict of interest could arise.

b) Common law fiduciary duties

A basic legal rule applicable to all fiduciaries is that they may not enter into contracts or transactions in which they have a personal interest conflicting, or which possibly may conflict, with the interests of those with whom they are in a fiduciary relationship. This rule applies to Directors of BC Hydro in their relationship with the Corporation. All transactions with the Corporation should be avoided, whether they relate to the purchase or sale of land, the supply of professional or other services, or otherwise. Such transactions provide significant potential for embarrassment both for the Director and the Corporation, and for harm to both.

c) Director and Employee Code of Conduct

The *Director and Employee Code of Conduct* provides guidance to Directors on their expected conduct in relation to the Corporation. All Directors are required to sign an annual declaration (Attachment 5 to the Code) stating that they have read the Code and agree to conduct themselves in accordance with its provisions.

In particular, the Code discusses common circumstances where Directors might find themselves in an actual or apparent conflict of interest. The Code states “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”.

Such conflicts may arise directly as a result of the Director’s interests or indirectly as a result of the interests of what the Code defines as “an associate” (Refer to the *Definitions* section of the *Code of Conduct*). Generally speaking, an associate includes a spouse, a close relative or a company in which the Director has an ownership interest beyond a threshold amount.

All Directors are obliged to avoid placing themselves in any situation where actual or apparent conflicts could occur. To assist Directors identify any potential conflicts of interest and discuss how to avoid them, Directors are required to meet with BC Hydro’s Code Advisor on their appointment to the Board, and at any time appropriate thereafter. In addition, Directors are required to meet with the Code Advisor annually, usually in April, to discuss the Director’s private interests and the potential for actual or apparent conflicts of interest.

The Code Advisor is an external contractor appointed by the Board of Directors and retained by the Corporation to provide confidential, independent advice to Directors and Executive Officers.

In extraordinary circumstances, and where it is clearly in BC Hydro’s best interests, the Chair may exempt a Director from the requirements of the Code (Attachment 4 to the Code).

Directors who find themselves in a conflict of interest must disclose it and must not participate in discussions, attempt to influence the discussions or vote with regard to the activity or transaction that gives rise to the conflict. The *Protocol to avoid Directors’ conflicts of interest* (Attachment 2 to the Code) sets out the specific steps a Director must take to declare a conflict and avoid participation in the discussions or votes with regard to the activity or transaction giving rise to the conflict.

Duty to act honestly, in good faith and with a view to the best interests of the Corporation

Directors must exercise their powers honestly, in good faith and with a view to the best interests of the Corporation. It is the Corporation that is the beneficiary, as it were, of the fiduciary duty of the Directors.

Directors are not the delegates of any particular constituency, whether from the business community, the environmental movement, the trade union movement, consumers, or any other group. It is improper, and a breach of duty, for a Director to act, as a Director, on the instructions or in accordance with the wishes of such a group or organization, unless the Director is satisfied that so to act is consistent with the best interests of BC Hydro.

Directors are expected to exercise their own independent judgment about matters that come before them as Directors, and to devote themselves without distraction to the best interests of BC Hydro. They hold their powers in trust, not for the constituents of a group or organization, but for the Corporation. They are entitled to take account of the views and interests of other constituencies, but are not entitled to prefer those interests or views over the interests of BC Hydro. To do so would be a breach of a Director's fiduciary duties.

Neither the fact that the Directors have been appointed by Government, or the fact that they are removable by the Government at its pleasure, makes any Director a delegate of the Government.

Directors are not bound as a matter of course to act on what they think would be the wishes of the Government any more than they would be bound to act on what they think might be the wishes of any other constituency, in disregard of what they consider to be BC Hydro's best interests.

As set out in the *Terms of Reference for the Board of Directors* (Board Governance Manual, Tab 3 - *Commercial Interest and Public Policy*), BC Hydro is committed to discharging the public policy responsibilities assigned to it by Government. This commitment could conflict with the duty of Directors, discussed below, to act with a view to the best interests of the Corporation.

If Government requests BC Hydro to act in a particular manner which is lawful, but about which the Directors consider that they have insufficient information to determine whether it is in the best interests of the Corporation, the Directors have a choice. They can insist that before acting the relevant instructions be given specifically, explicitly, and in writing, and that they be accompanied by an appropriately drafted indemnity from Government against any liability that may result from having acted in breach of duty. Alternatively, they can insist that Government makes its request legally binding upon the Corporation by legislation.

Indemnification and Insurance

In relation to the above, Section 32(7)(c) of the *Hydro Act* specifically makes Division 5 of Part 5 of the *Business Corporations Act* applicable to BC Hydro. This provision permits a company to indemnify an "eligible party" (including directors, officers, former directors and former officers) against all "eligible penalties" awarded or imposed in an "eligible proceeding", and to pay, subject to certain rules, the "expenses actually and reasonably incurred by an eligible party in respect of that (eligible) proceeding".

An "eligible proceeding" is one where the "eligible party" is or may be a party or is or may be liable for or in respect of a judgment, penalty or fine, or expenses related to the proceeding. Indemnification is prohibited by the Act if it is determined that the Director did not act honestly

and in good faith with a view to the best interests of BC Hydro, or, in the case of proceedings other than civil proceedings, if the Director did not have reasonable grounds for believing his or her conduct was lawful.

BC Hydro provides its Directors, the outside Directors of its Subsidiaries, and certain officers with an Indemnity Agreement that is intended to provide protection in the event claims are made against them by third parties (Board Governance Manual, Tab 17 – *Indemnification and Insurance Coverage*).

The Indemnity Agreement attempts to further protect these individuals by providing that the indemnity still applies if the actions of the Director or officer are contrary to the above, but are made pursuant to “Directions” (defined as directions or approvals from the provincial Cabinet or the Minister charged with the administration of the *Hydro Act*). Such a provision may not, if challenged, be upheld by a court so in these circumstances Directors should seek an indemnity from Government as noted above.

BC Hydro will indemnify Directors for expenses and liabilities arising in connection with their service as Directors, whether or not they arise at law (for example, under environmental statutes) or by reason of third party claims (for example, lawsuits for personal injury or breach of contract). The indemnity is only available if:

- a) the Director acted honestly and in good faith with a view to the best interests of BC Hydro,
- b) in the case of fines or penalties, the Director had reasonable grounds for believing that his/her conduct was lawful, and
- c) the indemnity is not otherwise legally prohibited.

Director’s Duty of Care

The *Hydro Act* is silent as to the standard of care applicable to BC Hydro Directors. Since the *Business Corporations Act* does not apply to BC Hydro (except Division 5 of Part 5 dealing with Indemnification), the common law standard of care is therefore applicable. At common law, directors will satisfy their duty “if they act with such care as is reasonably to be expected from them, having regard to their knowledge and experience”. However, “a director need not exhibit in the performance of his or her duties a greater degree of skill and care than may reasonably be expected from a person of his or her knowledge and experience”.

Thus, the standard of care that a Director must discharge is both objective and subjective. It is objective in the sense that the Director must perform his or her duties as would a reasonably prudent person. It is subjective in the sense that if the Director possesses specialized knowledge or skill, he or she must use such knowledge and skill when performing his or her duties in the manner that a reasonably prudent person with the same knowledge and skill would perform the same duties. So, for example, if a Director has special expertise (for example, dam safety), that Director may reasonably be expected to understand the issues and risks, and perhaps to ask more questions and to be more critical of management’s statements, than another. As a result, such a Director may find himself or herself exposed to greater scrutiny should something go wrong which should have been foreseen if the right questions were asked or considerations made. Directors with special expertise, because of their expertise, would be expected to question or follow up on matters that their expertise tells them should be questioned or followed up upon.

It would be prudent for Directors with special expertise to utilize that expertise in fulfilling their Board duties, but it is important for them for there to be appropriate indemnification and D&O Insurance in place. As noted above under *Indemnification and Insurance*. BC Hydro does provide

an Indemnity Agreement to individual Directors together with D&O Insurance coverage (Board Governance Manual, Tab 17 – *Indemnification and Insurance Coverage*).

It is important to note that Directors, with or without special expertise, are generally entitled to rely on technical reports of staff and management unless they know or ought to know better for some reason. In other words, Directors must act in matters on which they know otherwise, despite staff or management assurances.

Potential Directors' liability in respect of a matter such as dam safety is not unlike Directors' liabilities for their company's environmental performance. The established concepts and practices as to environmental due diligence are therefore relevant. Typically, it is prudent for the Board and for any Director or Committee delegated an oversight function, to have in place well designed systems that clearly establish:

- a) the oversight mandate and responsibility,
- b) staff and management responsibilities generally in respect of the subject matter, including requirements/criteria for reporting to an overseeing Director, Committee and/or full Board, monitoring known risks and checking for unknown risks, and follow-up respecting corrective action requirements, and
- c) the overseeing Director's or Committee's criteria and responsibilities for reporting to the Board itself as to incidents, risks, monitoring and corrective action. Such reporting may well be a regular standing item on the full Board's agenda.

Having a system in place, and following it, tends to meet modern requirements of due diligence, thus mitigating the exposure to liability of the Directors. It is important that such a system, if put in place, be followed.

It should be noted that BC Hydro's current dam safety management system is documented in the Dam Safety Management Manual. The manual includes sections on such matters as governance, process roles and responsibilities, quality assurance, and emergency preparedness.

Statutory Liabilities

Various statutes provide for personal liability of Directors of corporations in certain circumstances, whether or not the corporation is also charged or convicted. For example, Section 121(1) of the British Columbia *Environmental Management Act* provides that "if a corporation commits an offence under this Act, an employee, officer, director or agent of the corporation who authorized, permitted or acquiesced in the offence commits the offence whether or not the corporation is convicted".

A Director's liability for the environmental and other offences of a corporation may not be absolute. Rather, it is often subject to the legal defence known as "due diligence". The due diligence defence entitles a Director to an acquittal if the Director can show that all reasonable steps had been taken to prevent the offence from occurring, or else had reasonably believed in a mistaken set of facts which, if true, would have rendered the act or omission innocent.

What constitutes due diligence depends on the regulatory statute, the company, and the situation, but some generalizations can be made. Due diligence generally involves

- a) putting in place a system for preventing non-compliance,
- b) training employees in applying the system,
- c) documenting training, standard operating procedures, policies and so on,
- d) monitoring and adjusting the system,

- e) ensuring that adequate authority is given to the appropriate employees, and planning remedial action in case the system fails at any point.

Confidentiality

Information supplied to Directors of BC Hydro about its business and affairs is supplied to them in their capacity as Directors, for the purposes of permitting them to exercise their powers and perform their duties. It is improper for a Director to use or disclose information received as such for any other purpose, whether for personal benefit, or that of others, unless the information has been generally disclosed to the public. It is also improper to disclose to third parties the content of Board discussions.

Post Term Activities

Public sector entities must make sure that the decisions they make reflect the priorities and values of the government and citizens of BC. Integrity is a core value of BC Hydro and maintenance of the priorities and values of BC Hydro and the government through accountability, impartiality, and integrity are vital to the continued operation of the organization.

In support of these values, Directors are required to maintain all confidences after their term of office as a BC Hydro Director to avoid placing themselves in a conflict of interest, harming BC Hydro or providing a future employer or other third party with an unfair advantage.

Some of Directors' fiduciary duties to BC Hydro, including the obligation to exercise powers honestly, in good faith and with a view to the best interests of the Corporation, do not necessarily continue beyond the Director's term. Activities that would pose a conflict of interest during a Director's term – including because of competing obligations of candour, confidentiality and acting in an entity's best interests – are unlikely to be precluded post-term. However, the obligation Directors have to keep confidential and not disclose non-public information about BC Hydro's business and affairs that was supplied to them in their capacity as Directors continues indefinitely.

Directors also may not make use of non-public information received in the course of their term as Director for personal or third party benefit after the end of their term. This obligation is consistent with BC Hydro's interest in maintaining its reputation and protecting the integrity of its public processes, including competitive procurement processes.

In addition, for 24 months after the end of a BC Hydro Director's term, the former Director must disclose to the Corporate Secretary all BC Hydro Business Relationships with an Outside Entity in which the former Director performs Work or in which the former Director has a significant financial or personal interest.

For the purpose of these provisions:

“BC Hydro Business Relationship“ means any transaction with terms that are the subject of negotiation with BC Hydro or the performance of which involve the exercise of BC Hydro's discretion (including competitive tenders, Requests for Proposals, direct award contracts and so on).

“Outside Entity“ means a person or entity other than a BC government public sector entity.

“Work” services provided to an Outside Entity as an employee, sole proprietor, partner, consultant, advisor, or board member.

The disclosure of an anticipated Business Relationship will not prevent the former Director from engaging in Work for an Outside Entity. The purpose of the disclosure is to enable BC Hydro to identify and take steps to prevent or address any unfair competitive advantage or reasonable perception of bias including those within the context of public procurement processes.

A Director may seek an exemption from the application of these provisions through the Board Chair, or in the case of the sitting Board Chair, through the Chair of the Governance and Human Resources Committee. In making a determination on the exemption request, the Board Chair or (Chair of the Governance and Human Resources Committee) will consider, among other things:

- a) the nature of BC Hydro’s negotiations, and decisions in respect of the BC Hydro Business Relationship, and
- b) the degree to which the former Director’s anticipated involvement with an Outside Entity may be perceived or expected to give that party an unfair commercial advantage.

BOARD OF DIRECTORS' RESPONSIBILITY FOR SAFETY, HEALTH AND ENVIRONMENTAL STEWARDSHIP

Introduction

This standard sets out the specific safety, health and environmental (SH&E) roles and responsibilities of the Board of Directors. The standard received Board approval on 23 May 2008.

Responsibility and Commitment

The Board of Directors will focus on governance aspects of SH&E issues, ensuring responsibility and accountability for direction, performance and corporate due diligence. Specifically, the Board will:

- a) Set and communicate SH&E direction for the Corporation, including:
 - SH&E policies
 - expectations related to the presence and effectiveness of management systems to control SH&E risks associated with the Corporation's activities
 - expectations related to levels of tolerable risk and risk reduction
- b) Ensure the Corporation, through the financial approval process, is appropriately applying adequate resources to implement SH&E direction
- c) Require integrated checking, corrective action and management review programs for the Corporation, including
 - reviewing the results from these programs, with specific focus on implementation of SH&E direction and being responsible for corrective actions being implemented
 - confirming, or revising, periodically SH&E direction

Delegation of Responsibility and Accountability Authority

The Board of Directors hereby delegates to the President & Chief Executive Officer (and delegates) responsibility and accountability for implementing BC Hydro's SH&E direction and for ensuring the SH&E performance of the Corporation is in accordance with the policies set by the Board.

RESPONSIBILITY of the CHIEF EXECUTIVE OFFICER for SAFETY, HEALTH & ENVIRONMENTAL (SH&E) STEWARDSHIP

Introduction

This standard describes the Safety, Health and Environmental (SH&E) responsibilities delegated by the Board of Directors to the President & Chief Executive Officer (CEO).

Authority and Responsibility

In accepting the authority delegated by the Board of Directors, the President & CEO may delegate responsibility for the oversight and reporting of the following:

1. Implementation of the SH&E direction established by the Board of Directors, including development of BC Hydro's management system that will ensure SH&E policies are implemented;
2. Implementation of coordinated processes to identify and manage significant SH&E issues, including defining objectives, programs, systems, and standards to address risks at the appropriate level in the Corporation;
3. Definition of organizational arrangements and resources to ensure that BC Hydro's SH&E policies are effectively implemented;
4. Definition of systems and processes to measure and improve SH&E performance; and
5. Assignment of responsibilities for SH&E and sustainability issues that are of significance to the Corporation and require strategic leadership or coordination.

Commitment and Delegated Authorities

Specifically, the President & CEO may delegate authority and responsibility for:

1. Establishing and implementing the SH&E Management System for BC Hydro;
2. Leading SH&E planning for issues of strategic significance for BC Hydro;
3. Developing and approving BC Hydro SH&E standards, after consultation with the appropriate Executive Team members or their delegates;
4. Assessing the SH&E performance of BC Hydro and identifying opportunities to continuously improve;
5. Ensuring that integrated systems for checking, corrective action, management review and improvement programs are in place throughout BC Hydro, including but not limited to:
 - Reviewing the results from these programs, with specific focus on ensuring implementation of the SH&E direction set by the Board of Directors and ensuring that corrective actions are taken; and
 - Reporting the results to the Board of Directors;
6. Coordinating reporting of BC Hydro SH&E performance, management system effectiveness and corrective actions to senior management and the Board of Directors.

The Chief Executive Officer delegates to the Executive Team members responsibility and authority for the SH&E performance of their respective business groups, within the boundaries established by the Board of Directors for the Corporation as a whole, and within the parameters set by, and overseen and reported by management.

Executive Team members shall comply with the above performance requirement by ensuring their business groups:

1. Demonstrate and develop SH&E leadership competency;
2. Establish SH&E Management System components that are compliant with the BC Hydro SH&E standards, integrating these components within the core business processes for BC Hydro;
3. Have effective capability to implement, maintain and improve their SH&E roles and responsibilities for all reasonably foreseeable events; and
4. Explicitly delegate to their workforce the line management responsibility for controlling SH&E risks.

In addition, the Chief Executive Officer delegates the following to the Executive Team members:

1. Implementing, maintaining and improving the relevant components of the BC Hydro SH&E Management System for their business group;
2. Leading strategic SH&E planning for issues of business group importance, and as assigned, issues of company wide significance;
3. Annual preparation of a SH&E plan, programs and budget;
4. Approving of SH&E standards specific to their business group; and
5. Assessment and reporting of their business group SH&E performance, management system effectiveness and corrective actions, including information required for reporting to senior management and the Board of Directors; as per the requirements of the Corporate SH&E Management System.

TERMS OF REFERENCE DIRECTOR

Goals and Objectives

As a member of the Board, each Director will:

- fulfill the legal requirements and obligations of a Director, which include a comprehensive understanding of statutory and fiduciary roles;
- represent the Shareholder in the governance of the Corporation ensuring that the best interests of BC Hydro are paramount; and
- participate in the review and approval of BC Hydro policies and strategy and in monitoring their implementation.

Duties and Responsibilities

Board Activity

As a member of the Board, each Director will:

- exercise good judgment and act with integrity;
- use his or her ability, experience and influence constructively;
- be available as a resource to management and the Board;
- respect confidentiality;
- advise the President & CEO or Chair in advance of introducing significant and previously unknown information at a Board meeting;
- understand the difference between governing and managing, and not encroach on management's area of responsibility;
- identify potential conflict areas – real or perceived – and ensure that they are appropriately reviewed;
- as necessary and appropriate, communicate with the Chair and President & CEO between meetings;
- demonstrate a willingness and availability for individual consultation with the Chair or President & CEO; and
- evaluate the performance of the President & CEO and the Corporation.

Preparation and Attendance

To enhance the effectiveness of Board and Committee meetings, each Director will:

- prepare for each Board and Committee meeting by reading the reports and background materials provided for the meeting;
- maintain an excellent Board and Committee meeting attendance record; and
- acquire adequate information necessary for decision making.

Communication

Communication is fundamental to Board effectiveness and therefore each Director will:

- participate fully and frankly in the deliberations and discussions of the Board;
- encourage free and open discussion of the affairs of BC Hydro by the Board;
- ask probing questions, in an appropriate manner and at proper times; and
- focus inquiries on issues related to strategy, policy, implementation and results rather than issues relating to the day-to-day management of BC Hydro.

Independence

Recognizing that the cohesiveness of the Board is an important element in its effectiveness, each Director will:

- be a positive force with a demonstrated interest in the long-term success of BC Hydro; and
- speak and act independently.

Board Interaction

As a member of the Board, each Director should establish an effective, independent and respected presence and a collegial relationship with other Directors.

Committee Work

In order to assist Board committees in being effective and productive each Director will:

- participate on Committees and become knowledgeable about the purpose and goals of the Committee; and
- understand the process of Committee work, and the role of management and staff supporting the Committee.

Business, Authority and Industry Knowledge

Recognizing that decisions can only be made by well-informed Directors, each Director will:

- become generally knowledgeable of the business of BC Hydro and its industry;
- develop an understanding of the unique role of BC Hydro within the community;
- maintain an understanding of the regulatory, legislative, business, social and political environments within which BC Hydro operates;
- become acquainted with the senior managers of BC Hydro;
- remain knowledgeable about BC Hydro's facilities and visit them when appropriate; and
- be an effective ambassador and representative of BC Hydro.

TERMS OF REFERENCE BOARD CHAIR

Introduction

The Board assumes responsibility for the stewardship of BC Hydro and as a consequence has accountability for the management of BC Hydro. Critical to meeting this accountability are the relationships between the Board, Government and Management, and among Directors.

The Board Chair (Chair) is appointed by Government and may act in a full or part-time capacity (or non- capacities), depending upon the requirements of the Corporation.

These Terms of Reference set out the core responsibilities and deliverables of the Chair. Separate Terms of Reference have been developed for the role of President and Chief Executive Officer (see *Tab 8*).

The Chair, as the presiding Director, provides leadership in guiding the Board and coordinating its activities in the best interests of BC Hydro. In performing this role, the Chair manages the affairs of the Board, works closely with the President and Chief Executive Officer, including ensuring effective relations with Government, other stakeholders and the public. The Chair also works with Government and the Chair of the Governance and Human Resources Committee to ensure that the Board composition meets professional and other requirements and that the Board's membership is renewed on a timely basis.

While the Board supports the concept that the role of Chair is separate from that of Chief Executive Officer, it acknowledges that there may be exceptional circumstances when it is appropriate to combine the roles of Chair and Chief Executive Officer. Refer to *Tab 2 – Board of Directors' Guidelines: Chair of the Board* - for more discussion on this matter.

The Chair's compensation shall be consistent with all applicable Public Sector Employers' Council rules and guidelines.

Chair Working with Management

- Act as a sounding board and counselor for the President & CEO, including helping to identify problems, reviewing strategy, maintaining accountability, building relationships and ensuring the President & CEO is aware of concerns of the Board and Government, and the Board is aware of the principal concerns of management.
- Lead the Board in monitoring and evaluating the President & CEO's performance.
- Ensure BC Hydro's public policy mandate is articulated and documented annually prior to the finalization of the strategic business plan.
- Together with the President & CEO, act as a primary spokesperson for BC Hydro and oversee the Corporation's interfaces with Government and other stakeholders including:
 - developing and implementing a communications program; and
 - representing the Corporation in its interface with Government, regulatory bodies and other stakeholders.

- Collaborate closely and rigorously exchange information with the President & CEO, including maintaining a close liaison regarding communication strategies with Government.
- Ensure corporate strategy, plans and performance are presented to the Board.
- Ensure the President & CEO presents management succession and development plans at least annually and implements them.
- Foster a constructive and harmonious relationship between the Board and management.
- Appoint, liaise with and provide direction to the Corporate Secretary.

Chair Managing the Board of Directors

- Provide leadership to the Board.
- Ensure the Board has full governance of the Corporation's business and affairs and is alert to its obligations to BC Hydro, Government, and stakeholders and under the law.
- Assist the Board in reviewing and monitoring the strategic business plan, policy and directions of BC Hydro and the achievement of its objectives.
- Ensure there is cohesion of direction and purpose at a policy and strategic level.
- Build consensus and develop teamwork within the Board.
- Communicate with the Board to keep it up to date on all major developments, including timely discussion of potential developments.
- Direct management to ensure that the Board has sufficient knowledge to permit it to make major decisions when required.
- Co-ordinate the agenda, briefing packages and related events for Board meetings with the President & CEO and the Corporate Secretary.
- In consultation with the Board and the President & CEO:
 - recommend the necessary committees, their mandates and the appointment of Committee Chairs and members to the Board for approval;
 - annually evaluate each Committee's appropriateness in the current environment and recommend such adjustments as are deemed necessary from time to time; and
- Attend committee meetings as appropriate.
- Set the frequency of Board meetings and review such frequency from time to time as considered appropriate or as requested by the Board.
- Establish annually, in advance, the Board Calendar and coordinate fulfillment of the requirements set by this Board Manual.
- Annually lead or conduct the review and assessment of Board composition, performance and compensation, all in conjunction with any relevant committees of the Board.
- Chair Board meetings.
- Ensure Board and Committee meetings are conducted in an efficient, effective and focused manner.
- Ensure, with the assistance of management, that there is an orientation program for new Directors and an ongoing development program for existing Directors aimed at increasing the Directors' familiarity with the Corporation, its industry, and their unique responsibilities as crown corporation Directors.

Relations with Government, Other Stakeholders and the Public

- The Chair is appointed by Government and as a result, has a unique relationship with and responsibility to Government. The Chair shall, in consultation with the President and CEO:

- Undertake speaking and/or other public engagements in connection with the Corporation's activities.
- Represent the Corporation in its interface with Government, regulatory bodies, other stakeholders in Canada and other jurisdictions.
- Ensure the Corporation's management and the Board are appropriately represented to Government and other stakeholders.
- Ensure BC Hydro's management and, where applicable, the Board are appropriately represented at official functions and meetings.

Acting Chair

- In situations where the Chair is unable to perform his or her duties as set out above or as otherwise authorized by the Board, the Board delegates the Chair's authority and responsibilities to the following Acting Chairs, in succession, for the period of the Chair's inability to perform such duties:
 - the Chair of the Governance & Human Resources Committee, or, if unable,
 - the Chair of the Audit & Finance Committee, or, if unable,
 - the Chair of the Capital Projects Committee, or, if unable,
 - the Chair of the Operations & Planning Committee.
- For the purposes of this delegation, an Chair is considered unable to perform duties in the following circumstances:
 - they are physically or mentally incapacitated;
 - where, in an emergency situation, it is impracticable to contact them within a reasonable time;
 - they declare a temporary inability or unavailability to perform their duties as Chair for any reason.
- Any actions taken by an Acting Chair in reasonable reliance upon the delegation of authority set out above are considered to have been performed under the authority granted to the Chair.

TERMS OF REFERENCE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Introduction

The President and Chief Executive Officer (President & CEO) is the senior management officer of BC Hydro.

The President & CEO may or may not be a member of the Board of Directors. When the President & CEO has not been appointed to the Board by Government, it will be Board policy that the President & CEO can expect to receive the same information as any other Director, except that information relating to the President & CEO's performance, as appropriate.

President & CEO's Duties and Responsibilities

- Lead and manage BC Hydro within the parameters established by the Board and its Committees.
- Report to the Board.
- Develop and recommend the strategic business plan to the Board and successfully implement corresponding corporate operational plans, capital plans and other supporting initiatives.
- Ensure the Corporation's public policy responsibilities that have been assigned by the Government have been incorporated into the strategic business plan (aka Service Plan).
- Identify and report to the Board principal risks of the business and ensure the implementation of systems to manage these risks.
- Develop and recommend to the Board the overall corporate organizational structure.
- Seek Board approval for expenditures, revenue measures, leases or other actions or transactions falling outside the plans approved by the Board.
- Direct and monitor the Corporation's activities in a manner that ensures the assets of BC Hydro are safeguarded and optimized.
- Develop and implement operational policies to guide BC Hydro within the limits prescribed by the framework of the strategic directions adopted by the Board.
- Ensure BC Hydro builds strong, sustainable relationships with Indigenous communities which are grounded in mutual trust and respect, and the principles of reconciliation.
- Ensure the integrity of BC Hydro's internal control and management systems.
- Ensure the safe efficient operation of BC Hydro and ensure compliance with BC Hydro's Corporate Policies, as they may be amended from time to time by the Board.
- Ensure BC Hydro achieves and maintains a satisfactory competitive position within its industry and a high standard for its products and services.
- Continue to build BC Hydro's reputation as a leader in the fields of innovation and diversity.
- Prior to appointing Vice-Presidents, review their appointment with the Chair and the Chair of the Governance and Human Resources Committee of the Board.
- Annually establish and maintain a Board reviewed plan for senior management development and succession.
- Provide the Board, with exposure to the Corporation's key management at Board and Committee meetings.
- Together with the Chair, act as a primary spokesperson for BC Hydro and oversee the Corporation's interfaces with Government and other stakeholders including:

- developing and implementing a communications program; and
- representing the Corporation in its interface with Government, regulatory bodies and other stakeholders.
- Collaborate closely and rigorously exchange information with the Chair:
 - to maintain a close liaison regarding communication strategies with Government and other stakeholders; and
 - to review material issues and to ensure the Chair and other Directors are provided with relevant and timely information.
- Foster a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility.
- When considering any significant non-BC Hydro public service commitments and/or accepting outside Board appointments, seek Board approval and ensure appointments are in accordance with applicable Government policies.

TERMS OF REFERENCE CORPORATE SECRETARY

Introduction

At the direction of the Chair, the Corporate Secretary of BC Hydro assists the Boards of Directors of BC Hydro and its Subsidiaries¹ in the discharge of their respective duties by organizing and recording the activities of each meeting of the Board and Committee of the Board. The Corporate Secretary provides advice to the Boards of BC Hydro and its Subsidiaries, individual directors, and employees of the Corporation to ensure compliance with BC Hydro's governance framework. As a Board-appointed, the Corporate Secretary acts as a signing officer for BC Hydro and its Subsidiaries.

Corporate Secretary's Duties and Responsibilities

Board Management

- Organize meetings of the Boards of Directors of BC Hydro and its Subsidiary companies in accordance with procedures established through the governance framework, or, as elsewhere stipulated by the Boards.
- In accordance with the Board calendar and Committee timetables, prepare draft agendas for Board, Board Committee and Subsidiary Board meetings for discussion with the Chair, President & CEO, Board Committee Chairs and Subsidiary Board Chairs, as appropriate.
- Coordinate and assemble briefing materials with the appropriate breadth and clarity to assist Directors prepare for meetings and perform their policy and oversight role by:
 - developing guidelines and templates to assist Management in the preparation of information in support of each Agenda item;
 - establishing timelines leading up to each meeting that provide for the adequate internal review while providing Directors with sufficient time to prepare. As a general rule, this will incorporate the weekend prior to a scheduled meeting;
 - coaching and assisting Management throughout the meeting preparation process to ensure Board requirements are clearly understood and appropriately communicated to all staff involved in the process;
 - identifying items that require approval by the Board, drafting resolutions as required while ensuring that, where appropriate, a legal review has been undertaken.
- Attend and act as Secretary of Board, Subsidiary and Board Committee meetings, delegating Corporate Secretary staff as appropriate.
- Prepare minutes of Board and Committee proceedings, or ensure this responsibility has been delegated to an appropriate individual. Review all minutes for consistency, appropriateness of recorded decisions and issues with broader implications. Ensure the corporate record is at all times accurate and up to date.
- Refer issues for legal review and opinions to the General Counsel as required.
- Ensure that decisions taken by the Board are communicated to Management in a timely manner. Assist the President & CEO in ensuring all consequential actions are taken by the Corporation.

¹ For the purpose of this Tab 9, "Subsidiary" shall mean the subsidiaries of BC Hydro, other than its fully-operational subsidiaries.

- Acts as liaison between Board and Management and the main point of contact for Directors. At the direction of the Chair, provides Directors with timely information between Board meetings as events warrant. As a matter of policy, when responding to individual Director requests for briefings on particular topics, ensures that all Directors receive the information provided.
- Draft various reports or undertake research for the Chair or President & CEO as required.
- Provide logistical support for annual Board retreats, working with Management to prepare and coordinate retreat materials and arrangements for associated events.

Corporate Governance

- Promote strong corporate governance practices within the Corporation. Act as an information source and advisor on all matters related to corporate governance for Directors and employees of BC Hydro and its Subsidiaries.
- Keep up to date on evolving corporate governance practices and trends, advising the Governance and Human Resources Committee and the Board as part of the annual governance framework review.
- In conjunction with the Chair and the Governance and Human Resources Committee, manage the annual Board assessment. Work with the Chair and President & CEO to implement changes to policy or process that result from the evaluation's recommendations.
- Prepare any required information related to governance or the Board of Directors for the Corporation's Annual Report.
- Manage the Corporation's annual disclosure to ensure consistency with Government's *Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations*.
- Keep up to date on the Corporation's current initiatives and relationships with its Shareholder and stakeholders. A broad understanding of the Corporation and its operations is required in order for the Corporate Secretary to be effective.
- Provide service and advice to both Directors and Management, working to promote a strong working relationship, that includes:
 - assisting with new director orientation, ongoing orientation, training and education throughout each Director's tenure on the Board;
 - with the General Counsel, keeping Directors informed of changing or new requirements relating to their legal and fiduciary responsibilities;
 - ensuring Management is informed of Director views and preferences.
- Administer Director remuneration consistent with Government guidelines. Periodically review the Board's compensation guidelines and make appropriate recommendations to the Chair and the Governance and Human Resources Committee when required.
- Promote the role and responsibilities of the Corporate Secretary both within the Corporation and externally, building networks to share ideas, discuss new trends in corporate governance and benchmark best practices.

Director and Employee Code of Conduct

- Administer BC Hydro's contract with the Code Advisor, an independent contractor appointed by the Board of Directors to provide advice to Directors and Executive Officers on Code of Conduct and conflict of interest related matters.
- Upon appointment, arrange for new Directors and Executive Officers to meet with the Code Advisor. Annually, request all Executive Officers and Directors of BC Hydro and its Subsidiaries to sign a written declaration indicating their understanding of the requirements of the Code of Conduct.
- Maintain and update annually (or as necessary) a record of disclosures made by Directors and Executive Officers.
- Work with Ethics Officer, Code Advisor and others as required to revise and update the Code of Conduct from time to time as necessary.
- Meet with the Ethics Officer and Code Advisor periodically to assess the effectiveness of processes relating to the Code of Conduct.
- Schedule the Code Advisor's annual report to the Board of Directors and the Ethics Officer's annual report to the Governance and Human Resources Committee.
- Communicate any recommendations from the Board as appropriate or take any action required that result from the Code Advisor's annual report.

Corporate Records

- As an authorized signing officer, apply the corporate seals of BC Hydro and its Subsidiary companies in accordance with established policy or Subsidiary Articles of Incorporation.
- Ensure all legal and filing requirements relating to BC Hydro's Subsidiary companies are met.
- Act as custodian for the Corporation's corporate and historical records, meeting minutes and related Board information.

Corporate Policy Framework

- Provide policy advice to employees, directing particular questions to subject matter experts within the Corporation.
- Update BC Hydro's corporate policy framework as business needs necessitate, ensuring appropriate sign off has been obtained through the Chief Executive Officer and Board of Directors.
- Periodically survey the Lines of Business and Subsidiaries of the Corporation to assess whether corporate policies and procedures continue to meet business needs, are well understood and that new employees receive appropriate orientation on policy matters.

Accountability

The Corporate Secretary is an employee of the Corporation who reports operationally to the General Counsel and is also accountable to the Chair and to the Board of Directors.

BC HYDRO CODE OF CONDUCT AND RELATED POLICIES AND PROCEDURES

The ***BC Hydro Code of Conduct*** (revised February 2016) promotes awareness and understanding of the standards of conduct that BC Hydro expects. The Board has also approved ***Contractor Standards for Ethical Conduct***. Together, these documents provide general guidance on standards of conduct, including guidelines on conflict of interest, as well as requirements associated with confidential information, entertainment and gifts, environment and safety, and use of BC Hydro property.

Attached are:

- Code of Conduct
- Contractor Standards for Ethical Conduct
- Form of Declaration by Directors and Officers

Directors will be asked to complete a Declaration upon appointment, and annually thereafter. In accordance with the Board calendar, each fall the Corporate Secretary will provide Directors and Officers of BC Hydro and its Subsidiaries with the Declaration for signature. Completed Declarations are filed with the Corporate Secretary.

The ***Code of Conduct*** is also available on BC Hydro's web site at www.bchydro.com.

BC Hydro Code of Conduct Policy



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Part 1: Our code

Our Values

MISSION

To safely provide reliable, affordable, clean electricity throughout B.C.

VISION

A cleaner more sustainable future for all British Columbians.

OUR SIX GUIDING VALUES

1. We are safe
2. We are here for our customers
3. We are one team
4. We include everyone
5. We act with integrity and respect
6. We are forward-thinking



How to use this document

We have an important job to do—we keep the lights on for the province. As B.C.’s largest commercial crown corporation, we have unique responsibilities. We are responsible to:

- the public (our shareholder) and to our ratepayers (our customers) to provide safe, reliable and affordable electricity;
- Indigenous communities whose traditional territories are impacted by our infrastructure and programs and have been for many generations, and who have unique rights in Canada;
- the environment, which we rely on in all its forms to generate and transport the electricity we produce; and,
- our regulators, who closely monitor our work to ensure we are adhering to regulatory and legal standards and requirements.

To guide us, the BC Hydro Board of Directors (the Board) has provided this Code of Conduct Policy (the Code), which it reviews annually. The Code outlines what’s expected of us in light of our unique responsibilities. It helps us to act in a way that reflects BC Hydro’s values.

There are four parts to the Code. The first part, Our Code, sets out our mission, vision, values, and who must follow the Code. Part 2, Putting Our Values to Work, covers the conduct expected of us to operate according to our values. Part 3, Conflict of Interest, is about integrity and making sure we act in the best interest of BC Hydro. Part 4 of the Code tells us where to seek advice, how to disclose concerns, what happens after disclosure and exemptions to the Code.

Throughout this document, you’ll find links or references to supplementary requirements and information. Once you read the general policy or principle in this Code, follow the links to find the extra information or details you need in order to do your job safely, effectively and efficiently. It’s all of our responsibility to follow the Code in its spirit and intent so if you have questions or are unclear about anything as you read through it, please set up some time with your manager to seek clarification.

Who must follow our Code

DIRECTORS AND EMPLOYEES

The Code applies to BC Hydro and its subsidiaries, including all BC Hydro Board directors (directors), and employees, including executives, managers and senior leaders. The Code may also apply to others, such as contingent labour resources or individual contractors, if BC Hydro and the other parties specifically agree. When this Code refers to “you”, “we”, “our” or “us”, it means any directors and employees as well as those who have agreed to follow the Code.

OUR SUBSIDIARIES

Any reference in this Code to BC Hydro includes its subsidiaries, unless the Code indicates otherwise. Subsidiaries may have different supplemental requirements than BC Hydro.

CONTRACTORS AND OTHERS WHO WORK WITH US

We expect fair and honest behaviour from our contractors—expectations that are covered in the [Contractor Standards for Ethical Conduct](#). The Standards apply to a contractor if BC Hydro and the contractor agree to apply them. That means these Standards must be included in every tender call, request for proposals and contract with BC Hydro unless it’s inappropriate to do so. A contractor’s failure to comply with the Standards, if applicable, may be a breach of contract and could result in the termination of the contract.

Any reference in this Code to a contractor includes a contractor, consultant, supplier and business associate.

Our responsibility

British Columbians rely on us to keep the lights on and to act with integrity and honesty. We must act ethically and be aware of our behaviour and the way it is perceived by others. This means not only complying with this Code and any supplementary requirements but also with their spirit and intent.

Directors and employees must review the Code when first joining the company and then at least once a year after that. Each of us must also complete online or in-person Code training annually.

Directors and executive team employees must meet with the Code Advisor annually to discuss and to disclose in writing to the Corporate Secretary any personal interests that could result in an actual or apparent conflict of interest.

Managers help employees comply with the Code and supplemental requirements by setting a good example, providing clear expectations and training, setting objectives aligned with the Code, providing regular respectful feedback for improvement, ensuring appropriate consequences for breaches of the Code and recognizing employees for strong performance.

If you know or suspect that this Code or the supplementary requirements supporting the Code have been, or are likely to be, breached you are required to report it. We take seriously any failure to comply with this Code and supplementary requirements and we may discipline anyone violating them. A violation or repeated violations of this Code or any supplementary requirements may result in discipline up to and including termination of employment.

Part 2: Putting our values to work

Conduct

A. SAFETY

BC Hydro places Safety Above All. Safety Above All means that safety is an overarching, organization-wide, core value at BC Hydro. It reflects the expectation we have of our workforce, contractors and the public that safety requirements are followed at all times. It also reflects our obligation to keep our workplace and assets safe through our design and construction, operations and maintenance, and asset investment programs.

We view every injury as preventable. Our goal is that all our employees, contractors and members of the public go home safe every day. Safety at BC Hydro is everyone's responsibility.

Our mission "to safely provide our customers with reliable, affordable, clean electricity throughout B.C.," reflects this "Safety Above All" mindset.

Safety starts with leadership. We enable and require our executives, managers, supervisors, asset managers, delivery partners, contract owners and workers to be accountable for safety. We set clear expectations, taking the guess work out of how a person's role and responsibilities contribute to safety. We ensure that our plans, equipment designs and how we resource all our work removes hazards or puts in place effective barriers and minimizes safety risks. Working safely in our high hazard environment requires compliance with the appropriate safety requirements for the work. These safety requirements are established by regulations, which are interpreted by BC Hydro safety professionals, informed by engineering analysis and industry best practice, and thoughtfully applied by skilled tradespeople and workers.

Safety requirements are not intended to create an environment of zero safety risk: as an electric utility that would be impossible. However, the requirements reflect the broad societal tolerance for industrial worker and public safety risk.

In virtually all cases, following these safety requirements allows work to proceed safely and workers to go home without incident at the end of each day. Similarly, members of the public should be able to carry out their day-to-day activities in and around our system in reasonable ways without incident.

Properly applying safety requirements requires good planning and effective coordination, and that work proceed in an orderly manner. If there is a change in circumstances, workers must stand down and establish a new plan that incorporates the changed circumstances. Application of a worker's personal safety risk tolerance, or a worker's self-optimization of a procedure to complete work more efficiently for the perceived benefit of BC Hydro, is not acceptable.

Our employees are involved in work plans and decisions that impact their safety. We encourage employees to raise concerns or stop work any time they feel their safety, or the safety of others, may be at risk. We measure our safety performance and learn from our failures and our successes. Learning from our "near misses" is as important as learning from our injuries as we believe 100% of all injuries can be prevented. When an error occurs and safety requirements are not met, BC Hydro responds fairly and appropriately through our **Just Culture** principles.

Our goal is zero injuries and we challenge everyone to achieve this.

For more details on Safety, including the rules around the use of alcohol and drugs, see [here](#).

B. SECURITY, BUSINESS CONTINUITY AND EMERGENCY MANAGEMENT

Our infrastructure is vital for the health, safety, security and economic well-being of British Columbians. We work with the province, Indigenous communities, local and federal governments and industry stakeholders to be prepared for emergencies using an integrated and coordinated approach to ensure public safety and effective recovery.



We plan our work and train our people to understand the importance of security, business continuity and emergency management for the protection of the public and our people, assets and information, supporting our operations and reducing financial and operational risks. We keep our people informed of relevant threats and emergency procedures. We safeguard our critical services, operations and processes through effective risk assessment and mitigation measures including business continuity and recovery planning. We are ready to respond to emergencies at all worksites including our dams, generating stations, substations and offices.

C. BUILDING AN EQUITABLE WORKPLACE

We hold ourselves to a high standard when it comes to ensuring we have a diversity of perspectives and experiences to draw on as we do our work. Not only is this the right thing to do, it leads to stronger decisions and better outcomes for our business. We're each responsible for creating a workplace that reflects the diversity of our province, where everyone feels included and is treated equitably and with respect. To achieve this, we comply with our Statement of Respect, Inclusion and Diversity.



Statement of respect, inclusion and diversity

To support our objective of creating an equitable workplace, we recognize that we are one team made up of people with diverse backgrounds, experiences and ideas. Each one of us is accountable to listen to, learn from and value one another's perspectives.

Through our Statement of Respect, Inclusion and Diversity, we commit that:

1. We will uphold human rights consistent with the [Human Rights Code](#).
2. We will build a workforce that reflects the diversity of our communities and customers and gather data to measure our progress toward employment equity.
3. We will regularly review our hiring and promotion practices, particularly to address systemic barriers and biases facing particular groups.
4. We will educate ourselves on inclusion and diversity and support each other as we learn.
5. We will learn to recognize bias and provide employees with skills to act and perform their work consistent with our values.
6. We will be open to differing cultures, backgrounds, identities, ideas, approaches and perspectives.
7. We support people who report exclusion, harassment and bullying and will ensure they can report incidents without fear of retaliation.
8. We will ensure that everyone feels safe to focus on their work and that all employees are able to contribute to their full potential.
9. We will seek advice and feedback from our employees, including our employee networks, about their lived-experience and support people to be comfortably open about themselves at work.
10. We will all hold one another accountable to be respectful and inclusive.

BC Hydro is committed to providing all employees with a workplace where everyone is treated with dignity and respect and is free from bullying, harassment, discrimination and offensive conduct and remarks.

We must conduct ourselves in a respectful, polite and considerate manner with everyone we interact with in the workplace and whenever we represent BC Hydro. Our [Respectful Workplace Policy](#) promote respectful behaviours in our work. We must uphold these rules and BC Hydro's obligations under [human rights](#) and [occupational health and safety laws and regulations](#) and raise concerns when we see disrespectful behaviour at work. Disrespectful behaviour won't be tolerated.

If you have witnessed or been subjected to disrespectful behaviour at work, promptly notify your manager or the Ethics Office.

D. INDIGENOUS PEOPLES

The legacy of the impacts of BC Hydro infrastructure and operations over time are felt strongly among Indigenous Nations across the province. We acknowledge these impacts and are committed to learning from, and not repeating, the mistakes of our past. As a crown corporation, we must act honourably in our interactions with Indigenous communities which means we are held to a high standard when it comes to those interactions.

We recognize that Indigenous peoples have unique rights in Canada and that we have an important role to play in reconciliation with Indigenous peoples. Our Statement of Indigenous Principles is how we are approaching the ongoing work of reconciliation and implementing the [United Nations Declaration of the Rights of Indigenous Peoples](#) and the [Truth and Reconciliation Commission Calls to Action](#). These principles are a call to action to each one of us and we all need to read and operate them as we do our work.

Statement of Indigenous Principles

To support our move towards true and lasting reconciliation with Indigenous People, BC Hydro acknowledges past wrongs, listens to Indigenous perspectives and seeks shared understanding with First Nations communities and governments.

Through our Statement of Indigenous Principles, we commit that:

1. We will always operate safely and protect the safety of individuals.
2. We will inform First Nations communities, to the best of our ability, of our multi-year planning, identifying potential projects and works as early as possible for discussion.
3. We will strive to provide the most clear, accessible and transparent information possible.
4. We will seek advice on Indigenous perspectives on how to best reduce or avoid impacts on the environment, cultural heritage and social needs.
5. We will be accessible and open to understanding the unique interests of Indigenous Peoples in relation to our operations.
6. We will respect that our perspectives may be based on different world views.
7. We will seek opportunities for meaningful benefit with First Nations communities as we refurbish existing facilities and assets, build new infrastructure or undertake work.
8. We will seek solutions to improving the accessibility of clean, reliable and affordable power to First Nations communities in remote areas of the province
9. We will support Indigenous candidates to succeed in gaining employment with BC Hydro and to increasingly become part of our workforce.
10. We will deliver on our commitments and we will be open and transparent if something is standing in the way of our mutual success.

BC Hydro is sincere in its commitment to ensure these principles are understood and acted upon by everyone in our organization, including contractors.

Please also see BC Hydro's [Indigenous Contract & Procurement Policy](#).

E. OUR CUSTOMERS AND EXTERNAL RELATIONSHIPS

BC Hydro's operations affects the lives and interests of our customers, Indigenous communities, the communities where we work and operate, our contractors, suppliers and the broader public. We ask individuals and communities around the province to accept our infrastructure and we are obligated to conduct ourselves with integrity. When we represent BC Hydro, we're expected to uphold our values and this Code, respect social and cultural perspectives and treat everyone with dignity and respect.

We communicate honestly and openly with each other and in our relationships. Our customers, suppliers, business partners, governments, Indigenous communities, our unions, the media and the broader public are all part of our community. We seek out and consider their views, needs and values in our work and seek to build relationships and identify solutions to resolve issues.

We promote energy efficiency and conservation to help customers keep their bills affordable and to reduce our environmental footprint in the province.

F. ENVIRONMENT

BC Hydro's energy system has both positive and negative effects on the environment and as leaders in managing valuable public resources, our environmental decisions matter. We build and operate our system in compliance with environmental requirements and each of us is responsible to work in ways that avoid environmental impacts throughout the life-cycle of our assets and operations.

To achieve our environmental objectives and align with our values, every employee will adhere to our Statement of Environmental Principles.

Statement of Environmental Principles

1. Ensure that every employee and contractor understands that they must act to protect the environment.
2. Question actions that may cause adverse environmental impacts or jeopardize our regulatory compliance.
3. Work with Indigenous groups, stakeholders, and the public on delivering our commitment to environmental protection.
4. Make environmentally informed and transparent business decisions that must factor in:
 - a. Minimizing habitat loss and fragmentation
 - b. Achieving environmental benefits
 - c. Supporting climate actions and targets
5. Comply with all applicable requirements in environmental legislation.
6. Develop and maintain positive relationships with our regulators.
7. Ensure that we have effective processes and systems to manage and optimize our environmental performance.

G. COMPLIANCE WITH THE LAW

We're expected to know and comply with applicable laws and to avoid situations that could be perceived as unlawful or may indicate a casual attitude towards the law. We don't commit or condone an unlawful act in connection with our work and don't direct or encourage others to do so.

BC Hydro is also subject to many important regulatory requirements, some of which are unique to our industry. One example of these regulatory requirements is Mandatory Reliability Standards which are approved by the BC Utilities Commission and are intended to improve the reliability and security of our bulk electric system in the context of the interconnected electrical system in North America. We must comply with all applicable regulatory requirements.

When in doubt about the laws and regulatory requirements that apply to our work or if you have questions about them, contact BC Hydro [Legal Services](#).

H. OUR REGULATORS

Our work is subject to regulation and oversight by a number of federal and provincial regulatory agencies including the [British Columbia Utilities Commission](#), [Water Comptroller](#), environmental authorities, [WorkSafeBC](#), financial authorities and more.

BC Hydro's regulators have an important job to do. We act honestly, transparently and with integrity in our relationships with regulators, while recognizing our responsibility to advocate for and protect BC Hydro's interests.

I. FINANCIAL RESPONSIBILITY

We're accountable for keeping our customers' rates affordable. We are cost-conscious and ensure that our expenses and expenditures follow our rules and requirements and are reasonable, necessary and appropriate.

We make responsible financial decisions, ensure our financial reports are accurate and reflect appropriate accounting standards and ensure that our forecasts are reasonable.

To ensure our assets are protected, we have financial controls in place and we comply with these controls. BC Hydro's Board sets the level of approval needed based on the amount of the expenditure or financial commitment. We seek approval in advance for expenditures and before entering into financial obligations with third parties, such as contracts or other financial commitments.

See the Board-approved [Financial Responsibility and Approval Policy](#) for more information.

J. PROCUREMENT

As an organization, we purchase large quantities of goods and services. We procure these goods and services in a way that gives confidence to our customers, regulators and the public that we are achieving the best overall value for BC Hydro. To do this, we follow public procurement practices, laws and trade agreements and administer our competitive procurements fairly. Each of us avoids actual and apparent conflicts of interest ([see Part 3 of the Code](#)) when involved with procuring goods and services. In making procurement decisions, we are also mindful of our environmental footprint and the impacts our purchasing choices can have on communities, both here at home and abroad.

Consistent with our [Statement of Indigenous Principles](#) and our efforts to further reconciliation with Indigenous Peoples, we support the economic interests of Indigenous Peoples through our [Indigenous Contract & Procurement Policy](#).

K. PROFESSIONAL QUALIFICATIONS

We hold a variety of qualifications and licenses based on our position or profession. You will keep any required qualifications and licences current and valid. If you're a member of a recognized profession and that membership is required for your position and supported by BC Hydro, you're expected to keep abreast of professional developments in your field, perform your duties in accordance with the recognized standards of that profession, and abide by any code or standards of conduct adopted by your professional association.

If you believe your professional obligations or standards are in conflict with this Code or with BC Hydro's directions, you should promptly notify your manager or the [Ethics Office](#).

L. OUTSIDE ACTIVITIES AND CONDUCT

We respect personal privacy and activities outside of work. Remember that our actions in our personal lives have the potential to negatively affect BC Hydro's business, reputation and work environment. If you engage in activities in your personal life outside of work that could have a negative impact on BC Hydro's business, reputation or work environment, you'll be accountable for those actions.

For example, your outside activities on social media impact BC Hydro when you post things that may negatively affect BC Hydro's reputation, imply that your personal position is BC Hydro's position, offend or harass your co-workers, make it difficult for you to do your job effectively or reveal non-public or third party personal information you obtained through your work at BC Hydro. Remember to exercise caution and take care not to compromise your ability to be seen as impartial and objective in your work for BC Hydro.

See Hydroweb for more information and for more guidance on outside activities and conduct.

M. WORK TIME

Unless on an approved leave, we report to work on time and fit for duty. During paid working hours, we devote our full attention to our work and work safely and productively. We conduct our personal activities outside of BC Hydro paid working time.

Information and property

Information and records

i. PROTECTION OF CONFIDENTIAL INFORMATION

All BC Hydro data and information is the property of BC Hydro. We consider confidential information to be BC Hydro data or information that is not publicly available. This includes information relating to BC Hydro's business, employees, customers, facilities, operations, contractual relationships, shareholder relationships, technology, day to day events and so on.

Don't deliberately or inadvertently disclose BC Hydro's non-public information except as permitted by BC Hydro or as required by law. When our work requires us to share non-public information with someone outside of BC Hydro, we ensure that a written agreement such as a confidentiality agreement or other arrangement is in place to protect and safeguard this information. Non-public information is stored safely and securely to prevent unauthorized access.

We use non-public information only for legitimate BC Hydro business purposes. Don't use non-public information obtained through our relationships with BC Hydro for personal benefit or for the benefit of friends and relatives or in any way that could be detrimental to BC Hydro.

In our work for BC Hydro we may become aware of non-public information that could affect the value of investments and financial interests. We must not disclose that information to any third party or use that information for our personal benefit or the personal benefit of our friends, relatives or others. Any such disclosure or use is a breach of this Code. It may also be unlawful and subject you to severe legal penalties.

We may also have access to third party confidential information in the course of our work for BC Hydro. We will only disclose this information if permitted in any applicable agreements or arrangements with the third party or as required by law.

When we leave our employment for BC Hydro for any reason, we have continuing obligations to maintain the confidentiality of all BC Hydro non-public information and any third-party confidential information we obtained while working with BC Hydro. This information must not be disclosed to anyone outside BC Hydro for any reason unless the information becomes a matter of general public knowledge—provided you did not make it public through a breach of confidentiality—or the disclosure or use is required by law.

If you are aware of any inappropriate disclosure of BC Hydro non-public information or third-party confidential information, notify your manager, [Legal Services](#), BC Hydro's [Freedom of information Coordinating Office \(FOICO\)](#) or the [Ethics Office](#).

ii. PRIVACY AND THE PROTECTION OF PERSONAL INFORMATION

We're responsible for protecting the privacy of other employees, customers, contractors and members of the public by taking all reasonable steps to safeguard their personal information. This means we protect personal information by keeping it secure and limiting access only to those who need to know the information to do their job. We understand and comply with BC Hydro's applicable privacy requirements, practices and systems. Compliance helps us meet our legal obligations under applicable laws including the [Freedom of Information and Protection of Privacy Act](#).

Personal information includes recorded information about an identifiable individual, including that individual's history, background, personal characteristics, preferences, opinions, family status, relationships and so on. For more information on personal information, see [here](#).

iii. RECORDS AND INFORMATION MANAGEMENT

Information is a valuable BC Hydro asset and each of us is responsible for protecting and managing that information. We create and collect a large amount of records and information during our work. We may be required to keep these records and information by law or for other important business purposes. We use records and information management practices and controls that enable us to meet our legal, regulatory and business requirements. We must comply with procedures and rules describing what records

and information we must keep and for how long and how we must dispose of them, as well as the technologies and systems we use to store records and information. Please see the Records and Information Management Rules and Procedures for more details.

BC Hydro property

i. USE OF BC HYDRO PROPERTY

We're entrusted with the care, management and cost-effective use of BC Hydro's property and resources, including the use of BC Hydro's name and logos. We don't make significant use of these resources for our personal benefit or purposes. If you aren't sure whether your use of BC Hydro property for personal purposes is permitted, ask your manager, the Ethics Office or Code Advisor (as applicable).

ii. COMPUTING SYSTEMS AND DEVICES

When using BC Hydro computing and communications systems or devices including cloud-based systems, mobile phones, computers and other technologies, we use them in a responsible manner and in compliance with BC Hydro's requirements. Any information and data created, stored, sent or received using any of our computing, communication or electronic systems or devices is BC Hydro property and BC Hydro may access and review any of that information and data (e.g. emails, texts) at its discretion. We must comply with BC Hydro's [Acceptable Use Policy](#) and supporting requirements.

iii. CYBERSECURITY

BC Hydro relies on cyber assets (electronic devices including hardware, software and data in those devices and in the cloud) to achieve our mission safely and securely. Because cybersecurity threats jeopardize our ability to operate, we must protect and secure our cyber assets. This means we ensure their physical security (e.g. keep access doors locked, and lock and secure devices) and data security (e.g. keep vigilant for phishing emails and other electronic security issues) and comply with legal and regulatory requirements, the [Acceptable Use Policy](#) and other applicable requirements at all times.



iv. PHYSICAL PROPERTY

We maintain any BC Hydro property assigned to us in good condition and take all reasonable measures to safeguard it from theft or damage. We report any theft of BC Hydro property immediately to the Security Command Centre. We must not take ownership or dispose of BC Hydro property except with approval in accordance with any requirements established by BC Hydro.

v. OWNERSHIP OF WORK PRODUCT

Any work product produced within the scope of our employment belongs exclusively to BC Hydro, whether or not the work product was produced while actually at work. Work product includes research results, work methods, computer programs, technical processes, inventions, research methods, know-how, reports or articles and any other form of innovation or development. Intellectual property rights related to any work product, including patents, copyrights, trademarks, industrial designs or trade secrets, must be assigned to BC Hydro.

vi. RETURN OF PROPERTY AND INFORMATION—POST-EMPLOYMENT

On or before our last day of appointment or employment with BC Hydro, you must return any BC Hydro property, including documents, corporate property, work product, and other materials in your possession. This includes all written or electronic BC Hydro non-public information or third-party confidential information.

Part 3: Conflicts of interest

We must make business decisions fairly, honestly and in the best interests of BC Hydro. Actual and apparent conflicts of interest raise doubts about the integrity of BC Hydro and the impartiality of our decisions and actions. We must all avoid any situation that may give rise to an actual or apparent conflict of interest.

BC Hydro vs. Personal Interests

BC Hydro's interests include BC Hydro's financial interests, reputation, non-economic interests, operational interests, relationships, values and so on. They can also include public positions that the company strongly and publicly promotes.

Personal interests include our personal financial interests, interests of outside organizations we're involved in, outside employment, interests of our friends and relatives, personal relationships, our political or public interest advocacy activities, our personal reputation and so on.

WHAT IS AN ACTUAL AND APPARENT CONFLICT OF INTEREST?

An actual conflict of interest arises when our objectivity and ability to act in BC Hydro's best interests are or could be influenced by our personal interests or by our duties and obligations to others including outside organizations.

An apparent conflict of interest occurs when others may reasonably perceive that our objectivity and ability to act in BC Hydro's best interests could be influenced by our personal interests or by our duties and obligations to others, including outside organizations, even when no actual conflict of interest exists.

Some conflicts are obvious. For example, it is not appropriate to participate in a decision to award a contract to your spouse or child. But many conflicts are less obvious. There may be situations which could be perceived as a conflict of interest no matter how innocent your intentions may be.

Ask yourself these questions:

- Could my actions or conduct undermine the public's confidence in my ability to do my work or compromise the trust that the public places in BC Hydro?
- Could someone perceive that I'm using my work relationship with BC Hydro to gain a personal benefit from a third party?
- Do I, or my friends or relatives, stand to gain anything through my relationship with a third party doing business with BC Hydro?
- Could my personal interests affect a decision I might have to make at BC Hydro?
- Do I feel under any obligation to a third party that does business with BC Hydro due to my relationship with that third party?

If the answer to any of the above questions is "yes" or "perhaps" or could be perceived by third parties to be "yes" or "perhaps," you may be in a conflict of interest and should seek advice from your manager or the Ethics Officer or Code Advisor (as applicable).

WHAT DO WE DO WHEN SOMETHING MAY BE A CONFLICT OF INTEREST?

As employees (non-executive team) we must promptly disclose actual and apparent conflicts of interest or any situation that has the potential to be considered a conflict of interest to our manager or the Ethics Office. If in doubt, disclose. Full disclosure protects you and BC Hydro. It allows us to resolve unclear situations and address any conflicting interests in a timely way.

Managers must promptly report any actual or apparent conflicts reports or disclosures made by or about employees to the Ethics Office to seek guidance. Conflicts can be challenging issues and the Ethics Office can assist managers to ensure that conflicts are handled appropriately and consistently across the organization.

Directors and executive team employees should meet with the Code Advisor for advice regarding any actual or potential conflicts and must promptly disclose to the Corporate Secretary any actual or apparent conflicts of interest that may arise, in addition to the annual disclosures of personal interests.

If you have an actual or apparent conflict of interest or your situation is being evaluated to determine if you may, avoid influencing or participating in any BC Hydro decisions or actions that could be affected by, or be reasonably perceived to be affected by, an actual or apparent conflict. You may also need to refrain from participating in decisions or actions outside BC Hydro which relate to the conflict.

Personal relationships at work

We can't have influence over the hiring, supervision, evaluation or promotion of anyone with whom we have a close personal relationship. This includes influence over the hiring, evaluation, retention or management of contractors.

Close personal relationships include: familial connections, whether by birth, adoption, marriage or other such connection; sexual or romantic relations; and close friendships that include regular social contact outside of the workplace and work social functions.

Sometimes, a close personal relationship develops between two employees in a reporting line or in other circumstances that may result in an actual or apparent conflict of interest. An employee may also have a close personal relationship with a contractor or employee of a contractor that could be perceived as an actual or apparent conflict of interest. When that happens, the employees involved, and particularly the employee who is in a position of authority over the other employee or contractor, must report the existence of the relationship immediately to their managers or the Ethics Office, even if the individuals would prefer the relationship remain private. If you're in doubt as to whether a close personal relationship could give rise to a conflict of interest, err on the side of disclosure and seek advice.

When advised of a close personal relationship that could give rise to an actual or apparent conflict of interest, the manager must notify the Ethics Office and the manager and Ethics Office will work with the individuals to address the conflict and will do so in a discreet manner that preserves the privacy of the persons involved to the extent that is possible.

Involvement in outside organizations

Many of us become involved in outside organizations in our personal time. Our involvement in businesses, charities, foundations, professional associations, non-profit societies and other organizations can result in an actual or apparent conflict between our duty to act in the best interests of BC Hydro and the interests of the outside organization. Usually, this would only happen when the organization has some intersection or relationship with BC Hydro. Take care to ensure your involvement in outside organizations isn't, and won't result in, an actual or apparent conflict of interest. For example, you shouldn't participate in an outside organization if you have the ability to benefit the outside organization by influencing the decisions or actions of BC Hydro.

Outside employment

Employees can hold outside jobs or engage in modest self-employment activities on their own time and using their own tools and resources provided the outside work doesn't negatively affect or appear to affect their performance or objectivity or BC Hydro's reputation. However, employees must not work for or subcontract with any BC Hydro contractor or any entity that has an opposing interest to BC Hydro where the work could lead to an actual or apparent conflict of interest.

Employees must disclose all outside jobs or self-employment activities to their manager or to the Ethics Office or Code Advisor (if applicable).

You must immediately disclose to the Ethics Office or Code Advisor (if applicable) any negotiations around prospective employment or a contract for services with an employer other than BC Hydro if the negotiations or the prospective employment or contract could place you in an actual or apparent conflict of interest.

Be aware that specific conflict of interest disclosure requirements apply to our competitive procurement processes. Bidders must disclose anyone on their bid or project team who currently works for, or has worked for, BC Hydro in the previous two years as well

as other potential conflict relationships. This allows us to identify and take steps to prevent any unfair competitive advantage or actual or apparent conflict of interest.

Political participation

Each of us can participate in the democratic process at any level including campaigning in elections and running for or holding public office. However, this should be done on your own time and with care to ensure separation between your personal activities and your association with BC Hydro. Don't use BC Hydro property such as vehicles, phones, computers, printers or copiers or your BC Hydro email for political activities.

Gifts, entertainment and benefits

Gift-giving or complimentary meals or entertainment can be a common business and social practice. However, they may lead to practical difficulties or reputational harm to BC Hydro. Be careful when accepting or offering any gifts, meals or entertainment to avoid the perception that you may be receiving inappropriate personal benefits as a result of your employment with BC Hydro or making decisions for the wrong reasons.

Don't directly or indirectly receive, solicit or offer gifts, entertainment or benefits from anyone in the course of your work for BC Hydro—even during traditional gift giving seasons. However, this general rule isn't absolute. Some gifts, entertainment or benefits may be acceptable if they are normal and customary in the business circumstances, including:

- **Occasional items of nominal value**—This includes items with an estimated value of \$75 or less, such as promotional items or items to express gratitude on special occasions. These items should only be given/accepted infrequently and must not include alcohol or cannabis products.
- **Relationship-building events or meals**—Attending an event or meal with someone you do business with such as a contractor, customer or counterparty may be valuable in building or maintaining a business relationship. It is acceptable in the ordinary course of business provided it's infrequent and the value is reasonable. While invitations to business meals do not require manager approval, seek your manager's approval before accepting invitations to events such as concerts, sporting events or live theatre where the value is more than nominal. Don't accept meals or tickets to events if a representative of the contractor, customer or counterparty does not attend the event with you.
- **Offensive to reject**—If the return of a gift or refusal of a gift, entertainment or benefit would be offensive to the donor, then the gift, entertainment or benefit may be accepted. But full details must be immediately disclosed to your manager and, if possible, BC Hydro must assume ownership of any gift or benefit received.
- **Gifts to BC Hydro**—Gifts such as artwork, ceremonial items or event tickets donated to BC Hydro can be used to support BC Hydro's charitable endeavours, employee engagement or to benefit the organization. Gifts can be accepted if it's in BC Hydro's best interest and the gift doesn't affect or can't reasonably be perceived to affect our objectivity and ability to make decisions in BC Hydro's best interest.

We act with integrity and use good judgement before accepting or offering gifts, entertainment or benefits. Unless the gift or offer is of nominal value, you must disclose it to your manager. Return inappropriate gifts to the donor with an explanation why you cannot accept it and a copy of this Code. Perishable gifts can be donated to a charity and the donor notified. If you don't know if it's appropriate to accept or offer any gift, entertainment or benefit, ask your manager or the Ethics Office or Code Advisor (if applicable).

Never accept gifts, benefits or invitations to events or meals, even if only of nominal value, from anyone engaged in a procurement process with BC Hydro. This includes gifts to BC Hydro. It is very important that all proponents and bidders, the contractor and supplier community, our customers and the public have confidence that we are making procurement decisions for the right reasons.

Working with contractors

We cannot benefit directly or indirectly from BC Hydro's business relationships with contractors unless it's permitted under gifts, entertainment and benefits. The exception is when it's clear that the benefit is one BC Hydro is aware of and intends us to enjoy, such as a reduced rate for a service that's offered to all BC Hydro employees or tickets to an event that BC Hydro has sponsored.

Consider your personal relationships and interests when you become involved in any procurement or when you're assigned to manage a contractor's work or contract. If you have a direct or indirect relationship (past or present) with a bidder, proponent or contractor, promptly disclose the relationship to your manager or the Ethics Office as soon as you become aware of it. If in doubt, disclose.

In some cases, the nature of the contractor's work for BC Hydro could lead to an actual or apparent conflict of interest or give the contractor an unfair advantage in BC Hydro's competitive procurement processes. Avoid these situations. They can negatively impact BC Hydro's reputation and pose a legal risk. Employees responsible for a contract or procurement must work with BC Hydro's procurement professionals, Legal Services and the Ethics Office or Code Advisor (if applicable) to address any actual or apparent conflict or unfair advantage.

Trivial financial interests exception

You may have a trivial financial interest that arguably gives rise to an actual or perceived conflict of interest. However, BC Hydro generally isn't concerned about such trivial financial interests and they are not considered to be a conflict of interest. A trivial financial interest includes:

- an interest of such minimal value, either absolute value or in the context of your total net worth, that the interest couldn't reasonably be expected to influence your objectivity or ability to act in BC Hydro's best interests, or
- an interest with a value that can't reasonably be expected to be influenced by your decisions or actions.

Trivial financial interests typically don't require disclosure but when in doubt, full disclosure of the interest is the most effective way to prevent an inadvertent breach of the Code. See Hydroweb for more information.



Part 4: How to report concerns & what happens after disclosure

How to report concerns and get advice

Familiarity with the Code and the supplementary requirements supporting the Code should help you determine an appropriate course of action if a Code or ethical concern arises. However, it's helpful, and in some cases necessary, to discuss your circumstances with others or to report a concern.

EMPLOYEES: WHO TO CONTACT

In most cases, your manager should be your first point of contact, whether you require advice, wish to make a disclosure or report a breach or potential breach of the Code. If you feel unable to discuss an issue with your immediate manager or your manager failed to address your concern, you may contact the resources described below:

Resource	
Ethics Office	The Ethics Office is concerned with the full Code.
Code Advisor	For executive team employees and members of the Board, the Code Advisor is concerned with the full Code.
Safety	Safety & Compliance
Human Resources	Putting our Values to Work
File a report at clearviewconnects.com or call ClearView Connects at 1 833 569 5601. This service is available anytime, 24/7.	You may also report Code issues anonymously. BC Hydro has an externally coordinated reporting service known as Clearview Connects. You can use it to either verbally report concerns by phone or to submit a written concern via their website. If you use the Clearview Connect, you can't be identified by BC Hydro unless you choose to identify yourself.

DIRECTORS AND EXECUTIVE TEAM EMPLOYEES

BC Hydro has a Code Advisor to provide neutral and independent expert advice to the Board and executive team employees. The Code Advisor provides advice, receives disclosures and, if appropriate, issues opinions to directors and executive team employees on conflict of interest and other Code matters that arise from time to time.

At the time of appointment, and annually thereafter, each director and executive team employee meets with the Code Advisor to discuss any personal interest that the director or executive team employee has that could give rise to a conflict of interest to:

- help determine whether the director or executive team member's personal interest could result in an actual or apparent conflict of interest under the Code;
- discuss any steps that should be taken to mitigate such conflicts of interest; and,
- keep the record of their conflicts disclosures current.

Annual written disclosures of personal interests that could result in an actual or apparent conflict of interest must be provided to the Corporate Secretary and each director and executive team member will promptly report any material changes to their annual disclosures. The Corporate Secretary will maintain a record of the disclosures and any updates.

A director or executive team employee must report any breaches or potential breaches of the Code to the Code Advisor.

CONTRACTORS: WHO TO CONTACT

Contractors with concerns about the conduct of BC Hydro employees or directors should contact the BC Hydro representative identified in their contract or the Ethics Office.

After disclosure

EMPLOYEES (NON-EXECUTIVE)

We expect that most decisions about the application of the Code to employees will be resolved at an early stage. Early stage resolution typically involves an employee's direct manager as well as the Ethics Office, or other resource if applicable, and BC Hydro human resources personnel. If there is no resolution at this stage, the matter will be elevated to a more senior level in the employee's business group and within Human Resources or the Ethics Office, as applicable.

MANAGERS

We treat breaches or potential breaches of the Code and supplementary requirements seriously. When an employee seeks advice, makes a disclosure or reports a breach or potential breach of the Code or supplementary requirements, their manager must give it prompt attention and act on it. This may mean reporting it to the Ethics Office, working with human resources to investigate the breach or potential breach, protecting employees from retaliation or, if an employee is found to have breached the Code or supplementary requirements, ensuring appropriate consequences for the employee.

Different types of disclosures or concerns are addressed as described below.

Respectful workplace concerns

If the disclosure or concern reported is about a respectful workplace matter, the matter will be addressed and (if necessary) investigated as described in the Respectful Workplace Rules. Managers should inform the Ethics Office of any respectful workplace related disclosures or reports made by or about employees as well as any outcomes associated with the disclosure or report.



Accounting and auditing concerns

If the disclosure or report concerns an auditing or accounting concern then, once the Director, Audit Services receives information from the Ethics Office, the manager or directly from the person making the report they will perform a preliminary investigation to establish the validity and materiality of the information. The Director, Audit Services will report all auditing or accounting disclosures made under this Code to the Audit and Finance Committee of the Board on a quarterly basis. The Audit and Finance Committee of the Board of BC Hydro will review the quarterly report from the Director, Audit Services and direct further investigation where required.

Putting our values to work

If a disclosure or a concern is reported about a breach of any other section of Part 2 of this Code by an employee, a BC Hydro human resources representative together with the employee's manager or senior management will decide whether the matter requires further investigation or action. If an investigation is conducted they will also select the best structure and process for the investigation.

Conflicts of interest (non-executive employees)

If a disclosure or a concern is reported about an actual or apparent conflict of interest by an employee, the Ethics Officer will decide whether the matter discloses a potential, actual or apparent conflict of interest or breach of the Code. If it does, the Ethics Officer will decide whether the matter requires further information, action or investigation. If an investigation into a potential breach of the

Code is conducted, the Ethics Officer will select the best structure and process for the investigation. Everyone must cooperate with any requests for information from the Ethics Office and participate honestly and in good faith in any investigation.

If the Ethics Office determines that a course of action may result in a potential actual or apparent conflict of interest, the Ethics Officer will consider, in consultation with the manager, whether there are actions that can eliminate the potential for an actual or apparent conflict of interest. These actions may require the employee to excuse themselves from discussions or communications with anyone on the matter or that the manager assign responsibilities to another employee. The actions to address the potential actual or apparent conflict will be recorded by the Ethics Office, manager and employee. The manager will monitor their employees' duties and responsibilities in consideration of any potential actual or apparent conflicts of interest of which the manager is aware.

Overlapping concerns

Sometimes a single disclosure or report concerns more than one part or section of the Code and the process for investigating and resolving the concern is unclear. If that occurs, the CEO or Ethics Office will designate who will decide whether the matter requires further investigation or action. If an investigation is conducted the Ethics Office will also select the best structure and process for the investigation.

DIRECTORS: CONFLICTS

The Corporate Secretary will assist directors to fulfill their obligations under the Code by relying on written annual disclosures of personal interests submitted by directors to the Corporate Secretary. This assistance will include alerting a director to business coming before the Board (or Board Committee) that might raise actual or apparent conflicts of interest for that director. Directors also have ongoing obligations to disclose any actual or apparent conflicts of interest and should seek advice from the Code Advisor if in doubt.

If an actual or apparent conflict of interest exists, the Corporate Secretary will not circulate related materials to that director. A director in this situation needs to notify the Board Chair (and Committee Chair, as applicable) of the situation and avoid any involvement with the item of business, including attending any part of a meeting where it is being discussed. If this occurs, the Corporate Secretary will record the director's recusal in the minutes of the meeting. The director will only be provided with minutes of the meeting that record the decision made respecting that subject matter but not minutes detailing any related discussion.

EXECUTIVE TEAM EMPLOYEES: CONFLICTS

The Corporate Secretary will provide copies of executive team employees' written annual disclosures of any personal interests to the CEO and will monitor Board business related to these disclosures in the same manner as for directors. If the CEO considers that a particular executive responsibility could result in an actual or apparent conflict of interest for an executive team employee, the CEO may assign that responsibility to another executive team employee.

An executive team employee with an actual or apparent conflict of interest related to a matter should, in addition to disclosing it, avoid influencing or participating in any BC Hydro decisions or other actions that could be affected by the actual or apparent conflict, including excusing themselves from discussions or communications with employees and the Board on the matter. The recusal will be recorded in any minutes that are maintained and the executive team employee should not receive any information or documents relating to the matter.

Confidentiality and whistleblower protection

Management will respect the privacy of anyone who seeks advice or discloses a breach or potential breach of the Code as much as is possible in the circumstances. Any disclosures or reports under the Code will be treated as confidential and will only be disclosed if absolutely necessary including, for example, a threat of serious harm. Our commitment to confidentiality is also subject to all laws which may oblige us to disclose information. In addition, if you've made a report to the Ethics Office or Code Advisor, you may be contacted if additional information is required for the investigation.

Any individual who, in good faith, has made a disclosure, or is cooperating in an investigation, about a breach or potential breach of the Code by another person or party will not be retaliated against. Retaliation against such individuals is a breach of this Code. For any employee concerned about possible retaliation, the Ethics Office can, on request, monitor the circumstances on your behalf

and report any concerns to the executive responsible for Human Resources on a confidential basis. If you feel you have been retaliated against contrary to the Code, please contact the [Ethics Office](#).

Exceptions

We are expected to comply with the Code but BC Hydro may provide an exception. Exceptions are expected to be rare and given only if it is considered to be in the best interests of BC Hydro.

To request an exception from part of this Code:

- Make the request in writing to your manager or the Ethics Office.
- Include a full and candid disclosure of all relevant facts and circumstances, even if the facts don't support the request.

Full disclosure permits an informed evaluation of whether BC Hydro's best interests are being served by approving a request for an exception. Failure to make full and candid disclosure may result in both revocation of the exception and disciplinary action. The person granting the exception must sign it and document the reasons for granting it. Copies of approved exceptions must be provided to the Ethics Office.

Exceptions the Code may only be granted by:

- The Governance and Human Resources Committee of BC Hydro's Board for exceptions sought by the Chair of the Board;
- The Chair of the Board for exceptions sought by other Board directors or the CEO; and,
- The CEO for exceptions sought by employees, including executives.

Exceptions to any supplementary requirements may only be granted by the individual (identified by role) listed on that specific supplementary requirement.

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February 2016—Separated the Contractor Standards for ethical conduct

June 2016 (electronic distribution only)

November 2016 (electronic distribution only)

September 2020, in effect April 2021 (electronic distribution only)

Contractor standards for ethical conduct

In these Standards:

“**BC Hydro**” means BC Hydro and Power Authority or any of its subsidiaries that has entered into the Contract.

“**Contract**” means a contract with BC Hydro in which these Standards are included directly or by reference as a term or condition.

“**Contractor**” means the contractor, consultant, supplier or business associate who has a Contract.

“**Owner**” means any person who, individually or together with relatives, directly or indirectly owns 20% or more of the voting rights of the Contractor.



February 2016

1. At all times in the course of its performance of the Contract, the Contractor will conduct itself with fairness, integrity and honesty.
2. At all times during the term of the Contract, the Contractor will avoid any actual, or apparent conflict of interests, in which its interests outside of the Contract (including any engagements the Contractor may have with third parties), and its obligations to BC Hydro under the Contract and these Standards conflict.
3. The Contractor will promptly disclose to BC Hydro in writing, to the best of its knowledge, any actual or apparent conflicts between its interests and those of BC Hydro during the term of the Contract, including:
 - (a) the name of any current director or employee of BC Hydro who is an Owner, or representative of the Contractor;
 - (b) any business relationship that the Contractor or any of its Owners or officers has with a director or officer of BC Hydro or with an employee of BC Hydro who may have actual or apparent involvement in any BC Hydro procurement process, or the Contract; and
 - (c) the name of any director or employee of BC Hydro who is connected by frequent or close association to the Contractor, any of its Owners or officers, or any representatives of the Contractor who may have actual or apparent involvement in any BC Hydro procurement process, or the performance or administration of the Contract.

For the purposes of this section, BC Hydro's interests include non-economic considerations such as reputation.

4. In addition to disclosure required above, the Contractor will take any steps reasonably required by BC Hydro to address or mitigate any actual or apparent conflict of interest.
5. Subject to the terms of the Contract, the Contractor will keep confidential all non-public, confidential information provided to it by BC Hydro or developed during performance of the Contract. The Contractor will not use that information for any purpose unrelated to performance of its obligations under the Contract.
6. If BC Hydro gives the Contractor access to any BC Hydro property during the term of the Contract, the Contractor will use that property solely for purposes of the Contract.
7. The Contractor will not attempt to secure preferential treatment with BC Hydro by offering gifts, entertainment, or benefits to BC Hydro directors or employees. Reasonable gifts, entertainment, or benefits common to business relationships, as described in the [BC Hydro Code of Conduct](#), are acceptable.
8. Unless the Contractor has the express permission of BC Hydro, the Contractor will not solicit or recruit any BC Hydro employee during the term of the Contract. This obligation doesn't prevent the Contractor from hiring a BC Hydro employee who responds to a public and broadly issued job advertisement without prompting or encouragement from the Contractor.
9. The Contractor must treat its employees and subcontractors performing work under the Contract respectfully and in a manner free of discrimination and harassment. The Contractor will provide those employees, and subcontractors with a safe and healthy workplace.
10. The Contractor and its employees and subcontractors must treat individuals they encounter in the course of performing work under the Contract respectfully and in a manner free of discrimination and harassment.
11. When the Contractor is participating in any public discussions or taking a position of leadership in other organizations, it must not represent itself as a spokesperson of BC Hydro unless BC Hydro has specifically retained or instructed the Contractor to act in that capacity.

Contractors who would like further information or advice on the application of these Standards are encouraged to speak to BC Hydro's contract representative.

A Contractor's failure to adhere to the provisions of these Standards may be a breach of Contract and could result in termination of the Contract.



Declaration and Disclosure by Directors and Executive Officers

I, _____, am:
(name-please print)

- a Director of BC Hydro , Powerex , Powertech , and/or
- an Executive Officer¹ of BC Hydro , Powerex , Powertech

(please check each that apply)

Code of Conduct Policy

I **DECLARE** that I have read and considered BC Hydro's Code of Conduct Policy (Code) and I agree to conduct myself in accordance with the Code. I undertake to review the Code from time to time during the term of my appointment and to become familiar with, and to understand the implications of, any changes to the Code. **Please initial:** _____

[Note: If you have questions regarding the Code of Conduct Policy and how it may apply to you in particular circumstances, you are encouraged to contact the Code Advisor]

Hydro and Power Authority Act, Section 7 (applicable only to Directors of BC Hydro)

I **DECLARE** that I have read and understood Section 7 of the Hydro and Power Authority Act (see selected definitions at the end of this document) and have no interests that would disqualify me from being a Director of BC Hydro by reason of Section 7. **Directors only, please initial:** _____

Non-Fair Value Transactions (Public Sector Accounting Handbook)

In connection with the audit of the Province of British Columbia, including government entities², I **DECLARE** that:

¹ Executive Officers for purposes of the Code include the CEO of BC Hydro and executive employees who report directly to the CEO; and include the CEO and executive management team of Powerex, and the CEO and certain senior executives of Powertech.

² "government entity" includes government ministries and agencies, Crown Corporations, school districts, health authorities, hospital societies, universities and colleges.

Interests of Outside Organizations that I'm involved in

[Note: The Code defines Outside Organizations to include businesses, charities, foundations, professional associations, non-profit societies and other organizations.]

Outside Employment

[Note: This is relevant to Executive Officers, likely not Directors]

Interests of friends and relatives³

[Note: The interests of your friends and relatives are considered to be your interests for purposes of determining whether a conflict could exist. So, for example, a financial interest of a relative in an entity doing business with BC Hydro could potentially give rise to a conflict if you are in a position to influence the contractual relationship between that entity and BC Hydro.]

Personal Relationships

[Note: This would include relationships with BC Hydro employees, and also with owners, directors and/or employees of current or potential BC Hydro contractors.]

Political or Public Interest Advocacy Activities

[Note: This might include publicly advocating positions or actions that are contrary to BC Hydro interests.]

Personal Reputation

[Note: This might include for example your social media presence.]

³ The Code does not define friends and relatives. When considering whether interests of friends and relatives should be disclosed, their closeness to you and other relevant factors should be considered. If in doubt, you should err on the side of disclosure.

I HEREBY AFFIRM that the declarations above are true and complete, and that the disclosure of my personal interests above is complete and up to date, in each case as of the present date. I understand that based on these disclosures, I may be subject to protocols, commitments, agreements or other procedures to avoid actual or apparent conflicts of interests that could arise as a result of these personal interests.

Signature: _____

Date: _____

Name: _____

Please complete and return to the Corporate Secretary:

British Columbia Hydro and Power Authority
18th Floor, 333 Dunsmuir Street, Vancouver, B.C. V6B 5R3
Telephone: (604) 623-4234
E-Mail: amy.mccallion@bchydro.com

Filed with Corporate Secretary on: _____

Selected Definitions

Hydro and Power Authority Act, Section 7

- 7. A director of the authority must not, directly or indirectly,
 - (a) [Repealed 2001-31-1.]
 - (b) have an interest in any device, appliance, machine, article, patent or patented process that is used in the generation or supply of power, or
 - (c) have an interest in a contract for the construction of, or doing any work on, a power plant.

Relevant *Hydro and Power Authority Act* definitions:

"generation" means production by hydraulic, electrical, steam, internal combustion engine, gas, oil or by any other process;

"power" ... includes energy, light and heat however developed or produced, and includes electricity and natural, manufactured or mixed gas, or liquefied petroleum gas;

"power plant" or "plant" includes all land, water, rights to the use of water, buildings, works, machinery, installations, materials, devices, fittings, apparatus, appliances, offices, furniture and equipment, vehicles, tools, stores and supplies, including office stores and supplies, constructed, acquired or used or adapted, or that, in the opinion of the authority, might be used or adapted for or in connection with the generation or supply of power;

"supply" as a noun means reservation, transmission, distribution, capacity to provide, dealing in and sale; and as a verb has a corresponding meaning.

Additional Space for Personal Interest Disclosure

STRATEGIC AND BUSINESS PLANNING PROCESS

Preamble

In August 2001 Government amended the *Budget Transparency and Accountability Act* (BTAA) to require all ministries and Government organizations to table annual three-year service plans at the time Government tables the provincial budget. These plans will ensure ministries and Government organizations clearly outline their goals, and enable British Columbians to hold Government and its organizations accountable for their decisions and actions.

The BTAA requires that all service plans be made public and states that they contain, at a minimum, the following key elements:

- overview of the organization
- strategic context - vision, mission or purpose, environmental scan and key strategic issues
- goals, objectives, key strategies, performance measures and targets
- alignment with the Government's strategic plan
- summary financial outlook
- major capital project plans (where relevant)
- operating segments summary information (where relevant)
- overview of corporate governance.

BC Hydro's requirement to table an annual service plan now provides the guide and timeframe for the Corporation's strategic and business planning process. The Board must approve the service plan prior to its being forwarded to Government for tabling with the provincial budget.

The *BTAA* also requires all Government ministries and organizations to make public a service plan annual report to describe both accomplishments and a comparison of planned and actual results arising from financial and performance measures. BC Hydro's *Annual Report* fulfills this requirement.

Introduction

The Board has the responsibility to review with Management and approve the Annual Service Plan which is the Strategic Business Plan of BC Hydro.

A Service Plan is developed for BC Hydro as a whole and is approved by the Board.

At stages of the plan development, the Board is briefed on the status of the planning process and key elements or issues impacting the strategic direction of the Corporation.

Strategic and business plans are evolving plans that may require modification depending upon the level and extent of change impacting the Corporation.

Main Stages of Board Involvement

Prior to presenting the Service Plan for Board approval, Management engages the Board in briefing sessions during the planning process, providing the opportunity for the Board to confirm, challenge or offer advice on certain matters that may impact the strategic direction of the Corporation.

Briefings will be scheduled to accommodate the Board's annual calendar. When combined, the briefings will have covered the principal steps and main elements of the plan and will have equipped the Board to meet its governance responsibilities associated with strategic and business plans.

Stage I: Situational Analysis

BC Hydro's situational analysis, or the "taking stock" stage, involves an assessment of where the Corporation is now, its strengths and weaknesses and the environment in which it operates. It covers factors such as industry and market size and trends, status of long-term goals, customer assessment, technology, stakeholder expectations, legislative, regulatory and rate issues, government priorities, facilities, workforce, social, environmental and economic considerations, along with other current or future-looking issues. Emerging issues will be reviewed as they are identified throughout the year. The situational analysis provides the foundation for the strategic context and long-term goal sections of the Service Plan.

Stage II: Strategy Formulation

The corporate direction is formulated based on what is uncovered through the Situational Analysis. This involves an examination of and possible updates to BC Hydro's existing long-term goals and short-term priorities. The process involves BC Hydro's senior leaders and Management team. Strategies for each goal and priority are agreed upon and tested against BC Hydro's mandate, purpose, values, risk tolerance and behaviours. Any key strategic issues that need to be resolved are identified. Each strategy should provide an analysis of the gap between present and future states, a high-level roadmap for addressing the gap, critical success factors, and an assessment of scenarios and risks that may impact the outcome of the strategy.

Stage III: Strategic Direction

The results of the strategy formulation process are presented to the Board for review and approval. Depending upon the extent of change facing the Corporation, the process may involve approval of a new strategic direction(s) - for instance, a substantive change in the external environment may require a shift in strategic direction. Alternatively, if there has been limited change in the business environment, Board confirmation of the existing year's strategies would be sought.

Stage IV: Business Plans

The operational or business plans, or "how the Corporation will get there", cover the short to medium-term priorities and tactical plans that will be applied to meet the strategic direction of the Corporation. These plans will involve the identification and allocation of resources, priority setting and any contingency plans necessary for the next fiscal year. Business plans include measures and targets, and how results will contribute to the achievement of strategies.

Stage V: Service Plan

The situational analysis and strategic direction are brought together to form BC Hydro's Service Plan. Senior Management is responsible for reviewing the Service Plan before it is sent to the Board for approval. Following Board approval the Service Plan is forwarded to Government.

Stage VI: Business Performance

Management will report to the Board on an ongoing basis on the performance of the Corporation, whether it is achieving its established targets and any actions planned for areas that are not meeting business targets.

RISK MANAGEMENT PROCESS

Introduction

In undertaking its mandate, BC Hydro is necessarily exposed to many varied strategic, operating and project-based risks which are both routine and non-routine in nature. These risks vary in potential consequence from minor to catastrophic and could conceivably impact not just BC Hydro, but also our stakeholder groups and First Nations. Therefore, BC Hydro commits to diligently managing these risks and strives to do so in accordance with the provisions of appropriate externally recognized standards. In doing so, BC Hydro will establish practical and economic risk evaluation criteria, control mechanisms and tolerable risk levels.

The Board of Directors (the Board) is accountable for all risks incurred by BC Hydro and its subsidiaries, including the risks associated with the utilization of the Corporation's assets. To ensure responsive and efficient operations, the Board delegates authority for risk management to the Chief Executive Officer, who will in turn from time-to-time further delegate to other executives responsibility for the identification and management of specific risks. The Board will, with input from management, from time-to-time establish a set of "Key Risks" comprising those risks which are considered to be the most significant to BC Hydro's ability to achieve its objectives and execute its strategies (the "Key Risks", and together the "Risk Profile"). The Board is also responsible for considering the relationships between the Key Risks and for assessing the tolerances in respect of these and other significant risks based on the input and recommendations of management and external advisors as required.

Risk management does not imply the elimination, or even the mitigation, of all risks. Rather, it necessarily includes not only trade-offs between competing objectives, including the cost of risk reduction, but also consideration of the reward that justifies the acceptance of risk. The process is continuous and includes:

- Understanding the business objectives that are potentially at risk
- Identifying risks and hazards which put the objectives at risk
- Understanding the range of potential consequences and, where practical, the likelihood or probability of the occurrence thereof
- Balancing the cost of risk control with the value of risk reduction
- Monitoring and improvement of risk management processes and techniques

The Board has the responsibility to understand and assist in identifying principal risks associated with the Corporation's business, to consider the relationships between these risks and to ensure that the appropriate processes and systems are in place to mitigate these and other risks. This will include approving key elements of the Corporation's enterprise risk management framework and the Corporate Risk Management Policy, and determining the Corporation's tolerances around specific risks, with input and recommendations from management and external advisors, as required.

The Board reviews risk through the strategic and business planning process, through reports from those Board Committees that have particular responsibilities for oversight of specific risk, as noted below, and in the context of various requests that are brought to the Board for approval from time to time.

Responsibility for Managing Risk

The Chief Risk Officer is charged with the development of the enterprise risk management framework across all of BC Hydro, its subsidiaries and investments which provides the basis for consistent application of risk management practices.

Management develops and implements appropriate systems, procedures and mechanisms that identify, monitor and manage principal risks and uses necessary reporting processes to ensure the Board and its Committees are well informed to make the requisite decisions that appropriately respond to principal risks.

Based on input and advice from management, the Board will assess the Corporation's overall risk profile on a regular basis. Specific risks relevant to the mandate of Board Committees will be addressed at the Committee level.

Audit and Finance Committee

The *Audit and Finance Committee* is responsible for ensuring that principal risks associated with financial matters are appropriately identified, monitored and managed. This Committee is also responsible for reviewing and assessing reports from internal audit in respect of their periodic assessment of the effectiveness of the enterprise risk management framework and management's adherence to it.

Capital Projects Committee

The *Capital Projects Committee* is responsible for ensuring that principal risks associated with capital projects, including long-term capital plans and capital budgets, are appropriately identified, monitored and managed. This includes assisting the Board in fulfilling its obligations and oversight responsibilities relating to dam safety and aboriginal relations and negotiations.

Governance and Human Resources Committee

The *Governance and Human Resources Committee* is responsible for ensuring that principal risks associated with the Corporation's governance framework as well as with human resource issues are appropriately identified, monitored and managed.

Customer Service, Operations and Planning Committee

The *Customer Service, Operations and Planning Committee* is responsible for ensuring that principal risks associated with the energy/resource planning, power procurement, conservation, IT, safety, environment and regulatory affairs are appropriately identified, monitored and managed.

Wholly Owned Subsidiary Companies of BC Hydro

The Boards of Directors and Management of BC Hydro's Subsidiary Companies are responsible for ensuring that their respective risk management systems and processes are consistent with those of BC Hydro.

Reporting

The Board calendar identifies key dates when the Board has an opportunity to review principal business risks through the strategic business planning process and quarterly reports of Committees of the Board of Directors.

Additional reports by the appropriate Committee will be made to the Board of Directors when required or deemed prudent by that Committee.

DIRECTOR ORIENTATION AND DEVELOPMENT

Introduction

The Chair, with the assistance of Management, ensures that there is an *Orientation Program* for new Directors and an ongoing *Development Program* for existing Directors.

The *Orientation Program* is aimed at increasing a Director's familiarity with the Corporation, its industry, and the unique responsibilities of Crown Corporation Directors, as well as equipping Directors with sufficient information and resources that facilitate fully-informed decisions.

The *Orientation Program* will utilize materials and resources that inform and educate Directors on the Corporation's corporate governance framework, its businesses, operations, and current issues and strategies.

The *Development Program* will consist of ongoing briefings, tutorials and workshops on matters relevant to the Board in consideration of the issues expected to come before it. The *Development Program* will also address educational needs of Directors in respect of their duties generally and will encourage participation in course offerings in this regard provided by third party institutions.

The Governance and Human Resources Committee will receive suggestions from Directors and Management and will annually recommend a list of orientation and development topics.

Director Orientation

Each new Director will be required to participate in an *Orientation Program* consisting of the following:

1. Initial Orientation: This initial meeting should be scheduled as soon as possible after appointment of the new Director, preferably within **two weeks**. It is anticipated to take approximately three hours, and will include the following:
 - a) Receiving the following documentation:
 - Board Governance Manual
 - BC Hydro Issues Briefing Binder
 - Director Indemnity Package
 - BC Hydro ID, parking passes, etc.
 - b) Meeting with the following people:
 - Chair
 - President & CEO
 - Code Advisor
 - Corporate Secretary
 - c) Demonstration of the Board Portal

2. Issues Briefing: The following briefings can be held separately, or combined:
 - a) This briefing session is to be led by members of the management team on issues to be selected by the President & CEO (see Schedule A for listing of sample topics). The session should be scheduled within the **four weeks** following a new Director being appointed to the Board. If there is more than one new Director appointed during the period, this could be combined with other Directors. It is anticipated to be a full day session, either occurring in one day, or spread over two.
 - b) Also during the initial **four week** period, meetings between new Directors and Chairs of the standing committees of the Board of Directors shall be arranged. The purpose of these meetings will be for the Committee Chairs to provide insight to incoming Directors of the business, issues and risks presently before the Committee, or anticipated in the foreseeable future.
3. Site Tours: Site tours can be set up at suitable time or times after the appointment of a new Director. These should include sites in the lower mainland, as well as some of the larger and more remote sites. Consideration should be given to including tours of sites that are representative of the breadth of BC Hydro's business and those which are relevant to issues requiring Board attention in the foreseeable future.
4. Quarterly Meeting Cycle: New Directors shall, to the extent possible, attend all meetings of the various committees of the Board during the first quarterly meeting cycle after their appointment.

The Chair, through the Corporate Secretary, will schedule the *Orientation Program*.

Director Development

Directors will be provided with ongoing development opportunities that educate and inform them on issues that are of strategic importance to the Corporation. These sessions will be scheduled separately from regular Board and Committee meetings.

Management will provide Directors with materials or presentations at Board meetings on matters of policy and key strategic issues where the Corporation may expect change or anticipate potential concerns or risks.

Board meetings may be scheduled in different regions of the Province to provide Directors with additional insight into the Corporation's operations.

Special site visits or retreats may also be scheduled to gain understanding of a particular issue, business area or strategic direction of the Corporation.

With respect to more general director education pertaining to corporate governance and directors duties and obligations, training programs through third party providers will be supported. Based on prior written approval from the Chair, Directors shall be entitled to reimbursement of 50% of fees associated with such director training programs. Such programs may or may not lead to certification.

Schedule “A”

Sample Topics for Issues Briefings for New Directors

Recognizing that some tailoring will continue to be necessary, the following represents the kind of areas that will be important for new Directors:

1. BC Hydro - the Company
 - Mandate Letter
 - History
 - Physical assets
 - How it is organized
 - People, culture and safety
 - Number of employees
 - Key components of BC Hydro’s lines of business
 - Frequently used terminology within BC Hydro
 - System map
 - Relative position among BC Crown Corporations by number of employees and revenue
2. Strategic Direction and Corporate Vision and performance goals
3. Financial overview and Capital Plan
4. Regulation
 - Revenue Requirements
 - Rate Design
 - Integrated Resource Plan
 - Long Term Acquisition Plan (LTAP)
 - Recent BCUC Decisions
5. Provincial Energy Plans and Power Acquisitions programs
6. Governance Structure
 - Corporate governance culture
 - Disclosure in response to Government guidelines
 - Risk Management
 - Board and Committee Organization
 - Duties and obligations of BC Hydro directors
 - Our conduct expectations, conflict of interest guidelines and role of the Code Advisor
 - Freedom of information, privacy and confidential information (also what we make publicly available)
 - Accountability
 - Resources available to the Board including the Corporate Secretary’s Office and Executive Assistant to the Chair
7. The North America electricity marketplace - realities and emerging issues
 - Summary of key energy concepts (e.g., capacity, load, energy) and how they are measured
 - Long term energy forecasts

8. Major initiatives underway, key policy issues and future major Board decisions
9. Security Procedures
9. Powerex Corp
 - History
 - Financial overview and risk management
 - WSCC interconnections, trading hubs and power pools
 - Power Market Authorization, Trade Floor, role of POSSE at Powerex
 - Canadian entitlement
 - California history and where we are today
10. Corporate Ethos and Communications

BOARD EVALUATION PROCESS

Introduction

The Board Evaluation Process is designed to provide Directors with an opportunity to evaluate how the Board is operating and to make suggestions for improvement.

This is not an assessment of any individual Director. It is designed primarily to provide constructive input for the improvement of the Board as a whole.

Process

The Corporate Secretary will organize the Board Evaluation Process in consultation with the Chair and the Governance and Human Resources Committee.

It is expected that this process will take place every two years. Details of the process will be designed around the needs and wishes of the Chair from time-to-time. In the intermittent year, an informal evaluation will take place with each Director participating in a one-on-one discussion with the Chair.

In consultation with the Chair, the Governance and Human Resources Committee will review the Evaluation findings and report to the Board of Directors.

PERFORMANCE EVALUATION PROCESS FOR THE PRESIDENT & CHIEF EXECUTIVE OFFICER

Benchmarks

The following documents constitute the benchmarks against which the review takes place:

- A statement of goals or primary objectives for the year under review - the annual performance contract. These goals will have been developed by the President & CEO, reviewed with the Governance and Human Resources Committee (“the Committee”) and approved by the Board the previous year.
- BC Hydro’s financial achievements for the previous year.
- BC Hydro’s Service Plan.
- Terms of Reference for the President & CEO.
- At the discretion of the Committee or the Board, as applicable, other extraordinary items that may arise during the year.

The President & CEO’s Self-Appraisal

- The Governance and Human Resources Chair and Committee are best equipped to undertake an assessment of the President & CEO if the Chair and Committee members understand how the President & CEO has:
 - self-evaluated performance against agreed upon objectives;
 - identified goals and priorities for the coming year.
- The President & CEO discusses the self-appraisal with the Committee and the Chair in advance of the performance evaluation process (timing and responsibilities are noted on page 2)

Director Involvement

- The Committee will consolidate the input of its members and that of the Chair into a single assessment and rating recommendation of the President & CEO’s performance.
- The Chair and Chair of the Committee will review this assessment and submit it to the full Board for endorsement.
- Following adoption by the Board of Directors, the Chair will review the final assessment with the President & CEO.

President & CEO Feedback

If required, the President & CEO may provide a verbal or written response to the performance review to the Committee and/or to the Board of Directors.

Timing and Responsibilities

<i>Activity</i>	<i>Who</i>	<i>When</i>
President & CEO develops a set of goals and objectives for the coming year which are reviewed by the Board Chair and the Committee and submitted to the full Board for approval	<ul style="list-style-type: none"> • President & CEO • Chair/Committee • Board 	February
President & CEO submits to the Chair a written self-appraisal of performance against the approved set of goals and objectives for the previous year	<ul style="list-style-type: none"> • President & CEO 	May
President & CEO and Chair discuss President & CEO performance. President & CEO to make changes to the written self-appraisal as appropriate	<ul style="list-style-type: none"> • President & CEO • Chair 	May
Chair and Committee Chair meet to review and discuss the written self-appraisal of performance provided by the President & CEO, as well as discussion that took place with President & CEO and Chair	<ul style="list-style-type: none"> • Chair • Committee Chair 	May
President & CEO presents and discusses written self-appraisal of performance for the previous year to the Committee	<ul style="list-style-type: none"> • President & CEO 	May / October (mid-year review)
Chair reports out to Committee and they provide input on the President & CEO's performance	<ul style="list-style-type: none"> • Committee • Chair 	May/ October (mid-year review)
Committee Chair consolidates input from the Committee members with that provided by the Chair into a single assessment and rating recommendation, and provides to the Board for approval	<ul style="list-style-type: none"> • Committee Chair • Chair 	May
President & CEO presents and discusses written self-appraisal of performance for the previous year with the Board	<ul style="list-style-type: none"> • President & CEO • Board 	May
Following discussion and decision by the Board, the Chair will review the final assessment & rating recommendation with the President & CEO	<ul style="list-style-type: none"> • Chair • Committee Chair • President & CEO 	May
The President & CEO may respond verbally or in writing to the Committee, the Board of Directors or Chair, as applicable	<ul style="list-style-type: none"> • President & CEO 	<i>If applicable</i>

PLEASE NOTE: All Committee and Board of Director approvals outlined in Tabs 15 & 24 of the Board Governance Manual are subject to all necessary Public Sector Employer Act approvals.

DIRECTOR COMPENSATION AND EXPENSES

Director expenses and compensation is provided in accordance with *Remuneration Guidelines for Appointees to Crown Agency Boards* (Treasury Board Directive 3/11) issued by Government on December 16, 2010 (see attached). A summary of the Guidelines is shown below.

Compensation for BC Hydro Directors

All retainers and meeting fees are to be made in accordance with all applicable Public Sector Employers Council guidance and requirements.

Annual Retainers

- The BC Hydro Chair is entitled to an annual retainer of \$30,000, paid in quarterly installments of \$7,500.
- Other Directors are entitled to an annual retainer of \$15,000, paid in quarterly installments of \$3,750.
- Directors who have been appointed to serve as Committee Chairs will be entitled to receive an additional annual retainer as follows:
- **Committee Chairs:**
 - **Audit and Finance Committee Chair** – \$5,000 paid in quarterly installments of \$1,250
 - **All Other Committees (see below) -**
\$3,000 paid in quarterly installments of \$750.
Capital Projects Committee; Customer Service, Planning and Operations Committee; Governance and Human Resources Committee; Project Boards and Peace River/Williston Reservoir Advisory Committee

Meeting Fees

- Directors are entitled to a meeting fee of \$750 (\$375 if 4 hours or less) for each Board or Committee meeting attended (to a maximum of 30 meeting fees per year). However, a Director may receive only one meeting fee per day, although more than one meeting may be attended.
- Directors serving as the Chair of the Audit and Finance Committee or of the Governance and Human Resources Committee are also entitled to a meeting fee in the amount stipulated above for attendance at the Corporate Pension Management Committee.

Deductions

Income tax, CPP and any other statutory deductions will be deducted from fees prior to payment, unless otherwise exempt.

Compensation for Subsidiary Company Directors

Annual Fees

Directors of BC Hydro who are appointed to serve on a Subsidiary Board of Directors will not be paid an additional annual fee, with the exceptions stated below:

- *Outside Directors appointed to Powerex Corp.*
An annual fee of \$12,000, paid in quarterly installments of \$3,000 will be paid to outside Directors appointed to the Powerex Corp. Board of Directors.

- *Directors of BC Hydro appointed to Powerex Corp.*
Members of the BC Hydro Board of Directors appointed to serve as Directors of Powerex Corp. will receive an additional annual fee of \$6,000, paid in quarterly installments of \$1,500. In the case of a member of the BC Hydro Board of Directors who is also serving as the Chair of the Powerex Board, this additional annual fee will be \$15,000, paid in quarterly installments of \$3,750.
- *Powerex Director appointed as Powerex Audit and Risk Management Committee Chair*
A Director, whether an outside Director or a member of the BC Hydro Board of Directors appointed to serve on Powerex Corp. and appointed by that Board as the Audit and Risk Management Committee Chair is entitled to receive an additional annual fee of \$3,000, paid in quarterly installments of \$750.
- *Directors appointed to Powerex Corp. Audit and Risk Management Committee*
Directors serving as members of the Powerex Board's Audit and Risk Management Committee are entitled to receive an additional payment of \$750 to recognize the preparation time required for each meeting attended.
- *Outside Directors appointed to Powertech Labs Inc.*
An annual fee of \$3,000, paid in quarterly installments of \$750 will be paid to outside Directors appointed to the Powertech Labs Inc. Board of Directors.

Meeting Fees

Directors are entitled to a meeting fee of \$750 (\$375 if 4 hours or less) for each meeting of the Subsidiary Board (or Committee thereof) attended (to a maximum of 30 meeting fees per year). However, a Director may receive only one meeting fee per day, although more than one meeting may be attended.

Other Fees

- Directors who are requested by the Chair and/or President & CEO to undertake duties on behalf of the Subsidiary are entitled to payment at a rate of \$250 per hour to a maximum of \$750 per day for such services.
- The Corporate Secretary's office will be notified of such occurrences.

Deductions

Income tax, CPP and any other statutory deductions will be deducted from fees prior to payment, unless otherwise exempt.

Expenses

General

Directors are entitled to reimbursement of reasonable travel-related expenses incurred on BC Hydro business. Expenses are paid on the basis of receipted amounts (or by distance travelled, in the case of personal vehicle usage), not per-diem allowances.

Travel

Use of Personal Vehicles

BC Hydro's standard rate for kilometers traveled will be used. All insurance requirements are the responsibility of each Director. The mileage allowance for personal vehicle use is as follows:

Two-Wheel Drive: First 1,000 km per month – 53.5 cents per km

	Over 1,000 km per month – 47.5 cents per km
Four-Wheel Drive:	First 1,000 km per month – 75.5 cents per km
	Over 1,000 km per month – 47.5 cents per km

Air Travel

Pre-approval from the Chair is required for travel to or from destinations outside of British Columbia. Where this is likely to be required on a routine basis for Directors resident, or partially resident, outside of British Columbia, pre-approval can be obtained on a blanket basis.

All air travel is restricted to economy or business class fares.

Accommodation

Where possible, accommodation should be obtained at those hotels offering Government or special corporate rates. The Corporate Secretary's office will keep Directors informed of any special rates offered to BC Hydro.

Meals

Directors are entitled to reimbursement for meals purchased while travelling on BC Hydro business. Meals may be reimbursed on either a receipted or a per diem basis.

Receipted: As with other expenses, meal costs reimbursed on a receipted basis must be reasonable. Restaurant bills, inclusive of purchase details, are required in addition to any associated payment receipt.

Per Diem: Fixed per diem rates for unreceipted meals are as follows (inclusive of all applicable taxes and gratuities):

- Breakfast \$11 CDN (partial travel days)
- Lunch \$14 CDN (partial travel days)
- Dinner \$26 CDN (partial travel days)
- All day \$51 CDN (per whole travel day).

Alcohol

No reimbursement will be paid for alcohol.

Director Education

Based on prior written approval from the Chair, Directors shall be entitled to reimbursement of 50% of fees associated with "Director Training" programs offered through third party institutions. Such programs may or may not lead to certification.

Payment of Fees and Expenses

Fees

Payments will be made on a quarterly basis by BC Hydro's Pay Department based on the Corporate Secretary's record of Director attendance.

Expenses

Expense claims are to be submitted by Directors to the Corporate Secretary's Office. Claims should be submitted using the Director's expense claim form developed by the Corporate Secretary, and must be accompanied by receipts. Where pre-approval is required by virtue of these guidelines, documentation supporting such pre-approval must also accompany the claim. Expense claims will be processed and paid within 30 days of being submitted, subject to approval as follows:

- a) in the case of the Board Chair, by the Chair of the Audit and Finance Committee of the Board;
- b) in the case of other Directors, by the Board Chair; and
- c) in the case of other Directors also serving on Subsidiary Boards, by the Board Chair.

Records

The Corporate Secretary's office will keep records of all fees and expenses paid to Directors on behalf of the Corporation.

INDEMNITY AGREEMENT

BC Hydro has granted an indemnity to Directors and Officers of BC Hydro and its Subsidiary Companies. The Agreement is included in this Tab. Under separate cover Directors will be provided with the Indemnity Agreement for signature and return. Upon execution, signed copies will be retained by BC Hydro and the Director, as the Indemnitee.

INSURANCE COVERAGE

BC Hydro maintains a \$100,000,000 *“Directors and Officers (‘D&O’) Liability Insurance Policy”* as well as a \$25,000,000 *“Differences in Conditions”* policy. The policies protect Directors, Officers and others against claims arising out of wrongful acts, such as errors, misstatements, misleading statements, and acts, omissions and the neglect or breach of duty committed or any other matter claimed against them by reason of their status as Directors or Officers. The policies exclude coverage for deliberate criminal or deliberate fraudulent act although defense costs are provided until final adjudication.

The policies pay Directors, Officers and others covered by the policy when corporate indemnification is not available, such as when indemnification is not granted on a discretionary basis or is not permitted by law. A deductible is not applicable when the indemnification is not permitted by law or in the event of insolvency by BC Hydro.

The D&O policy reimburses the Corporation, subject to a deductible, when the Corporation in keeping with the terms of the Indemnity Agreement indemnifies an individual covered by the policy. The deductible for an indemnified loss is \$250,000.

A separate policy provides Employment Practices Liability insurance for claims arising out of alleged or actual wrongful employment practices, such as wrongful dismissal, harassment, discrimination, etc. The limit is \$5,000,000. A deductible is not applicable for a non-indemnified loss. The deductible for an indemnified loss or corporate loss is \$250,000.

A separate policy provides Fiduciary Liability insurance for claims relating to BC Hydro's registered pension plan. The limit is \$25,000,000. A deductible is not applicable for a non-indemnified loss. The deductible for an indemnified loss or corporate loss is \$100,000.

INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT dated for reference the ___ day of _____, 201 .

BETWEEN:

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

("BC Hydro")

AND:

[name of Director or Officer]

("Indemnitee")

RECITALS

- A. BC Hydro is Crown Corporation continued under the *Hydro and Power Authority Act*, RSBC 1996, Chapter 212, as amended, having an office at 333 Dunsmuir Street, Vancouver, British Columbia.
- B. Indemnitee is willing to serve, or to continue to serve, as a director or officer of BC Hydro and, if requested and appointed by BC Hydro, to serve or continue to serve as a director, officer, member of the management committee, or in any similar capacity in respect of any corporation, joint venture, partnership, entity, or other organization in which BC Hydro has an ownership or financial interest either directly or indirectly through one or more corporations, joint ventures, partnerships, or other organizations (collectively, including BC Hydro, called the "Businesses").
- C. An individual serving as set forth in Recital B, may, at times, act on the basis of directions or approvals (herein called "Directions") from Lieutenant Governor in Council for the Province of British Columbia or from the Minister of the Province of British Columbia charged with the administration of the *Hydro and Power Authority Act*.

IN CONSIDERATION OF Indemnitee consenting to act as set forth in Recital B, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged by BC Hydro, BC Hydro and Indemnitee agree as follows:

1. COMMENCEMENT

- 1.1 Notwithstanding its date of execution or its date for reference, the term of this Indemnity Agreement shall be conclusively deemed to commence on the day upon which Indemnitee first commences or commenced serving as set forth in Recital B.

2. AGREEMENT TO SERVE

- 2.1 Indemnitee agrees to serve one or more of the Businesses as set forth in Recital B so long as he or she is duly elected or appointed, as the case may be, or until such time as he or she tenders his or her resignation from such position.

3. INDEMNITY

3.1 General Scope

Subject to paragraph 3.4 hereof, BC Hydro shall, to the extent Indemnitee is not indemnified by the Businesses other than BC Hydro, indemnify and save harmless Indemnitee from and against all costs, charges, expenses, fees, liabilities, obligations, losses, damages, fines, and penalties imposed under, or actually and reasonably incurred by Indemnitee at law, in equity, or by, pursuant

to, or under, any statute, law, or regulation (“Liability”) in relation to any claim, action, proceeding, investigation, or order, whether civil, criminal, or administrative (collectively or individually a “Claim”) arising as a result of, or in connection with, Indemnitee serving as set forth in Recital B.

The indemnity herein provided includes, without limitation, a full indemnity for:

- (a) legal fees and disbursements;
 - (b) all other costs of investigation, defence or appeal actually and reasonably incurred by Indemnitee in relation to a Claim, whether or not any action or proceeding is commenced; and
 - (c) all amounts paid or payable by Indemnitee to settle a Claim or to satisfy to a judgment, including, without limitation, the payment of interests and costs, or otherwise, to discharge a Liability imposed or incurred;
- whether sustained or incurred by reason of negligence, default, breach of duty, breach of trust, failure to exercise due diligence, or otherwise in relation to one or more of the Businesses.

3.2 Absolute Liability

Without limiting the generality of paragraph 3.1 hereof, BC Hydro shall indemnify Indemnitee against any Liability in relation to a Claim which, regardless of Indemnitee’s conduct, and whether or not Indemnitee is at fault, is statutorily imposed upon Indemnitee.

3.3 Government Directions

Without limiting the generality of paragraph 3.1 hereof, and notwithstanding the provisions of paragraph 3.4 hereof, BC Hydro shall indemnify Indemnitee against any Liability in relation to a Claim arising from Indemnitee acting pursuant to Directions.

3.4 Limitation

The indemnity herein provided is only applicable if:

- (a) Indemnitee acted honestly and in good faith with a view to the best interests of the Business of which he or she is or was performing the service as set forth in Recital B;
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful; and
- (c) it is not otherwise prohibited by applicable law.

3.5 No Relief from Contractual Obligations

Nothing in this Indemnity Agreement shall relieve Indemnitee of any obligation imposed upon him or her as part of a contract or transaction entered into by him or her with any one or more of the Businesses.

3.6 Payment

- (a) BC Hydro shall pay all amounts due to Indemnitee hereunder forthwith upon demand by Indemnitee; and
- (b) the expenses incurred by Indemnitee in investigating, defending, or appealing any Claim covered hereunder shall, at the request of Indemnitee, be paid by BC Hydro in advance as may be appropriate to enable Indemnitee to properly investigate, defend, or appeal such Claim, with the understanding and agreement being hereby made that, if it is ultimately determined as provided hereunder that Indemnitee was not

entitled to be so indemnified, or was not entitled to be fully so indemnified, that Indemnitee shall pay to BC Hydro, such amount or the appropriate portion thereof, so paid in advance.

3.7 Subrogation

If BC Hydro indemnifies Indemnitee in respect of any Liability for which he or she is entitled to be indemnified pursuant to this Indemnity Agreement, BC Hydro shall be subrogated to all rights of Indemnitee pursuant to such indemnification.

3.8 Notice of Material Change

BC Hydro shall, upon becoming aware of any material adverse change to its financial condition or to the Businesses, advise each of its directors, and the directors of each of its subsidiaries, having the benefit of this Indemnity Agreement of any such change.

4. INSURANCE

4.1 Optional

If the Province of British Columbia does not provide an indemnity similar in scope to that provided herein to the Indemnitee, then BC Hydro will use reasonable commercial efforts to obtain and maintain insurance for the benefit of its directors and officers with the nature and extent of the coverage of any such insurance to be as determined from time to time at the discretion of the Board of Directors of BC Hydro. If BC Hydro does obtain such insurance and such insurance is either cancelled or not renewed or replaced, BC Hydro shall immediately notify those of its officers and directors having the benefit of this Indemnity Agreement of such fact.

5. TAXABLE BENEFITS

5.1 BC Hydro shall gross up any indemnity payment made pursuant to this Indemnity Agreement by the amount of any income tax payable by Indemnitee in respect of that payment.

6. ENFORCEMENT COSTS

6.1 If any payment by BC Hydro under Section 3 hereof first requires the approval of any court, BC Hydro, at its own expense and in good faith, will promptly take proceedings to obtain that approval. BC Hydro shall indemnify Indemnitee for the amount of all costs incurred by Indemnitee in obtaining any court approval required to enable or require BC Hydro to make a payment under this Indemnity Agreement or to enforce this Indemnity Agreement, including, without limitation, all legal fees and disbursements on a full indemnity basis.

7. DEFENCE

7.1 Investigation, Negotiation, and Settlement

BC Hydro shall defend, at its expense, any Claim against Indemnitee that, if successful, would come within the terms of paragraphs 3.1, 3.2 and 3.3 hereof (without reference to the provisions of paragraphs 3.4 or 3.5 hereof), even if any of the allegations of the Claim are groundless, false, or fraudulent. BC Hydro may make such investigation, conduct such negotiations toward settlement and, with the written consent of Indemnitee, make settlement of any such Claim as it deems expedient. Nevertheless, Indemnitee shall not be required to admit liability as part of any proposed settlement. If Indemnitee fails to give his or her consent to a settlement of any Claim acceptable to BC Hydro and the claimant,

BC Hydro may require Indemnitee to negotiate or defend such Claim independently of BC Hydro and if BC Hydro does so:

- (a) any amount recovered by the claimant in excess of the amount for which settlement could have been made by BC Hydro shall not be recoverable under this Indemnity Agreement; and
- (b) BC Hydro shall only be responsible for legal fees and costs up to the time at which such settlement could have been made.

7.2 Appointment of Counsel

BC Hydro shall consult Indemnitee on the appointment of any defence counsel to be engaged by BC Hydro in fulfillment of its obligation to defend Claims pursuant to paragraph 7.1 hereof. After such consultation, BC Hydro shall appoint counsel, but BC Hydro shall pay reasonable heed to the wishes of Indemnitee in making such appointment.

7.3 Independent Counsel

Indemnitee may, if he or she is of the opinion, reasonably held, that his or her interests differ from that of BC Hydro, retain his or her own independent legal counsel to represent him or her in relation to a Claim and the full cost of that representation (subject to sub-paragraph 3.6(b) hereof) shall be considered a Liability to which this Indemnity Agreement also applies.

8. INDEMNITEE CEASING TO ACT

8.1 Nothing in this Indemnity Agreement prevents Indemnitee from resigning as a director, officer, member of the management committee, or position of similar capacity, in any one or more of the Businesses at any time.

9. CONTINUING INDEMNITY

9.1 The obligations of BC Hydro under this Indemnity Agreement are not diminished or in any way affected by:

- (a) payment by any one or more of the Businesses to Indemnitee of director's fees or any salary, wages or other compensation;
- (b) payment by any one or more of the Businesses to Indemnitee or to any firm of which Indemnitee is a partner, associate, director, officer or employee, of any fees for services rendered;
- (c) Indemnitee ceasing to act whether by resignation, removal, death, incapacity, disqualification under applicable law, or otherwise; or
- (d) any insurance or other indemnity placed by, or for the benefit of, the Indemnitee by the Indemnitee, BC Hydro or any of the Businesses.

10. NO PRESUMPTION AS TO ABSENCE OF GOOD FAITH

10.1 Termination of any Claim by judgement, order, settlement, or conviction, or upon a plea of "nolo contendere" or its equivalent, shall not, of itself, create any presumption for the purposes of this Indemnity Agreement that Indemnitee did not act honestly and in good faith with a view to the best interests of BC Hydro or the applicable Business, as the case may be, or, in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, that the Indemnitee did not have reasonable grounds for believing that his or her conduct was lawful (unless the judgement or order of the court specifically finds otherwise).

11. NO LIABILITY OF DIRECTORS OR OFFICERS FOR CERTAIN ACTS

11.1 To the extent permitted by law, Indemnitee shall not be liable for:

- (a) the actions, omissions, negligence, or defaults of any other director, officer, or employee of any of the Businesses;
- (b) joining in any action or omission for conformity;
- (c) any loss, damage, or expense happening to one or more of the Businesses through the insufficiency or deficiency of title to any property acquired by the Business or for or on behalf of the Business;
- (d) the insufficiency or deficiency of any security in, or upon which, any of the moneys of, or belonging to, any one or more of the Businesses which is placed out or invested;
- (e) any loss or damage arising from the bankruptcy, insolvency, or tortious act of any person, firm, or corporation with whom or which any moneys, securities, or effects of any one or more of the Businesses is lodged or deposited;
- (f) any loss, conversion, misapplication, or misappropriation of, or any damage resulting from any dealings with any moneys, securities, or other assets belonging to any one or more of the Businesses; or
- (g) any other loss, damage, or misfortune whatever which may happen in the execution of the duties of his or her respective office or trust in relation thereto;

unless the same shall happen by or through the failure of Indemnitee to act in accordance with subparagraph 3.4(a) hereof.

12. NOTICES OF PROCEEDING

12.1 Indemnitee agrees to give notice to BC Hydro within seven (7) days of becoming aware of any pending or threatened Claim or of being served with any statement of claim, writ, notice of motion, indictment, or other document commencing or continuing any Claim against Indemnitee as a party, and BC Hydro agrees to notify Indemnitee in writing within seven (7) days of becoming aware of any pending or threatened Claim or of being served or becoming aware that any of the other Businesses have been served with any statement of claim, writ, notice of motion, indictment, or other document commencing or continuing any Claim naming Indemnitee as a party to such Claim.

13. INDEMNITEE TO CO-OPERATE

13.1 Indemnitee agrees to give BC Hydro such information and co-operation as BC Hydro may reasonably require from time to time in respect of all matters hereunder.

14. NOTICES

14.1 All notices and other communications required hereunder shall be conclusively deemed validly given, or delivered to and received by, the addressee:

- (a) if delivered personally, on the day of such personal delivery, or
- (b) if mailed, on the fifth business day after the mailing of the same in British Columbia by prepaid post addressed:

if to BC Hydro - Corporate Secretary, British Columbia Hydro and Power Authority, 18th Floor, 333 Dunsmuir Street, Vancouver, British Columbia, V6B 5R3

if to Indemnitee - to the Indemnitee at the address of Indemnitee as set out below the signature of Indemnitee on the last page hereof. BC Hydro and Indemnitee may, from time to time, advise each other by notice of any change of address.

15. SEVERABILITY

15.1 If any term of this Indemnity Agreement is partially or wholly invalid or unenforceable, for any reason whatsoever, the remainder of this Indemnity Agreement shall not be affected, and each remaining term will be separately valid and enforceable.

16. TERMINATION

16.1 This Indemnity Agreement may be terminated by BC Hydro by 14 days' notice to Indemnitee. Notwithstanding paragraph 14.1 hereof, such a termination shall only be effective in relation to negligent acts or omissions, defaults, breaches of duty or trust, or failures to exercise due diligence which occur after such notice is actually received by Indemnitee. In any event, this Indemnity Agreement shall not extend to acts or omissions, defaults, or breaches of duty or trust which occur after the date upon which Indemnitee ceases to serve as set forth in Recital B.

17. GENERAL**17.1 Governing Law**

This Indemnity Agreement shall be construed in accordance with and be governed by the laws of the Province of British Columbia.

17.2 Modification and Waiver

No supplement, modification, or amendment of this Indemnity Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Indemnity Agreement shall be deemed to, or shall constitute, a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

17.3 Entire Agreement

This Indemnity Agreement shall supersede and replace any and all prior agreements (except any written agreement of employment between BC Hydro or another of the Businesses and Indemnitee, which shall remain in full force and effect except to the extent augmented or amended herein) between the parties hereto respecting the matters set forth herein, and shall constitute the entire agreement between the parties hereto in respect of the matters set forth herein.

17.4 Successors

This Indemnity Agreement shall enure to the benefit of and be binding upon the parties hereto, the successors and assigns of BC Hydro, and the heirs, and legal personal representatives of Indemnitee.

17.5 Gender and Number

Words in one gender include all genders and words in the singular include the plural and vice versa.

17.6 Time of Essence

Time shall be of the essence of this Indemnity Agreement.

17.7 Headings

The headings or captions in this Indemnity Agreement are inserted for ease of reference only and shall have no effect on the construction or interpretation of this Indemnity Agreement.

17.8 Incorporate Recitals

The recitals to this Indemnity Agreement are an integral part of this Indemnity Agreement.

18. PREVIOUS INDEMNITIES

18.1 This Indemnity Agreement replaces any previous indemnity or indemnities which have been granted by BC Hydro to the Indemnitee in respect of the Indemnitee’s activity as described in Recital B and any such previous indemnity or indemnities are hereby rescinded.

TO EVIDENCE THEIR AGREEMENT, each of the parties has executed this Indemnity Agreement on the respective dates appearing below.

INDEMNITEE	BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
_____	_____
[Name of Indemnitee]	(Authorized Signatory)
_____	_____
(Signature)	Date
_____	_____
Address for notice to Indemnitee	(Authorized Signatory)
_____	_____
City/Province/Postal Code	Date

Date	

GUIDELINES FOR COMMITTEES OF THE BOARD OF DIRECTORS

Introduction

The Board has created a number of Committees which are tasked with undertaking certain reviews and inquiries and making recommendations to the Board of Directors. Each Committee will make periodic recommendations to the Board in respect of the subject on which it was created to advise. The Board will take into consideration, but will not be bound by, Committee recommendations. Each Committee will take on such further duties and make such further decisions as may be delegated to it by the Board.

These Guidelines outline how the Committees will operate to carry out their duties.

Terms of Reference

The Terms of Reference for each Committee of the Board of Directors define the roles of that Committee. Each Committee will review its own Terms of Reference annually and any changes will be submitted to the Governance and Human Resources Committee for review and recommendation to the full Board.

Membership

Committee Chairs and members are appointed by the Board, on the recommendation of the Board Chair. A Committee member may be removed or replaced at any time by the Board and will cease to be a member upon ceasing to be a Director of the Corporation.

While the Terms of Reference for each Committee stipulate the intended number of committee members (or a suitable range thereof), the Committee shall be validly constituted notwithstanding any difference between such stipulated number or range and the actual number of Committee members in place from time to time.

The Chair will be an ex-officio, but non-voting member of all Committees. The Chair will be a voting member of any Committee to which he has been explicitly appointed.

A Committee may invite such Directors or, in consultation with the President & CEO, such employees of the Corporation, as may be considered desirable to attend meetings and assist in the discussion and consideration of the business of the Committee.

Meetings and Special Meetings

The frequency of Committee meetings will be determined by the Committee Chair. Meetings will generally be scheduled a year in advance in conjunction with Board meetings where possible.

Special meetings of the Committees may be held at any time at the call of the Chair. Like regular meetings, special meetings may be held by way of personal attendance or by way of telephone or video conferencing.

Notice of a special meeting will be delivered to each Director at any time prior to the start of the meeting if the notice is communicated verbally or by electronic means.

In the Chair's absence, a special meeting may be called by:

- a member of the Executive Committee, or
- at the call of any two Directors.

The Corporate Secretary will liaise with the Committee Chair as well as the applicable member or members of the executive management team in the preparation of meeting agendas and related materials.

Procedures at Committee Meetings

The following describes general procedures regarding the conduct of Committee meetings:

- Quorum:
 - the presence of at least 50% of eligible voting Directors constitutes a quorum and the meeting shall, with respect to quorum, be validly constituted.
 - attendance at a meeting of the Committee by any or all Directors may be by way of personal attendance or by way of telephone or video conferencing.
 - a meeting of the Committee, once validly constituted, shall remain so despite the departure or recusal of any Director or Directors due to a declared conflict of interest.
- questions arising at any meeting of a Committee shall be decided by a majority of votes cast by those present and not excluded from voting on the question due to a declared conflict of interest. In a case of an equality of votes, the Chair of the meeting will have a second or casting vote;
- a resolution circulated in writing (including by electronic means), and agreed to by signature or by electronically verifiable means by all the Directors not excluded from voting on the question due to a declared conflict of interest, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

Minutes

The Corporate Secretary will ensure that the minutes of each Committee meeting are prepared and given in a timely fashion to the responsible member(s) of management and to the Committee Chair for review, and submitted to the Committee for approval at a future meeting. A complete meeting record will be maintained by the Office of the Corporate Secretary and made available to any Director, the President & CEO and applicable members of management.

Committee Support

Each Committee Chair will advise the Chair and President & CEO when the Committee wishes to use staff of the Corporation as Committee support, beyond the use of the Corporate Secretary. It will be the responsibility of the President & CEO, or the appropriate Executive Team Member, to designate staff for the Committee's assistance.

Similarly, a Committee may from time to time require the services of an outside advisor in order to effectively fulfill its responsibilities. A Committee Chair who wishes to engage an outside advisor at the expense of the Corporation must first obtain the authorization of the Chair. The Board Chair will, at the next meeting of the Board, update Directors of any such authorization given.

Outside advisors engaged according to the foregoing provisions shall be entitled to compensation, to be paid quarterly, as follows:

- Annual Retainer: \$5000
- Meeting Fees: \$750
- Expenses: Per the guidelines applicable to staff and Directors (see Tab 16).

Such engagements shall be formalized using applicable standard form contracts in use by BC Hydro from time to time, and shall include confidentiality, indemnity and insurance provisions comparable to those which are applicable to Board Directors.

TERMS OF REFERENCE AUDIT AND FINANCE COMMITTEE

Strategic Context

The role of the Committee is to provide financial oversight in the manner set out below and as detailed elsewhere in these Terms of Reference. This is undertaken within the context of BC Hydro's company-wide goals as advanced by the Board.

Purpose

The purpose of the Committee is to assist the Board of Directors in fulfilling its obligations and oversight responsibilities while also providing strategic and policy level advice and direction to Management on matters that drive the Corporation's business results and financial performance. The Committee's areas of responsibility include, but are not limited to, corporate controls, audit processes (internal and external), financial reporting, treasury (including credit, debt, insurance and pension) and litigation.

In fulfilling its purpose, the Committee is to maintain free and open communication among itself, the external auditors, the internal auditors, and Management.

Composition

The Committee will be composed of at least three Directors. Committee members will be financially literate¹, and at least one Committee member or advisor should have accounting or financial management expertise.

The External Auditors will be invited to attend Committee meetings as appropriate. The External Auditors will be notified of the Committee's meeting schedule and receive the appropriate meeting materials in advance of meetings.

The Corporate Secretary will be secretary to the Committee.

Duties and Responsibilities

The Committee faces a number of duties which must be completed to satisfy government reporting obligations of the Corporation. These, together with other critical functions related to corporate controls, audit, treasury, pension and other functions are specified in the Committee Timetable, and are to be addressed according to the intervals indicated.

In addition, in delivering on its purpose the Committee will from time to time engage in the following activities or perform the following duties. The frequency of the Committee's engagement with these activities and duties will be determined based on project timelines, government expectations, evolving circumstances and emerging issues.

- a) Make recommendations to the Board with respect to the Corporation's goals and targets on matters falling within its purpose;
- b) Provide advice and direction with respect to strategies, plans and objectives;
- c) Review initiatives and expenditures related to the Committee's mandate and provide the Board of Directors with a recommended course of action where applicable;

¹ A member shall be considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of accounting issues and level of complexity that are generally comparable to the breadth and complexity of the issues that can be reasonably expected to be raised by the Company's consolidated financial statements.

- d) Review and monitor programs and performance, as appropriate; and
- e) Ensure that principal risks associated with its mandate are appropriately identified and managed.

COMMITTEE TIMETABLE²

	Q1 (May)	Q2 (Aug)	Q3 (Nov)	Q4 (Feb)
1. FINANCIAL REPORTING & FORECASTS				
a. Annual Financial Statements *	Recommend			
b. Quarterly Financial Reports *		Recommend	Recommend	Recommend (Jan)
c. Five Year Forecast (and quarterly updates), including 10 Year Rate Plan Update*		Recommend	Recommend	Recommend (Jan)
d. Quarterly Treasury Report *	Review	Review	Review	Review
2. EXTERNAL AUDIT				
a. External Auditors <ul style="list-style-type: none"> • appointment • annual renewal of terms/fees 	Recommend Approve			
b. Audit/non-audit services to be provided by the External Auditor (in-camera)	Approve	Tabled Report	Tabled Report	Tabled Report
c. External Audit Plan			Review	
d. External Auditors' post-audit management letter, and Management's response	Review			
3. INTERNAL AUDIT				
a. Internal Audit Plan	Approve			
b. Audit Services Charter: appropriateness of mission, accountability and scope (even fiscal years)	Approve			
c. Quarterly Audit Reports *	Review	Review	Review	Review
d. Director of Audit Services:				
i. Performance assessment (input to the review process)				Review
ii. Final performance assessment and compensation implications	Review			
e. Employee Accounting and Audit Concerns Report	Tabled Report	Tabled Report	Tabled Report	Tabled Report
4. PENSION PLANS				
a. Corporate Pension Management Committee Reports (may be included in the Quarterly Treasury Report – item 1d)	Review	Review	Review	Review
b. Pension Plan Audited Statements	Approve			
5. OTHER				
a. Insurance program and management strategies <ul style="list-style-type: none"> • Executive Liability Insurance • General and Property Insurance (may be included in the Quarterly Treasury Report – item 1d)		Review		Review

² Note: "Recommend" means to consider the item and make a recommendation to the Board with respect to approval of that item.

COMMITTEE TIMETABLE²

	Q1 (May)	Q2 (Aug)	Q3 (Nov)	Q4 (Feb)
b. Summary of Significant Legal Claims	Tabled Report	Tabled Report	Tabled Report	Tabled Report
c. Risk Report ("key risks" related to the Committee's mandate)	Tabled Report	Tabled Report	Tabled Report	Tabled Report
d. <i>Financial Information Act</i> return (incl. expense reporting of Executive Officers and Directors)		Recommend		
e. Accounting Standards Update	Tabled Report	Tabled Report	Tabled Report	Tabled Report
f. Comparative Rates Report			Review	
g. Committee Terms of Reference			Recommend	

* Denotes further detail described in the sections below.

Financial Reports and Forecasts***Annual Financial Statements (Timetable Item 1a)***

The Committee will review the annual consolidated financial statements and Management Discussion and Analysis, and recommend their approval to the Board of Directors. Such recommendation shall be guided by the requirement that public reporting represents a complete, accurate and balanced portrayal of BC Hydro's performance and financial situation. Moreover, the Committee will draw to the attention of the Board of Directors all financial matters it is aware of which may materially affect the current or future financial position of the Corporation.

In considering the financial statements, the Committee shall:

- a) obtain assurance, through communication with Management, Internal Auditors and External Auditors, that accounting systems are reliable, and internal controls adequate;
- b) determine whether appropriate accounting methods are being applied;
- c) discuss with Management and with the External Auditors such things as follows:
 - all proposed changes in accounting policy,
 - material risks or uncertainties associated with financial matters or business processes,
 - compliance with accounting standards,
 - significant adjustments arising out of the audit process,
 - related party transactions, including business rationale and applicable disclosures,
 - major issues as to the adequacy of the Corporation's internal control over financial reporting and any specific remedial actions adopted as a result,
 - consideration of the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements,
 - all estimates or judgements of Management that may be material to financial reporting,
 - judgement of both Management and the External Auditors about the quality of accounting principles, and
 - the clarity of the disclosures in the financial statements;
- d) discuss with Management and the External Auditors significant financial reporting, recording or presentation issues discussed during the fiscal period and the manner of their resolution;

- e) examine the consolidated audited annual financial statements in conjunction with the report of the External Auditors, which may include determining whether the statements:
 - properly reflect the significant accounting policies selected,
 - reflect estimates and other financial statement elements that are reasonable and consistent,
 - adequately disclose all major transactions and issues,
 - disclose all post-year-end significant events, and
 - are understandable, relevant, reliable and comparable.
- f) consider Management's assessment of how the annual financial results impact the risks faced by the Corporation, and
- g) consider any recommendations brought forward by Management in terms of their impact on the risks faced by the Corporation.

Quarterly Financial Reports (Timetable Item 1b)

The Committee will review quarterly financial reports and related information and recommend their approval to the Board of Directors. The Board of Directors delegates to the Committee the authority to approve such quarterly financial reports at times when such approval is required outside of regularly scheduled quarterly meetings.

The quarterly financial reports are required to be reviewed by the External Auditors prior to their submission to the Committee, the results of which are discussed with the Committee.

Five Year Forecasts (Timetable Item 1c)

The Committee will review the annual Five Year Forecast, as well as any quarterly updates, and recommend approval to the Board of Directors. The Board of Directors delegates to the Committee the authority to approve such forecasts at times when such approval is required outside of regularly scheduled quarterly meetings.

In reviewing or approving the Five Year Forecast or quarterly updates, as the case may be, the Committee shall review Management's assessment of how the forecasts will likely impact the principal risks faced by the organization.

Treasury Report (Timetable Item 1d)

The Committee will review the Quarterly Treasury Report, which reports on the following identified risk areas:

- a) Credit Exposure
- b) Foreign Exchange
- c) Debt
- d) Pension Plan
- e) Insurance

External Audit

The Committee shall have the direct responsibility for the appointment, compensation, retention and oversight of the External Auditors. This shall include nominating the External Auditors to be proposed for Board approval as well as ensuring an efficient and orderly transition upon change in External Auditor). The Committee shall serve as the ultimate authority to which the Corporation's External Auditors are accountable, and shall assess the ongoing relationship between the External Auditors and Management. The Corporation shall provide appropriate funding, as determined by the Committee, for payment of compensation to the External Auditors and any experts or advisors employed by the Committee.

The Committee shall meet with the External Auditors, as the Committee may deem appropriate, to consider any matter which the Committee or External Auditors believe should be brought to the attention of the Board or the Shareholder.

External Auditor Independence

The Committee shall review and discuss with the External Auditors all relationships that the External Auditors and their affiliates have with the Corporation and its affiliates in order to determine the External Auditors' independence, including, without limitation (i) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the External Auditors delineating all relationships that may reasonably be thought to bear on the independence of the External Auditors with respect to the Corporation (ii) discussing with the External Auditors any disclosed relationships or services that the External Auditors believe may affect the objectivity and independence of the External Auditors, and (iii) recommending that the Board take appropriate action in response to the External Auditors' report to satisfy itself of the External Auditors' independence.

External Auditor Quality Control

In this respect, the Committee shall, at least annually, obtain and review a report by the External Auditors describing the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review or peer review of the auditing firm or by any inquiry or investigation by government or professional authorities within the preceding five years respecting one or more independent audits carried out by the External Auditors and any steps taken to deal with any such issues and all relationships between the External Auditors and the Corporation.

Internal Audit

Reports of Internal Audit (Timetable Item 3c)

The Committee will review audit reports issued by Internal Audit, Management's response and subsequent follow-up of identified weaknesses.

In order to focus on key risk areas, the Committee will only review the full audit report for reports identified as high risk by Internal Audit. However, executive summaries will be reviewed for all reports issued and the Committee will be provided with low and medium risk internal audit reports upon request.

Meeting with the Director, Audit Services

The Committee Chair will meet with the Director, Audit Services in advance of each quarterly Committee meeting to discuss all items to be presented. During quarterly Committee meetings, the Committee shall meet with the Director, Audit Services, without Management present.

General

The Committee shall, in consultation with Senior Management, review the performance of the Audit Services department. The Committee shall also review and approve, in consultation with Senior Management, proposed changes in the position of the Director, Audit Services.

In addition, the Committee shall, from time to time, assure itself that the internal audit function has adopted recognized standards such as the Institute of Internal Auditors International Professional Standards.

Pension

In addition to the items specified on the Committee Timetable, other Pension Plan related matters as follows are to be addressed by the Committee as required:

- a) Monitoring the health of the Pension Plan (including holding periodic tutorials)
- b) Approve changes to the British Columbia Hydro and Power Authority Pension Plan Funding Policy
- c) Make recommendations to the Board respecting plan design, benefit levels, investment policies, etc.
- d) Review actuarial valuation and assumptions
- e) Recommend pension fund asset allocation to Board (as required)
- f) Review and recommend to the Board of Directors the appointment and termination of investment managers, actuaries, fund holders, administrators, External Auditors, and investment managers

Accountability

At every quarterly meeting of the Board, or more often if required, the Committee shall provide a report on its deliberations and recommendations since its last such report. Minutes of the Committee's meetings will also be made available to all Directors.

TERMS OF REFERENCE CAPITAL PROJECTS COMMITTEE

Strategic Context

The work of the Capital Projects Committee (the “Committee”) is directly linked to BC Hydro’s goal of delivering its capital projects on time and on budget, and in a manner that enhances the company’s consent to operate and the quality of its facilities and operations.

Purpose

The purpose of the Committee is to assist the Board of Directors in providing strategic and policy level advice and direction to Management on matters related to asset health, capital planning, capital projects, and fulfilling its associated obligations and oversight responsibilities. Specifically, these areas of responsibility include, but are not limited to dam safety, execution of long-term capital plans and budgets, project oversight, and First Nations. Asset health includes the following classes of assets: Transmission and Distribution, Generation (including dam safety) and Information Technology.

With respect to asset health, the Committee will inquire into the processes in place to monitor and assess the condition of the Corporation’s major assets, the adequacy of resources in place to ensure the safe and reliable operation of the Corporation’s major assets in the context of acceptable risk parameters, and the Corporation’s asset management practices, ensuring that they remain effective and current in the context of industry practices and standards.

With respect to capital planning, the Committee will also monitor and oversee the capital planning process to ensure appropriate management of asset risk and allocation of resources, and review long-term capital plans, including underlying assumptions and methodologies, ensuring that they adequately reflect the risks and priorities associated with asset health.

Composition

The Committee will be composed of at least three Directors. Where practicable, the Chair of the Committee will serve on the Operations & Planning Committee to facilitate the oversight of related but distinct mandates.

The Corporate Secretary will be secretary to the Committee.

Duties and Responsibilities

In delivering on its purpose, the Committee will from time to time engage in the following activities or perform the following duties. The frequency of the Committee’s engagement with these activities and duties will be determined based on project timelines, government expectations, evolving circumstances and emerging issues. In some cases these are predetermined and specified in the Committee Timetable. Other functions related to the Committee’s purpose shall be performed as they are deemed necessary.

- a) Make recommendations to the Board with respect to the Corporation’s goals and targets on matters falling within its purpose;
- b) Provide advice and direction with respect to strategies, plans and objectives;
- c) Review initiatives and expenditures related to the Committee’s mandate and provide the Board of Directors with a recommended course of action where applicable;
- d) Review and monitor programs and performance, as appropriate; and

- e) Ensure that principal risks associated with its mandate are appropriately identified and managed.

With respect to the specific areas noted below, the following guidance is offered to the Committee as indicative of the sort of inquiry to be made:

Dam Safety

- review policy and strategy related to dam safety;
- review quarterly Dam Safety reports for program compliance and effectiveness of key dam risk management activities;
- review priorities and plans for risk mitigation, including dam safety monitoring structures and processes for risk identification industry standards, risk reduction projects and deficiency investigations; and
- discuss technical aspects related to identified deficiencies.

Project Oversight

- review the status of capital projects identified by Management during the identification or definition phases;
- review and recommend for Board approval the preferred alternative following the completion of the Identification Phase for capital projects expected to be greater than \$50M. The approval is restricted to the preferred alternative and is not a financial approval;
- review and recommend for Board financial approval for capital projects expected to be greater than \$50M before commencing the Implementation Phase, or that have otherwise been presented by Management, including consideration of the business case and strategic value to the Corporation and project alternatives;
- review Management's assessment and analysis of project risk, including assumptions and sensitivities;
- Review Management's assessment and analysis of BC Hydro and other entities' engagement with First Nations respecting capital projects;
- review Management's project development plans, including project scope, structure, timetable, procurement approaches and financial models;
- review Management's assessment of the impact of capital projects on ratepayers;
- review project status with Management during construction, including expected completion schedule;
- review updates provided by Management comparing budget forecasts with actual project expenditures and outlining the causes of any material variances;
- review and recommend for Board approval any changes in the total authorized expenditure amount for a capital project;
- authorize releases from any project budget reserves in respect of which authority has been delegated from the Board to the Committee; and
- review capital projects on a post-implementation basis.

Accountability

At every quarterly meeting of the Board, or more often if required, the Committee shall provide a report on its deliberations and recommendations since its last such report. Minutes of the Committee's meetings will also be made available to all Directors.

Committee Timetable

The timetable below outlines the Committee’s schedule of activities during the year.

COMMITTEE TIMETABLE					
		Q1 (May)	Q2 (Aug)	Q3 (Nov)	Q4 (Feb)
1	Capital Budgets			Review ¹	
2	Capital Projects Updates, including key risk indicators for each capital project	Review	Review	Review	Review
3	Dam Safety Report	Review	Review	Review	Review
4	Portfolio Management Report: Actual to Approved Budget Performance	Review			
5	10 Year Capital Plan			Review	
6	Annual Asset Health Update			Review	
7	Risk Report	Review	Review	Review	Review
8	Committee Terms of Reference			Recommend	

Note: “Recommend” means to consider the item and make a recommendation to the Board with respect to approval of that item.

¹ Final approval of Capital Budgets for inclusion in the Service Plan rests with the Board in January following Q3 review of the 10 Year Capital Plan.

TERMS OF REFERENCE OPERATIONS & PLANNING COMMITTEE

Strategic Context

The work of the Operations and Planning Committee (the “Committee”, or “Operations & Planning Committee”) is directly linked to BC Hydro’s company-wide goals. Specifically, to explore the full potential of energy conservation, and to continuously improve the way the company plans and operates its business.

Purpose

The purpose of the Committee is to assist the Board of Directors in providing strategic and policy level advice and direction to Management on matters that guide long term planning or support company-wide operations.

These include, but are not limited to, key operational activities, planning, resource management, energy conservation, technology, emergency management, safety and the environment.

Composition

The Committee will be composed of not less than three Directors. Where practicable, the Chair of the Capital Projects Committee will serve on the Committee to facilitate the oversight of related but distinct mandates.

The Corporate Secretary will be secretary to the Committee.

Duties and Responsibilities

In delivering on its purpose, the Committee will from time to time engage in the following activities or perform the following duties. The frequency of the Committee’s engagement with these activities and duties will be determined based on project timelines, government expectations, evolving circumstances and emerging issues. In some cases these are predetermined and specified in the Committee Timetable. Other functions related to the Committee’s purpose shall be performed as they are deemed necessary.

- a) Make recommendations to the Board with respect to the Corporation’s goals and targets on matters falling within its purpose;
- b) Provide advice and direction with respect to strategies, plans and objectives;
- c) Review initiatives and expenditures related to the Committee’s mandate and provide the Board of Directors with a recommended course of action where applicable;
- d) Review and monitor programs and performance, as appropriate; and
- e) Ensure that principal risks associated with its mandate are appropriately identified and managed.

Accountability

At every quarterly meeting of the Board, or more often if required, the Committee shall provide a report on its deliberations and recommendations since its last such report. Minutes of the Committee’s meetings will also be made available to all Directors.

Committee Timetable

	Q1 (May)	Q2 (Aug)	Q3 (Nov)	Q4 (Feb)
April 2021				

1	Service Plan Framework and Metrics			Review	
2	Annual Technology Plan		Review		
3	Annual Safety Plan				Review
5	DSM Plan			Review	
6	DSM Plan Performance (odd numbered fiscal years)			Review	
7	Risk Report	Review	Review	Review	Review
8	Committee Terms of Reference			Review	

TERMS OF REFERENCE

GOVERNANCE & HUMAN RESOURCES COMMITTEE

Strategic Context

The work of the Governance & Human Resources Committee (the “Committee”) is directly linked to BC Hydro’s goal of building a proud and valued workforce, while ensuring an effective approach to corporate governance aimed at enhancing shareholder value.

Purpose

The purpose of the Committee is to assist the Board of Directors in providing strategic and policy level advice and direction to Management on matters that drive effective corporate governance and human resource policies and practices needed to achieve the Corporation’s objectives having due regard for the need to allow the Board to function independently of management. These matters may include, but are not limited to goals and objectives of Executive Team members, total compensation philosophy and strategy, employee engagement issues, Board effectiveness (evaluation) and governance documentation. In addition, this Committee shall have specific accountability to develop recommendations regarding the essential and desired experiences and skills for potential directors, taking into consideration the Board’s short-term needs and long-term succession plans. Finally, this Committee shall oversee the Corporation’s approach to ensuring a respectful workplace, and shall provide input on same where appropriate.

Composition

The Committee will be composed of not less than three Directors.

The Corporate Secretary will be secretary to the Committee.

Duties and Responsibilities

In delivering on its purpose, the Committee will from time to time engage in the following activities or perform the following duties. The frequency of the Committee’s engagement with these activities and duties will be determined based on project timelines, government expectations, evolving circumstances and emerging issues. Other functions related to the Committee’s purpose shall be performed as they are deemed necessary.

- a) Make recommendations to the Board with respect to the Corporation’s goals and targets on matters falling within its purpose;
- b) Provide advice and direction with respect to strategies, plans and objectives;
- c) Review initiatives and expenditures related to the Committee’s mandate and provide the Board of Directors with a recommended course of action where applicable;
- d) Review and monitor programs and performance, as appropriate; and
- e) Ensure that principal risks associated with its mandate are appropriately identified and managed.

The Committee will be responsible for addressing the issues and tasks described in the following Committee Timetable according to the schedule identified. The tables entitled “Roles and Responsibilities Matrix – Compensation and Related Human Resource Matters” and “Subsidiary Executive Compensation – Approval Process” are incorporated into these Terms of Reference to provide clarity as to the levels of review and approval required for the specified functions of the President & CEO, the Committee and the Board, as well as of the subsidiary Board and subsidiary CEO where indicated.

Accountability

At every quarterly meeting of the Board, or more often if required, the Committee shall provide a report on its deliberations and recommendations since its last such report. Minutes of the Committee's meetings will also be made available to all Directors.

Committee Timetable

The timetable below outlines the Committee's schedule of activities during the year.

Committee Timetable					
		Q1 (May)	Q2 (Aug)	Q3 (Nov)	Q4 (Feb)
1	PRESIDENT & CEO ARRANGEMENTS (based on input and recommendations from the Chair)				
a	President & CEO year-end evaluation and total compensation	Recommend ¹			
b	Performance Evaluation Process for the President & CEO	Recommend ¹			
c	President & CEO's goals & objectives (personal service plans)	Recommend ¹			
d	President & CEO's mid-year performance relative to goals & objectives			Review	
2	ARRANGEMENTS FOR EXECUTIVE TEAM MEMBERS				
a	President & CEO recommendations regarding personal service plans for Executives Team members (for year following)				Review
b	President & CEO's recommendations regarding total compensation and year-end reviews for Executive Team members, excluding Powerex CEO	Approve			
c	Executive Team members' mid-year performance assessment			Review	
d	Succession plans for Executive Team members (prior to Board review).		Review		
3	BC HYDRO'S TOTAL REWARDS PHILOSOPHY AND PROCESSES				
a	Total rewards structure and strategy (review to include any total rewards benchmarking data, and recommended changes if applicable)				Approve
b	M&P salary guideline/budget (for year following)				Approve
c	Annual holdback pay/gainsharing targets (for year following)				Approve
d	Holdback pay/gainsharing outcomes from previous year	Review			
4	OTHER HUMAN RESOURCES				
a	Human Resources and Training Quarterly Report	Tabled	Tabled	Tabled	Tabled
5	CORPORATE GOVERNANCE				
a	Ethics Officer's Annual Report		Review		
b	Code Advisor's Report	Review			
c	Governance Manual ²			Recommend ¹	
d	Board evaluation			Review	
e	Review programs in place for new Director orientation and ongoing Director development.			Review	
f	Calendar of Significant Filings		Review		
g	Committee Terms of Reference			Recommend ¹	
h	Enterprise Risk Management Update	Review	Review	Review	Review

¹ "Recommend" means to consider the item and make a recommendation to the Board with respect to approval of that item

² The Board delegates to the Board Chair and/or Committee Chair the authority to approve all non-consequential revisions to the Board Governance Manual (and to determine whether any specific changes are consequential for the purpose of exercising this authority) and to report all such changes to the Board through the Corporate Secretary.

Note: Committee and Board of Director approvals for compensation related matters outlined in Tabs 15 & 22 of the Board Governance Manual are subject to Public Sector Employer's Council approval.

Roles and Responsibilities Matrix – Compensation and Related Human Resource Matters

	President & CEO			GHRC			Board	
	Recommend	Approve		Review	Recommend	Approve	Review	Approve
EXECUTIVE TEAM MEMBERS								
Personal Service Plans		✓		✓				
Compensation Structure ³	✓					✓		
Individual Salary Increases	✓					✓		
Individual Holdback Pay Payment ³	✓					✓		
Appointments (except CFO, Powerex CEO) ⁴		✓						
Chief Financial Officer	✓							✓ ⁵
Employment Agreements (Administrative, non-compensation terms) ⁴		✓						
Executing Severance Arrangements		✓						
President & CEO								
Personal Service Plans	✓				✓			✓
Compensation Structure					✓			✓
Salary Increases					✓			✓
Individual Holdback Pay Payment					✓			✓
Performance Assessments					✓			✓
President & CEO Appointment					✓			✓
Employment Agreements					✓			✓
Severance Arrangements					✓			✓
M&P								
Compensation Structure	✓					✓	✓	
Salary Increase Budget	✓					✓		
Annual Holdback Pay Targets (as applicable)	✓					✓		
Annual Holdback Pay Aggregate Payment (as applicable)		✓		✓				
UNION								
Collective Agreement Mandate (for significant changes to terms and conditions)	✓				✓			✓
Collective Agreement Settlement	✓				✓			✓
Annual Gainsharing Targets	✓					✓		

³ Except Powerex CEO⁴ Specifies reviews which can be undertaken by the Committee Chair⁵ Upon recommendation of Audit and Finance Committee

Annual Gainsharing Aggregate Payments		✓		✓				
OTHER (all employees)								
Pension Plans (in conjunction with the Audit & Finance Committee)	✓				✓		✓	
All other aspects of and changes to Total Rewards design	✓					✓		

Subsidiary Executive Compensation and Related Human Resource Matters – Approval Process

	CHRO	Sub. CEO		BC Hydro CEO		Subsidiary Bd		
	Review	Recom	Approve	Recom	Approve	Recom	Approve	
Sub. CEO Appointments, Employment & Severance Agreements ⁶								
Powertech Labs Inc.	✓						✓	
Powerex Corp.							✓	
Appointments of Direct Reports to Sub. CEO		✓					✓	
Annual Sub. CEO Salary & Holdback Pay								
Powertech Labs Inc.	✓						✓	
Powerex Corp.							✓	
Sub. Exec Compensation Structure, Annual Salary & Holdback Pay		✓					✓	
Sub. Exec. Employment & Severance Agreements			✓					

⁶ Note that all subsidiary executive compensation is subject to Public Sector Employer’s Council approval. The BC Hydro Corporate Secretary’s Office maintains corporate record of PSEC decisions with respect to subsidiary executive compensation. Prior to the approval of any subsidiary executive compensation, the Subsidiary’s Corporate Secretary will coordinate with the BCH Corporate Secretary to ensure applicable PSEC requirements are met. Contact BC Hydro Corporate Secretary with any questions.

TERMS OF REFERENCE EXECUTIVE COMMITTEE

Purpose

The purpose of the Executive Committee (the "Committee") is to possess and exercise all powers of the Board of Directors between Board meetings, except the power to change the membership of, or fill vacancies on other committees of the Board and such other powers as may be specified by the Board from time to time. All powers that may be exercised by the Committee are subject to any restrictions, limitations or directions imposed by the Board.

Composition

- The Committee will be composed of the Chair together with no less than two other Directors.
- The Chair will be the Committee Chair.
- The Chair may select from among all Directors the two (or more) to include on any particular sitting of the Executive Committee, such selection to be based on the item or items of business to be conducted and the knowledge and expertise of the other Board members.
- If, in the case of an emergency, the Chair is unavailable or unable to call and attend a meeting of the Executive Committee, any two of the remaining Directors may, acting together, call a meeting of the Committee and shall determine the Committee membership for that meeting (to include at least 3 directors in total, including those Directors calling the meeting). The Committee may then select from its membership which of them shall serve as the Acting Committee Chair.
- The Corporate Secretary will be secretary to the Committee.

Duties and Responsibilities

- Subject to the powers and duties of the Board, the Committee will take such action as may be necessary or expedient on behalf of the Board of Directors.
- A resolution of the Committee duly passed and within its authority is effectual for all purposes as a resolution of the Board.
- The Board shall have the power at any time to revoke or override the authority given to or acts done by the Committee, provided that Management shall be free to rely on any approvals granted by the Executive Committee and shall suffer no adverse consequences as a result of having taken action on the strength of any such approvals in the event such approvals are subsequently revoked or overridden.

Accountability

The Committee shall keep and record regular minutes of its meetings and shall report the same to the Board of Directors.

TASK GROUPS, PROJECT BOARDS AND ADVISORY COMMITTEES OF THE BOARD OF DIRECTORS

Task Groups, Project Boards and Advisory Committees of the Board are all bodies which may be adopted from time to time by the Board of Directors to facilitate a greater degree of oversight into a task or project, or to solicit views and expertise from beyond the present Board membership. Where appropriate, bodies of other types may also be created by the Board from time to time.

Task Groups and Project Boards

Task Groups and Project Boards are Committees of the Board of Directors, but differ from standing Committees in that they are established for a specific task or for a specific project, respectively, rather than having a more general mandate.

Task Groups and Project Boards are created by, and their membership is appointed by, the Board of Directors. Like other Committees of the Board, membership of Task Groups and Project Boards are primarily made up of current Directors, although non-Directors may be appointed. A current Director appointed to a Task Group or Project Board ceases to be a member upon ceasing to be a Director of the Corporation.

Task Groups and Project Boards operate according to a Board-approved Terms of Reference that outlines their duties and responsibilities. Committee Guidelines (Tab 18) also apply to Task Groups and Project Boards.

Advisory Committees

Advisory Committees may function more autonomously from the Board, being free to establish their own meeting protocols and guidelines. Advisory Committees may include members who are not Directors of the Corporation and provide general advice rather than recommendations on policy matters. One advisory committee exists at the present time - the *Peace River/Williston Reservoir Advisory Committee* (refer to Tab 26 for terms of reference).

Membership

The Chair is responsible to the Board for periodically proposing the leadership and membership of each Task Group, Project Board, Advisory Committee or other body. In preparing membership recommendations, the Chair will consult with the President & CEO and the Board, where applicable taking into account the preferences, skills and experience of each Director.

The use and continuation of Task Groups, Project Boards, Advisory Committees or other bodies will be reviewed regularly as the Board considers which of its responsibilities will best be fulfilled through these means.

TERMS OF REFERENCE SITE C PROJECT ASSURANCE BOARD

Establishment and Purpose

- The Site C Project Assurance Board (the “PAB”) was established by the BC Hydro Board of Directors (BC Hydro Board) as provided for under Tab 24 of the BC Hydro Board Governance Manual and pursuant to Treasury Board’s instructions to the Minister of Energy, Mines and Petroleum Resources in March 2018¹ to have the BC Hydro Board implement a new PAB oversight function to help ensure that the Site C Project (“the Project”) is completed on time and on budget, and that risks are appropriately identified, managed and reported on an ongoing basis.
- The purpose of the PAB is also to oversee the Project to ensure it is completed safely and in compliance with applicable environmental standards and other requirements.
- As part of its enhanced oversight work, the PAB will oversee Schedule and Cost Risk Analysis (SRA/CRA) over the life of the Project to completion and in-service date.
- For greater clarity, during meetings of the PAB, members are empowered to engage in meaningful debate with BC Hydro management (Management); with other attendees including the Independent Oversight Advisor; and amongst themselves in order to provide due diligence and to test the framework, methodology, inputs and outputs of the SRA/CRA, and their integration, on an ongoing basis and to recommend changes or seek clarification whenever appropriate.
- To discharge its purposes, the PAB will:
 1. meet monthly, or at such other times as may be agreed upon by the PAB;
 2. review and provide advice and recommendations to Management and the BC Hydro Board on the following elements related to the Project:
 - SRA/CRA;
 - monthly, quarterly and annually progress reports including major work packages; milestones; schedules; Project budget; issues management; and specific risk and mitigation plans and actions;
 - ad hoc reports to Government² or the BC Hydro Board;
 - requests to access the Project contingency allocation (overseen by the BC Hydro Board); and
 - requests to access the Project reserve (overseen by Treasury Board).
 3. provide advance review of any Project-related resolutions proposed for approval by the BC Hydro Board before those resolutions are provided to the BC Hydro Board, and to make a recommendation to the BC Hydro Board regarding whether or not the PAB believes the BC Hydro Board should adopt the particular proposed resolution;
 4. make financial approvals in line with any authority specifically delegated to the PAB by the BC Hydro Board;
 5. help to ensure appropriate reporting is provided to the BC Hydro Board and Government, as required; and

¹ Following Treasury Board’s January 25th, 2018 approval of the updated Site C Project budget. Cabinet ratified the approval January 31, 2018.

² The Quarterly and Annual Project Progress reports to include for the period outlined: an overview of the status and health of the Project; including overall progress; major accomplishments; work completed; key decisions and issues; update on in-service dates; update on Project costs and financing; forward looking plans; material project risks and trends in risk exposure; and risk mitigation strategies, TAB reporting summary for that year (Annual Report); and the Annual Compliance report (Annual Report). The format and content of the Quarterly and Annual Reports may change over the life of the project to reflect the current project stage, activities and issues.

6. remain in place until dissolved by the BC Hydro Board with Government's input.
- The PAB must adhere to the 2015 Reporting and Accountability Framework (as further amended in 2016 and again in 2018 - see Footnote 3).

Composition & Administration

Membership

- The PAB consists of:
 - a) such BC Hydro Directors as may be appointed by the BC Hydro Board from time to time;
 - b) two advisors from Government: one appointed by the Ministry of Energy, Mines and Petroleum Resources (MEMPR); and one appointed by the Ministry of Finance;
 - c) up to two independent External Advisors with expertise in capital project construction and management, whose appointments are to be jointly agreed to by the Ministry of Energy, Mines and Petroleum Resources and the BC Hydro Board;
 - d) a member of the Technical Advisory Board (TAB); and
- From time to time, and acting on the advice of the PAB and/or Government, as appropriate, the BC Hydro Board may elect to appoint other External Advisors.
- The PAB is led by either a chair or by two co-chairs, depending on the joint agreement of the Government and of the BC Hydro Board from time to time,
 - For greater clarity, in a situation where the PAB is led by two co-chairs, it is acceptable for one of the co-chairs to be a PAB member and a non-BC Hydro Director, provided one is a PAB member and a BC Hydro Director.
- The Corporate Secretary of BC Hydro will serve as secretary to the PAB.
- The President & CEO of BC Hydro will be invited to all meetings unless the meeting is in-camera.
- If the Chair of the BC Hydro Board is a member of the PAB, he or she will act expeditiously to ensure any recommendations made by the PAB are considered by the BC Hydro Board in a timely way.

Meetings & Compensation

- The provisions of Tab 18 (Guidelines for Committees of the Board of Directors) will apply to the PAB and determine its procedures.
- The PAB Chair or Co-chairs is/are authorized to determine the appropriate level of compensation for any External Advisors, which the PAB may engage, provided such compensation is reasonable and generally aligned with industry standards and PSEC Guidelines as applicable and appropriate.

Accountability

- Meeting materials are to be provided to members at minimum 5 business days ahead of any PAB meeting.
- Minutes of the PAB's meetings will be maintained by the Corporate Secretary's office and will be made available in the same manner as are Board and Committee minutes.
- The authority of the PAB is limited to providing advice to Management regarding exception reporting and monthly project progress reporting and for making recommendations to the BC Hydro Board.

Reporting & Accountability Framework³

PAB

- As outlined above.

BC Hydro Management (Management)

- Accountable to the BC Hydro Board and the PAB for day-to-day management and delivery of the Project (including preparation of Quarterly and Annual Reports, Monthly Project Management Reports, ad hoc reports, and providing information to the PAB and the Independent Oversight Advisor on an as needed basis).
- Accountable for administering the Project budget and approved contingency and Project reserve draws.
- Receives, considers and where appropriate, actions advice, directions and recommendations of the BC Hydro Board, the PAB, the Independent Oversight Advisor; the TAB and Government (through the MEMPR Minister Responsible).
- Assists MEMPR with preparation of Monthly Reports to the Government Chair of Treasury Board
- Develops the Project Communications Plan⁴ jointly with MEMPR.
- Reviews reports of the Independent Oversight Advisor and provides advice to the PAB on any recommendations contained in those reports, as appropriate.

Independent Oversight Advisor

- Accountable to the PAB and Government.
- Since November 2017, the PAB has been engaging the services of an Independent Oversight Advisor to identify areas for improvement in Management's current project delivery and control framework (schedule and budget); emerging issues; etc. and to suggest strategies to mitigate associated risks.
- The Independent Oversight Advisor also reports directly to Government on an as-needed basis, in addition to making quarterly progress reports to the Government Chair of Treasury Board.
- Any work proposed to be undertaken by an Independent Oversight Advisor is to be presented to the PAB in a format that clearly identifies the work to be undertaken, timeframes for completing the work, budget and deliverables (collectively the detailed Project services proposal). Following its review, the PAB will determine whether to approve the detailed Project services proposal, or whether to direct that further changes be made.
- Once approved, the detailed project services proposal of the Independent Oversight Advisor is to be incorporated into and be in compliance with, the standing Terms of Engagement between BC Hydro and the Independent Oversight Advisor.
- The Independent Oversight Advisor receives information, analysis and such other reports, records and material from Management and other sources, as may be required in order for the Independent Oversight Advisor to fulfil its obligations under the Terms of Engagement, as well as any other independent reporting obligations that the Independent Oversight Advisor has to Government.
- If requested by MEMPR, the Independent Oversight Advisor will be available to support MEMPR in discharging its obligation to provide monthly reports to the Government Chair of

³ Updated from 2015 Reporting & Accountability Framework provided by MEMPR to reflect current status of Project.

⁴ The Project Communications Plan to include: Communications and engagement plan developed jointly with BC Hydro and the Ministry of Energy, Mines and Petroleum Resources using existing budgets that maximizes public exposure to the visible and meaningful work that benefits the Peace region, First Nations, communities, the public, agriculture, local governments, and other stakeholders. The plan will be updated annually and continue to 2024/25. Note: there is an obligation (on EMPR and Hydro) to report back to TB in the Spring 2019 (delayed from the Fall 2018) on continuation measures – this communications plan piece is tied to that report out.

Treasury Board following PAB meetings. Such reporting will include relevant key information presented to the PAB monthly, in addition to independent verification that the Project budget, schedule, engineering and risk management objectives are being achieved as planned.

Technical Advisory Board (TAB)

- Accountable to BC Hydro Board and PAB and has its own Terms of Reference.⁵
- The TAB is a panel of global engineering and construction experts that provides independent technical review of key design milestones and expert advice to supplement existing engineering, design and procurement expertise of Management and PAB.
- Receives and analyzes monthly, quarterly, annual and ad hoc reports and other information prepared by Management, PAB and the Independent Oversight Advisor.
- A member of the TAB represents the TAB on PAB membership.

Minister of Energy Mines & Petroleum Resources (MEMPR including Staff)

- Receives and analyzes monthly, quarterly, annual and ad hoc reports and other information prepared by Management, PAB and TAB.
- Represents the Minister on PAB membership and participates in all PAB meetings.
- Provides reporting⁶ to the Government Treasury Board on an ongoing basis with support from Management; the BC Hydro Board; the PAB; and the Independent Oversight Advisor, as appropriate.
- Notifies the Government Treasury Board as needed regarding significant changes to Project schedule, budget, risks and risk management plans.
- Makes recommendations to the Government Treasury Board regarding requests to access Project reserve.
- Meets quarterly with Chair of BC Hydro to discuss Project progress within the context of Taxpayer Accountability Principles and input provided by Government.
- Jointly develops Communications Plan with Management.

Treasury Board (full Board or Chair)

- Reviews Annual, Quarterly and Ad Hoc Reports from the BC Hydro Board, Management, PAB and TAB.
- Chair receives monthly reporting from MEMPR on Project status.
- Chair reviews quarterly Project Updates from the Independent Oversight Advisor.
- Provides input and direction, as appropriate, regarding the Project to MEMPR and to BC Hydro.
- Reviews and approves, as appropriate, BC Hydro and MEMPR requests and recommendations in relation to access to the Project reserve.

British Columbia Utilities Commission

- Receives Annual and Quarterly Reports
- Independent regulator of BC Hydro in accordance with the Utilities Commission Act and other applicable legislation

⁵ The TAB TOR's state: There will be approximately two TAB meetings per year. Each meeting will generally be 3 to 5 days in duration at schedules suitable to BC Hydro, the TAB and the Project team...Meetings will generally be held in Vancouver B.C. and/or at the Project site by Fort St. John. TAB meetings will include presentations by the Project team, inspections of constructed works, works under construction, and open discussions. Wherever possible, information packages will be prepared and issued to the TAB in advance of each meeting.

⁶ Including a monthly report to the Chair of Treasury Board following the monthly PAB meeting

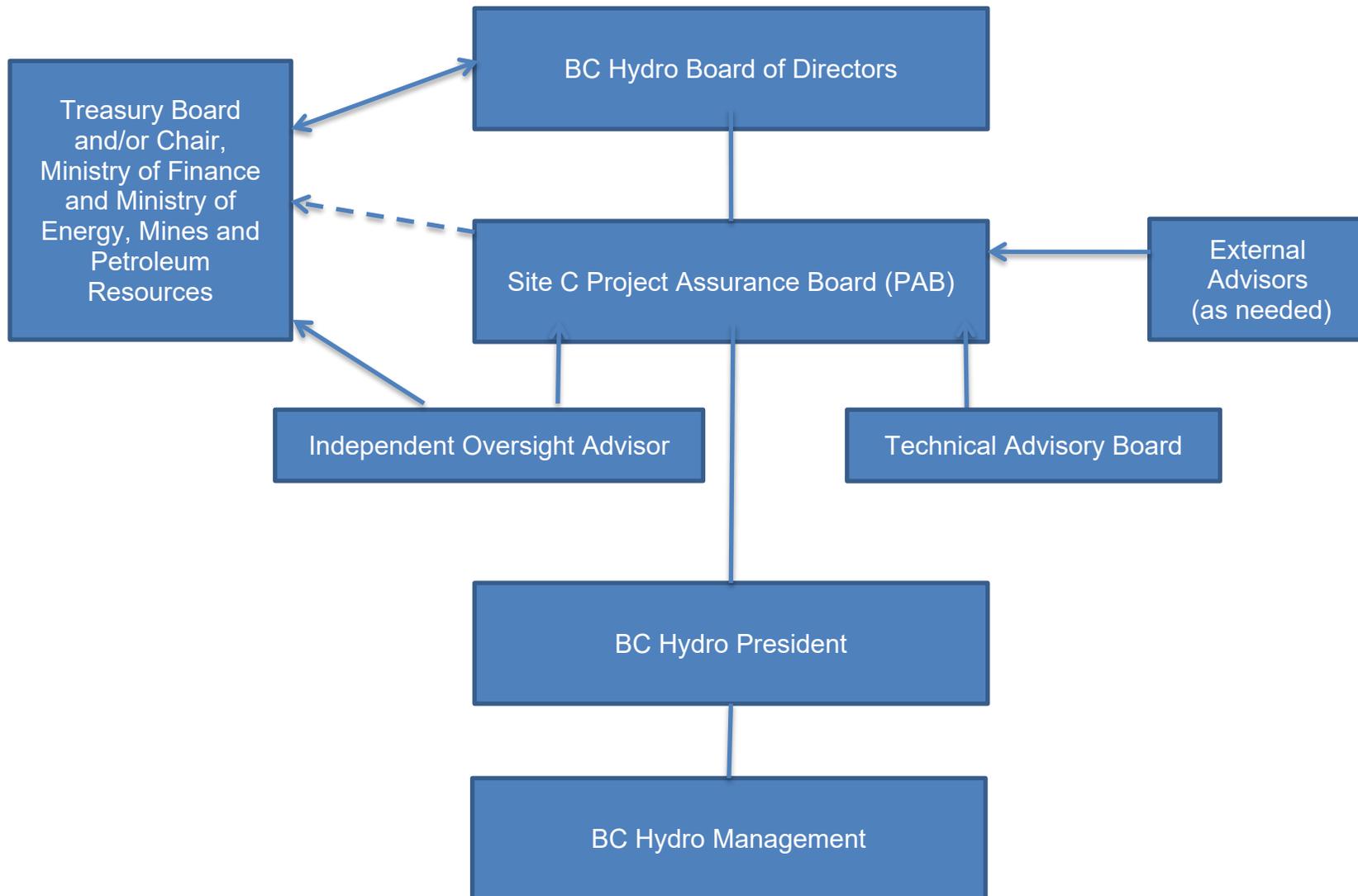


TABLE 2

Site C Reporting Matrix										
	Annual Report ⁷	Quarterly Report	Monthly Project Management Report ⁸	Monthly Report to Chair of Treasury Board ⁹	Comm's Plan	Exception Reporting ¹⁰	Technical Reporting	Contingency Requests	Project Reserve Requests	Independent Oversight Advisor reports
BCH Management	Develop	Develop	Develop & Approve (internal doc)	Assists MEMPR with Report	Develop	Develop & Approve	Review	Develop	Develop	Review
Independent Oversight Advisor	Review	Review	Review	Assists MEMPR with Report		Review	Review	Review	Review	Develop & Approve
Technical Advisory Board¹¹	Review	Review	Review			Review	Develop & Approve			Review
Site C Project Assurance Board	Review	Review	Review		Review	Review	Review	Review & make recco to BCH BOD	Review & make recco to BCH BOD	Review
BCH BOD	Approve	Approve			Approve	Review	Review as needed	Approve	Review and make recco to TB	Review
MEMPR	Review	Review	Review	Develop & Approve	Develop	Review	Review	Review	Develop	Review
TB/TB Chair	Review	Review		Review	Review	Review	Review	Review	Approve	Review
BCUC	Receive	Receive								

⁷ A summary of the TAB reports is to be included in the Annual Report

⁸ BC Hydro develops and approves internal monthly project management reporting and a relevant subset of that information is presented to the Project Assurance Board. The monthly project management reporting provides an update on overall project progress, status and health of the project, material project risks and from time to time results of full risk analysis of major components of project delivery, timelines and project budget. Updates on overall project progress include reporting on physical progress on main construction areas and includes reporting on earned value management metrics and techniques.

⁹ A summary of: (1) materials presented to the Project Assurance Board, (2) subsequent discussion and outcomes of the Project Assurance Board meeting and (3) monthly and quarterly reports from the Independent Assurance Advisor.

¹⁰ BC Hydro develops Exception Reporting for major unanticipated events included significant project-related incidents that may occur between the regular reporting cycles. Exception Reporting includes providing briefing notes, verbal briefing and/or special meetings as required.

¹¹ A member of the TAB is a member of the PAB and therefore receives the same reporting any other member of the PAB does.

ADDENDUM: Confirmations - PAB Materials

The Province and BC Hydro and members of PAB, BC Hydro Board, TAB, and other representatives of the Province, BC Hydro and the Independent Oversight Advisor (the "**Recipients**") participating or involved in any way with the PAB meetings and related deliberations, activities and communications have a common interest in providing oversight, due diligence monitoring and advisory input in relation to the Project, including in relation to contract administration matters, claims, disputes and other developments affecting the Project (the "**Common Interest**").

The Recipients have been and will continue to be in receipt of information, data and material, including communication exchanges, advice, assessments, reports and analysis from BC Hydro management personnel, consultants, technical experts, legal counsel and other advisors and will continue to engage in ongoing discussions and exchanges of information and material in relation to the Project (collectively the "**PAB Materials**").

The Recipients have affirmed and acknowledged that based in part on their Common Interest they have an ongoing common intention and understanding that all PAB Materials shall be:

- (a) kept strictly confidential by the Recipients at all times;
- (b) only used by the Recipients for the purpose of supporting the PAB mandate and their own responsibilities and duties in relation to the Project;
- (c) protected by solicitor client, litigation or other forms of privilege or similar legal protections to the greatest extent permitted in law; and
- (d) considered information and records maintained by and under the control of BC Hydro for the purposes of applicable freedom of information (FOI) legislation; and

The Recipients have further affirmed and acknowledged that the prior written consent or authorization of the Chair or CEO of BC Hydro is required for any:

- (1) disclosure or transfer of any portion of the PAB Materials to any person other than the Recipients;
- (2) use of the PAB Materials other than as described above;
- (3) waiver of any privilege or similar interest or right in the PAB Materials; and
- (4) communication to any person in relation to a FOI request or assertion made by any person in relation to the PAB Materials.

TERMS OF REFERENCE PEACE RIVER/WILLISTON RESERVOIR ADVISORY COMMITTEE

Purpose

- The Peace River/Williston Reservoir Advisory Committee (the “Committee”) serves a very important role in providing advice and in facilitating two-way communications between the Peace/Williston community and BC Hydro.
- The Committee will function at a strategic level and will not serve as a reviewer of individual management decisions or as arbiters of disputes over individual customer transactions.
- The Board and senior management will respond to the Committee’s advice.¹ The Committee will not directly ask BC Hydro staff to act on recommendations.²

Composition and Administration

Membership

- The Committee members will be appointed by the Board of Directors.
- In lieu of appointing a Committee Chair, the Board of Directors will ensure there is always at least one Director or member of the management Executive Team present at PWAC meetings.
- Committee membership will provide for equitable representation of geographical and special interests within the region covered by the Committee.
- At the discretion of the Board of Directors, members will normally be appointed to serve for an unspecified term.

Meetings

- The Committee will meet from four to six times per year.
- Meeting agendas will be set 30 days in advance of any meeting. Committee representatives and BC Hydro will jointly determine the content of the agenda.
- Agenda items may be referred by the Board of Directors or Management or proposed by the Committee members.
- Meetings will be held at varying locations in communities in the Peace and Williston basin. At the discretion of the Chair, no more than one meeting each year may be held at another location within the Province.
- Meetings will normally be open to the community and community access will be encouraged, except in cases where confidentiality requires in-camera discussion at the discretion of the Committee Chair.

¹**Advice:** Identifies issues, flags who is concerned, identifies gaps in communication and consultation, suggests who should be consulted and engaged in dialogue, suggests factors Hydro needs to consider, may suggest technical information that should be accessed. May suggest alternatives that should be studied and considered.

² **Recommendations:** Determine actions that should be taken. Recommendations occur at the end of a process that includes gathering data, conducting scientific study, public consultation, evaluation of alternatives for costs, benefits, risks and impacts, comparison to Hydro and provincial government policy, etc.

Committee Member Responsibilities

Committee members are responsible for:

- a) Regularly attending scheduled meetings and preparing for meetings.
- b) Actively participating in Committee discussions and activities.
- c) Developing a clear understanding of the:
 - I. purpose and objectives of the Committee – it must be clear from the beginning what issues are or are not on the table;
 - II. the ground rules and operating guidelines
- d) Seeking input and opinion from their communities and/or special interests and reporting to each meeting of the Committee on relevant issues.
- e) Reporting back to their community or special interest on Committee discussions and activities.
- f) Providing candid evaluations of BC Hydro's programs, policies and procedures.
- g) Developing practical and workable advice for BC Hydro's consideration.
- h) Respecting confidentiality of certain information as may be required from time to time.
- i) Participating in training that may enhance their abilities to serve on the Committee.
- j) Submitting an expense claim form, together with applicable receipts, detailing all disbursement of expenses claimed in support of Committee activities.

BC Hydro Responsibilities

Senior management supports the objectives of the Committee and is accessible to the Committee. BC Hydro is responsible for:

- a) Providing Committee members with adequate background and timely information on relevant issues.
- b) Scheduling regular meetings and ensuring appropriate Hydro representatives are present.
- c) Responding in a timely manner to Committee questions and advice.
- d) Properly evaluating advice and implementing actions determined to be in the best interests of customers, the public and BC Hydro.
- e) Paying all reasonable travel, meals and incidental expenses of the members.
- f) Paying an honorarium to Committee members for each meeting attended.
- g) Providing administrative support as required.

Duties and Responsibilities

The Committee will:

- a) Serve as a forum for dialogue between Directors and community interests.
- b) Complement BC Hydro's public consultation process in the Peace/Williston region.
- c) Gain community insight and input regarding current and future issues and their impacts on customers, the environment and the Corporation.
- d) Identify positive ways for responding to community needs and concerns.
- e) Become familiar enough with the realities of BC Hydro's business to advise on policies and procedures and to suggest means of supporting the Board's Strategic Plan in the Peace/Williston region.

Accountability

- Minutes of the Committee's meetings will be provided to the Board of Directors on a timely basis.
- Advice on policy issues will be referred to the Board of Directors by the Committee Chair, either directly or through the President & CEO.
- Advice on specific operational activities will be referred by the Committee Chair to the applicable member of the executive team, or to the President & CEO.

TERMS OF REFERENCE FOR THE CORPORATE PENSION MANAGEMENT COMMITTEE

1. GENERAL

- a) The Pension Management Committee (**PMC**) is a committee which has primary responsibility for ensuring the proper administration of the pension and non-pension post-retirement benefit arrangements of British Columbia Hydro and Power Authority (**BC Hydro**).
- b) The President & Chief Executive Officer of BC Hydro (**President & CEO**) will appoint the Chair of the PMC.
- c) The Chief Financial Officer and Chief Human Resources Officer of BC Hydro will automatically be members of the PMC. The Chair of the PMC will appoint the other members of the PMC, who will be management employees of BC Hydro accountable for pension and non-pension post-retirement benefit arrangements (or individuals holding similar qualifications or expertise) or independent pension experts not employed by BC Hydro. The Chair may remove or replace any member of the PMC.
- d) PMC members may, on a regular basis, engage individuals with specialized skills for advisory service, such as actuarial or legal, as standing attendees.
- e) The Chair of the PMC will appoint, from time to time, an individual (who need not be a member of the PMC) to act as secretary.
- f) The Chair of the PMC will make decisions for and on behalf of the PMC in consultation with the other members of the PMC.
- g) On matters which require approval by the Board of Directors of BC Hydro (the "**Board**") or its Audit and Finance Committee (**AFC**), the Chair shall report the PMC's recommendations on those matters to the AFC.
- h) The PMC will meet regularly throughout the year, at least quarterly on such dates as its Chair determines and at any other time at the call of the Chair or of any two members of the PMC.
- i) Notice of meetings of the PMC must be given by the secretary of the PMC orally or in writing at least 24 hours in advance of the meeting. A PMC member may waive notice of any meeting.
- j) A PMC member may participate in a meeting by means of conference telephone or other communication facilities by means of which all persons participating in the meeting can hear each other.
- k) Copies of all meeting notices, meeting materials and minutes will be sent to the President & CEO, the Chair of the AFC and the Chair of the Governance & Human Resources Committee (**GHRC**), each of whom may attend any meeting of the PMC.
- l) The Chair, acting directly or through his or her delegates, shall implement all decisions made by the PMC, and can act in its name when doing so.

2. BC HYDRO'S DUAL ROLE

BC Hydro acts as both the "plan sponsor" and "administrator" of the BC Hydro and Power Authority Pension Plan (the "**Registered Pension Plan**"). While this dual role is expressly permitted by the Pension Benefits Standards Act (BC) (the "**PBSA**"), it creates a situation where BC Hydro's duty under the PBSA as "administrator" to act in the best interests of the members and former members of the Registered Pension Plan (the "**Plan Beneficiaries**") may conflict with BC Hydro's interests.

If a decision of BC Hydro, whether acting through the PMC or otherwise, does not involve or affect a statutory power, duty or responsibility of BC Hydro as the Registered Pension Plan's administrator, no conflict arises, and the decision may be made having regard solely to BC

Hydro's interests. Examples of such decisions include decisions relating to the design of the Registered Pension Plan, the adoption of amendments to the Registered Pension Plan needed to implement such design decisions, and the termination of the Registered Pension Plan.

If a decision involves or affects a statutory power, duty or responsibility of BC Hydro as the Registered Pension Plan's "administrator", the PMC may have conflicting duties to BC Hydro and the Plan Beneficiaries. The existence of such conflicting duties is not, in and of itself, a breach of the duties owed to the Plan Beneficiaries. Further, the PMC may make such a decision having regard to the impact on BC Hydro to the extent doing so does not create a substantial risk that the Plan Beneficiaries would be materially and adversely affected by the decision. However, if there a substantial risk that a decision BC Hydro is making, whether through the PMC or otherwise, poses such a risk, or that BC Hydro's ability to carry out one of its duties or responsibilities as "administrator" will be materially and adversely affected by the decision, BC Hydro must take measures to remedy the conflict in a meaningful way. Such measures must be tailored to the particular circumstance and may include, but are not limited to, providing notice to the affected Plan Beneficiaries of the decision, or providing them with independent representation.

3. DUTY OF CARE

Every individual appointed to the PMC shall, in fulfilling any of his or her duties exercise the care, diligence and skill that a person of ordinary prudence would exercise in dealing with the property of another person. Further, subject to section 2, in fulfilling any of his or her duties relating to the discharge of BC Hydro's responsibilities under the PBSA as "administrator" of the Registered Pension Plan, each such individual shall act honestly and in good faith and in the best interests of the members and former members of the Registered Pension Plan, and any other persons to whom a fiduciary duty is owed. However, in fulfilling any of his or her duties relating to the exercise or discharge of any of BC Hydro's other rights or responsibilities in respect of the Registered Pension Plan unrelated to BC Hydro's responsibilities as "administrator", and in respect of any of the other pension plans and non-pension post-retirement benefit arrangements sponsored by BC Hydro, each such individual shall act honestly and in good faith and in the best interests of BC Hydro.

4. RESPONSIBILITIES, POWERS, AND DUTIES OF THE PMC

The PMC has responsibilities, powers and duties in respect of the Registered Pension Plan, all other pension plans (collectively the "**BC Hydro Pension Plans**") and the BC Hydro non-pension post-retirement benefit arrangements (the "**Non-Pension Post Retirement Benefit Arrangement**") established for employees and eligible retired employees and their dependents of BC Hydro and its wholly-owned subsidiaries.

The BC Hydro Pension Plans are the:

- i) Registered Pension Plan
- ii) Executive Pension Plan
- iii) Over-the-Limits Pension Plan
- iv) 1999-2003 M&P Pensionable Bonuses Plan

The Non-Pension Post Retirement Benefit Arrangement provides various benefits, such as:

- i) Life Insurance (basic and optional plans)
- ii) Extended Health Care (basic and extra plans)
- iii) Dental
- iv) MSP premium payment program

The PMC will periodically review these Terms of Reference and, when considered appropriate, recommend changes to them to the President & CEO. The PMC's responsibilities, powers and duties with respect to the BC Hydro Pension Plans are as follows:

- a) Having regard to the British Columbia Hydro and Power Authority Pension Plan Rationale and Design Framework (the "**Rationale Framework**") and the British Columbia Hydro and Power Authority Pension Risk Management Framework (the "**Risk Framework**"), periodically review the design and benefit levels of the BC Hydro Pension Plans and, when considered appropriate, make recommendations to the AFC and the GHRC regarding material changes to the design or benefit levels of the BC Hydro Pension Plans.
- b) To periodically review the Rationale Framework and, when considered appropriate, adopt amendments to it.
- c) To periodically review the Risk Framework and, when considered appropriate, adopt amendments to it.
- d) To approve the accounting policies used by BC Hydro in respect of the BC Hydro Pension Plans and the Non-Pension Post Retirement Benefit Arrangement, which policies must at all times be in compliance with the relevant accounting standards.
- e) To annually review the British Columbia Hydro and Power Authority Pension Fund Statement of Investment Policies (the "**Investment Policy**") adopted in respect of the Registered Pension Plan and, when considered appropriate, recommend to the AFC proposed changes to the Investment Policy.
- f) To periodically review the British Columbia and Hydro and Power Authority Governance Policy (the "**Governance Policy**") adopted in respect of the Registered Pension Plan and, when considered appropriate, adopt amendments to it.
- g) To periodically review the British Columbia Hydro and Power Authority Pension Plan Funding Policy (the "**Funding Policy**") in respect of the Registered Pension Plan and, when considered appropriate, recommend to the AFC proposed changes to the Funding Policy.
- h) To periodically review and approve amendments as necessary to the Application document in respect of the Funding Policy.
- i) In accordance with the Funding Policy and its Application document determine and approve BC Hydro's contributions to the Registered Pension Plan.
- j) To conduct the periodic written assessments of the Registered Pension Plan's administration required by the PBSA, which will assess i) the Registered Pension Plan's compliance with the PBSA, ii) its governance, iii) its funding, iv) the investment of its assets, and v) the performance of the administrative staff and any agents of BC Hydro involved in the administration of the Registered Pension Plan.
- k) To review financial statements prepared for the Registered Pension Plan and recommend the approval of the financial statements to the AFC.
- l) To approve, in consultation with BC Hydro's actuary, the actuarial methods and assumptions used for funding valuations of the Registered Pension Plan.
- m) To review, accept and approve the filing with the relevant regulatory authorities funding valuations of the Registered Pension Plan.
- n) To review with BC Hydro's actuary at least annually the funded status of the Registered Pension Plan.
- o) To consult, from time to time as considered appropriate by the PMC, with the external legal advisors to the BC Hydro Pension Plans.
- p) To annually review the pension expense for BC Hydro and report material variances against plan to the AFC.
- q) To approve the appointment on BC Hydro's behalf of actuaries, fund holders, advisors, administrators, and performance measurement services for the BC Hydro Pension Plans.
- r) To approve the appointment and recommend to the AFC the termination of investment

- managers for the assets of the Registered Pension Plan.
- s) To develop and review standards of performance for all service providers and periodically review and assess the performance of each of them against such standards.
 - t) To review the investment of the Registered Pension Plan's assets in order to confirm that the asset allocation specified in the Investment Policy is adhered to, and take remedial steps with the investment managers if that is not the case.
 - u) To meet with and review the performance of investment managers for the Registered Pension Plan, as necessary, but at least once annually, to assess the investment managers' suitability, investment performance and Investment Policy compliance, and to report thereon to the AFC.
 - v) To approve the appropriate benchmark indices for each asset class in the Strategic Asset Mix contained in the Investment Policy. Each benchmark index will be used to estimate the return for the appropriate asset class and to review the asset manager's performance.
 - w) To oversee and review all administrative and business processes with respect to the BC Hydro Pension Plans including: appointing signing officers, monitoring cash management controls, authorizing benefit payments, approving payment of valid charges of the BC Hydro Pension Plans, liaising with internal and external auditors, reviewing custodial and investment manager statements and related transaction reports.
 - x) To annually approve, in consultation with BC Hydro's actuary, actuarial assumptions for use in the administration of the BC Hydro Pension Plans.
 - y) To interpret the rules of the BC Hydro Pension Plans.
 - z) To periodically review plan communications documents and compliance filings prepared in respect of the BC Hydro Pension Plans.
 - aa) To report to the AFC quarterly on matters relating to the operation of the BC Hydro Pension Plans.
 - bb) To review the administration of the BC Hydro Pension Plans to ensure compliance with their terms and conditions and all applicable pension laws.
 - cc) To communicate with, and provide information to, the Pension Plan Consultative Committee established under the Registered Pension Plan.
 - dd) To approve, for and on behalf of BC Hydro, amendments to any of the BC Hydro Pension Plans that:
 - i. according to legal advice, are required in accordance with applicable law; or
 - ii. in the opinion of the PMC, are desirable for administrative reasons; and based on actuarial advice, have no material cost impact on BC Hydro.

The PMC's responsibilities, powers and duties with respect to the Non-Pension Post Retirement Benefit Arrangement are as follows:

- ee) To document and approve the Plan Text for Non-Pension Post Retirement Benefit Arrangement. To periodically review the design and benefit levels of that Arrangement and, when considered appropriate, approve modifications to the Plan Text regarding changes to the design and/or benefit levels.
- ff) To annually review the costs of the Non-Pension Post Retirement Benefit Arrangement.
- gg) To annually review the sharing of the cost of the Non-Pension Post Retirement Benefit Arrangement by retirees and their beneficiaries and BC Hydro and to approve modifications as appropriate.
- hh) To interpret the rules of the Non-Pension Post Retirement Benefit Arrangement and any of the documents or contracts adopted in connection with the benefits provided under that Arrangement.
- ii) To approve the appointment and termination on BC Hydro's behalf of actuaries, advisors, administrators and carriers of the Non-Pension Post Retirement Benefit Arrangement.
- jj) To review and approve on BC Hydro's behalf actuarial valuations of the Non-Pension

- Post Retirement Benefit Arrangement.
- kk) To consult, from time to time as considered appropriate by the PMC, with the external legal advisors regarding the Non-Pension Post Retirement Benefit Arrangement.
 - ll) To periodically review plan communications documents prepared in respect of the Non-Pension Post Retirement Benefit Arrangement.

5. DELEGATION

Unless otherwise provided in these Terms of Reference, the PMC or the Chair may delegate any of their respective responsibilities, as either deems appropriate, provided that the PMC or the Chair ensures that each delegate is properly supervised and has the appropriate skills and training.

6. ENTITLEMENT TO RELY ON STATEMENTS

A member of the PMC may, in good faith, rely on the statements or reports of the fund holders, actuaries, accountants, appraisers, lawyers or other professional advisors retained by BC Hydro in respect of the BC Hydro Pension Plans and the Non-Pension Post Retirement Benefit Arrangement.

7. APPLICATION OF BC HYDRO CODE OF CONDUCT

The BC Hydro Director and Employee Code of Conduct provisions respecting conflicts of interest apply to a member of the PMC (as if the member were a Director of BC Hydro) and apply to a person to whom the PMC delegates its responsibilities (as if the person were an employee of BC Hydro). For the purposes of applying the provisions of the Code, membership in, and entitlement to benefits from, one or more of the BC Hydro Pension Plans or the Non-Pension Post Retirement Benefit Arrangement does not, in and of itself, constitute a conflict of interest.

8. CONFLICTS OF INTEREST POLICY

The PMC members must satisfy themselves that an appropriate policy regarding conflicts of interest exists and is followed by any investment manager appointed by the PMC. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply to such investment managers.

9. ADOPTION AND AMENDMENT OF THE TERMS OF THE REFERENCE

These Terms of Reference may be amended, in whole or in part, by the President & CEO by written certificate to that effect. A copy of every amendment to these Terms of Reference must be provided to the AFC, the Chair and every other member of the PMC.

SUBSIDIARY COMPANIES

Introduction

BC Hydro creates subsidiary companies from time to time to accomplish specific objectives or tasks that are more appropriately undertaken by a subsidiary rather than by BC Hydro directly. Although BC Hydro may work with partners in the subsidiary, in most cases subsidiaries are owned 100% by BC Hydro.

A list of BC Hydro subsidiaries is provided below:

Active Subsidiaries¹

- Powerex Corp.
- Powertech Labs Inc.

Other Subsidiaries

- | | |
|--|---|
| - BCHA Captive Insurance Company | - Edmonds Centre Developments |
| - British Columbia Hydro International Limited | - Fauquier Water and Sewerage Corporation |
| - British Columbia Power Exchange Corporation | - Hydro Monitoring (Alberta) Inc. |
| - British Columbia Power Export Corporation | - Tongass Power and Light Company |
| - British Columbia Transmission Corporation | - Victoria Gas Company Limited |
| - Columbia Estate Company, Limited | - Waneta Holdings (US) Inc. |
| - Columbia Hydro Constructors Ltd. | |

Unless indicated otherwise, the balance of this document pertains to Active Subsidiaries.

Duties and Responsibilities

Active Subsidiary Directors are appointed by BC Hydro to represent the interests of that subsidiary.

The Board of Directors for each Active Subsidiary is expected to apply sound business practices to manage that company's operations and to develop corporate strategies that result in a successful business enterprise.

Interactions between the Active Subsidiary and BC Hydro

Active Subsidiaries interact with the BC Hydro Board of Directors in the following ways:

- The Board of the Active Subsidiary is appointed by the BC Hydro Board with prior notification to the Crown Agency and Board Resourcing Office.
- A combination of BC Hydro Directors and BC Hydro senior management will always exceed 50% of the membership of an Active Subsidiary Board. The President & CEO of BC Hydro will be on the Board of Directors of Powerex Corp.
- The Active Subsidiary's Board of Directors will review its membership to determine whether an appropriate balance of skills and expertise exists. The process for recruiting and

¹ a company with its own employees, budget and strategic priorities, whose Board meets regularly and reports to the parent Board.

appointing Board members who bring a particular area of relevant and useful expertise to the Active Subsidiary's Board will also be reviewed.

- The Chief Executive Officer of an Active Subsidiary reports to that subsidiary's Board of Directors and advises BC Hydro's President & CEO of material changes to the Active Subsidiary's corporate business strategy.
- The Chair of the Active Subsidiary's Board will ensure that Active Subsidiary's strategies and performance are reported to BC Hydro's Board of Directors.
- Each Active Subsidiary will be reviewed on an annual basis to determine whether the Subsidiary's performance is consistent with the strategic direction that has been approved by the subsidiary's Board of Directors and reported to BC Hydro's Board of Directors.
- BC Hydro's governance framework and corporate policies also apply to each of its subsidiaries, except Powerex Corp., which has its own governance framework and corporate policies. However, the BC Hydro *Code of Conduct* applies to all of BC Hydro's subsidiaries, including Powerex Corp.
- Guidelines for Boards of Directors for Active Subsidiaries and Terms of Reference for Chief Executive Officers for Active Subsidiaries are located at Tabs 29 and 30 respectively.

Corporate Secretary to the Subsidiary

The Corporate Secretary to Active Subsidiaries is appointed by the subsidiary's Board, and may or may not be filled by the same individual as holds such office for BC Hydro.

Reporting Relationship to BC Hydro's Board of Directors

Through its Chair or Chief Executive Officer, each Active Subsidiary will provide a quarterly report to the BC Hydro Board of Directors. Each Active Subsidiary will make presentations to BC Hydro's Board of Directors on matters of strategy and business direction at the discretion of the Chair and/or the Board of Directors of BC Hydro.

Financial Reporting Responsibilities

Budget Process

The President & CEO and the Chief Financial Officer lead the annual budget development process each year. BC Hydro's operating and capital budget is approved through the annual Service Plan in January of each year. Updated five-year forecasts are provided to the Board of Directors each quarter.

Management of Active Subsidiaries will provide their budgets for the next fiscal year to the President & CEO and the Chief Financial Officer of BC Hydro to ensure alignment with the overall corporate budget. The budgets will then be submitted to the subsidiary's Board of Directors for review and approval. BC Hydro's Chief Financial Officer and President & CEO will then incorporate that information into BC Hydro's overall budget for the coming year.

Approval of Audited Financial Statements

Audited financial statements, if applicable, are submitted to Active Subsidiary Boards of Directors for review and approval by the end of May each year. Following approval, the Corporate Secretary of each Active Subsidiary will ensure that the balance sheet has been signed by the Directors, and that all necessary corporate filings have been made.

Spending Authority Delegation

BC Hydro's corporate policies, which are approved by the BC Hydro Board of Directors, set out approval authority levels for Officers and Senior Management of BC Hydro. These approval

authority levels are documented in the Financial Responsibility & Approval Policy and apply to all BC Hydro lines of business and subsidiaries except Powerex Corp.

Active Subsidiary Boards of Directors and their respective Chief Executive Officers are responsible for defining appropriate approval authorities within that subsidiary's organization. However, such approval authorities must be consistent with BC Hydro's corporate policies.

BC Hydro's Board of Directors may, from time to time, delegate special authority to an Active Subsidiary's Boards of Directors, who may in turn further delegate such authority to the subsidiary's management. Such delegation may result in providing authority that exceeds corporate policy. Such delegation may be made on recommendation by management of BC Hydro and/or the Active Subsidiary, and would provide detail of the particular circumstances and needs of the Active Subsidiary.

Strategy Determination

Each Active Subsidiary is expected to develop a strategic business plan that maximizes the efficiency and profitability of the Active Subsidiary and is commensurate with the Active Subsidiary's duties as a responsible corporate citizen. The Active Subsidiary Board of Directors has the responsibility to:

- Annually review with management and approve the subsidiary's strategic business plan.
- Submit the subsidiary's financial plan for inclusion into BC Hydro's overall plan.
- Monitor performance on the strategic business plan and provide status reports to BC Hydro on an agreed timeline.

Monitoring and Acting

The Active Subsidiary Board has the responsibility to:

- Monitor the subsidiary's progress towards the objectives set in the corporate strategic business plan, operating and capital plans, and to revise and alter its direction through management in light of changing circumstances.
- Ensure the principal risks of the subsidiary's business are identified to BC Hydro and take all reasonable steps to ensure the implementation of appropriate systems to manage these risks.
- In the case of Powerex Corp., the subsidiary Board has appointed its own Audit and Risk Management Committee.
- Direct management to ensure internal financial control and management information systems are in place and maintained.
- Provide BC Hydro's Board of Directors with regular reports on the state of the subsidiary's business including an update on matters of strategy and operations.

Compliance with Laws and Regulations

The Active Subsidiary Board has the responsibility to direct management to implement systems designed to ensure that the subsidiary operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.

BC Hydro Code of Conduct, Policies and Procedures

The BC Hydro *Code of Conduct* applies to the Board of Directors and employees of BC Hydro and its subsidiary companies, including Powerex Corp. The Active Subsidiary Board has the responsibility to:

- Approve and monitor, through management, compliance with all significant policies and procedures, which govern the subsidiary's operations and, except in the case of Powerex Corp., ensure such policies are consistent with those of BC Hydro; and
- Approve and act as the guardian of the subsidiary's corporate values.

General Legal Obligations of Directors of all Subsidiaries

- Subsidiary Boards are responsible for directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained.
- Legal duties are imposed on Directors. The basic legal duties are imposed at common law.
- Directors are under a fiduciary duty to the subsidiary to carry out the duties of their office:
 - Honestly and in good faith.
 - In the best interests of the subsidiary.
 - With the care, diligence, and skill of a reasonably prudent person.
- Directors have specific statutory duties and obligations under employment, environmental and financial reporting law as well as under the withholding provisions of taxation law.

POWEREX CORP.

Introduction

Powerex Corp. (“Powerex”) is a wholly-owned subsidiary of BC Hydro. Its principal business is the marketing of wholesale energy products and services in Canada and the United States.

Officers

Individuals holding the following positions will be designated by the Board of Directors of Powerex as Officers of Powerex Corp.:

- Chief Executive Officer
- Chief Financial Officer
- Chief Legal Officer
- Corporate Secretary

Responsibilities

The Chief Executive Officer of Powerex Corp. reports to the Board of Directors of Powerex Corp.

The Powerex Board Chair ensures the Board of BC Hydro is informed of Powerex’s key strategies and business activities.

The decision-making authority vested in the Powerex Chief Executive Officer and Chief Financial Officer is reflected in the risk governance framework adopted in the Powerex Risk Management Policy. Under this framework, Powerex management has an obligation at all times to report any risk issues that could be material to BC Hydro, including non-financial risks, to the BC Hydro Chief Financial Officer.

Powerex management and ultimately its Board of Directors are responsible for the financial and risk management performance of Powerex’s energy trading business. BC Hydro’s Chief Financial Officer is responsible for consolidated income and reporting across the lines of business and for ensuring, in coordination with Powerex’s Chief Financial Officer, that material financial risks within the lines of business are identified and communicated between Powerex and BC Hydro.

BC Hydro’s Open Access Transmission Tariff sets out the terms and conditions for BC Hydro’s transmission service. The Standards of Conduct are rules designed to prevent BC Hydro from providing non-public transmission function information to its affiliated marketing function employees, including those at Powerex, before it is publicly available.

POWERTECH LABS INC.

Introduction

Incorporated in 1988, Powertech Labs Inc. is BC Hydro's wholly-owned research and engineering technology subsidiary, providing a wide range of innovative, high tech services to electric utilities, equipment manufacturers and other clients internationally. Powertech also works on projects that help to improve electric utility industry safety.

Officers

Individuals holding the following positions will be designated by the Board of Directors as Officers of Powertech Labs Inc.:

- President & Chief Executive Officer
- Corporate Secretary

Accountability

The President and Chief Executive Officer of Powertech Labs Inc. reports to the Board of Directors of Powertech Labs Inc. through its Chair. The Board of Powertech Labs Inc., through its Chair, reports to the BC Hydro Board of Directors.

GUIDELINES FOR BOARDS OF DIRECTORS OF ACTIVE SUBSIDIARIES

Introduction

These Terms of Reference define the role of BC Hydro's Active Subsidiary Boards of Directors and outline how they will operate to carry out their duties of stewardship and accountability.

Best Interests of the Company

Active Subsidiary Boards oversee the conduct of business and supervise management, who are responsible for the day-to-day conduct of the subsidiary's business. Active Subsidiary Directors bring special skills and experience to assist in Board deliberations and must act in the best interests of the subsidiary at all times. The Directors will also ensure that the strategic direction and business processes are consistent with and contribute to the success of BC Hydro's business strategy.

It is recognized that due to the particular commercial nature of an Active Subsidiary's business, there may be occasions when the strategy of the subsidiary could conflict with a strategy or policy of BC Hydro. In such circumstances the subsidiary's Board, the BC Hydro Board, Board Committees and/or Senior Management will work together to resolve such conflicts.

BC Hydro Code of Conduct

The BC Hydro *Code of Conduct* applies to the Board of Directors and employees of BC Hydro and its subsidiary companies. All Directors and Officers of BC Hydro and its Active Subsidiaries are required to review the *Code of Conduct* and acknowledge their support and understanding of the Code by signing an annual declaration statement. Completed declaration statements are lodged with the Corporate Secretary of the Subsidiary. The *Code of Conduct* is located at Tab 10.

Terms of Reference

All Terms of Reference contained in the Governance Manual, including Terms of Reference for Active Subsidiary Chief Executive Officers, are reviewed annually by the Governance and Human Resources Committee of BC Hydro's Board of Directors. This Committee will propose any changes to the BC Hydro Board for approval.

Terms of Reference for any Active Subsidiary Board Committees will be annually reviewed and approved by the Board of Directors of that subsidiary. Other than for Powerex Corp., the Governance and Human Resources Committee of the BC Hydro Board of Directors may participate in that process.

Principal Risks

Active Subsidiary Boards should have a continuing understanding of the principal risks associated with the Company's business. It is the responsibility of management to ensure that the subsidiary Board is kept well informed of changing and developing risks. It shall be the responsibility of the subsidiary Board to determine when and how such risks are brought to the attention of the BC Hydro Board.

Succession Planning and Management Development

The Active Subsidiary Board considers succession planning and management development to be ongoing processes. The subsidiary's Chief Executive Officer's views as to a successor in the event of unexpected incapacity should be discussed at least annually with the subsidiary

Board. The subsidiary Board must be afforded reasonable and regular opportunity to interact with people who could be expected to succeed to key management roles for this purpose.

Chair of the Active Subsidiary Board

Generally, the Active Subsidiary Board supports the concept that the role of Chair is separate from that of Chief Executive Officer. The Board is able to function independently of management when necessary and the Chair provides leadership to the Board. However, there may be circumstances where the subsidiary Board determines that the role of Chair of a subsidiary and Chief Executive Officer of that subsidiary should be combined for particular strategic reasons, possibly under the title “Executive Chair”. This will only be undertaken when the subsidiary Board has made that determination.

Chief Executive Officer of the Active Subsidiary

The subsidiary Chief Executive Officer is appointed by the Board of Directors of the subsidiary. The subsidiary Board monitors and annually evaluates the Chief Executive Officer's performance.

Active Subsidiary Board Meetings and Agendas

Subsidiary Boards generally meet quarterly, however business needs may necessitate additional meetings.

Quorum for meetings is determined in accordance with the Articles of Incorporation and questions arising at any meeting of Directors will be decided by a majority of votes. A resolution in writing, signed by all the Directors, will be as valid and effectual as if it had been passed at a meeting of the Directors. *Articles of Incorporation* set out the particular regulations that apply to each subsidiary company, and are paramount to any Board or shareholder-adopted procedures or requirements, in the event of a conflict.

The Chief Executive Officer, in consultation with the Chair and Corporate Secretary of the subsidiary, will develop the agenda for each Board meeting. Under normal circumstances, the agenda and the material will be distributed to Directors not less than four business days before the meeting. All Directors are free to suggest additions to the agenda, preferably in advance when possible.

Meetings are held either at the subsidiary's headquarters or at BC Hydro's offices on Dunsmuir Street in Vancouver. Special meetings may be held by telephone conference at the call of the subsidiary Chair when required.

Active Subsidiary Board Minutes

The approved minutes provide an overview of the proceedings and decisions taken and serve as the official record of the Board meeting.

Special Meetings of the Active Subsidiary Board

Special meetings of the Board of Directors may be held at any time at the call of the subsidiary Chair (or, for Powerex Corp., at the call of any Director). Each subsidiary's *Articles of Incorporation* set out the particular regulations for calling special meetings.

Information for Active Subsidiary Board Meetings

The Corporate Secretary of the subsidiary is responsible for the distribution of all materials required by the Directors for meetings of the subsidiary Board. Material distributed to the Directors in advance of Board meetings should be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered. Reports may be presented during Board meetings by Directors, management or staff, or by invited outside advisors. Presentations on specific subjects at Board meetings should briefly summarize the material sent to Directors, so as to maximize the time available for discussion on questions regarding the material. Templates have been prepared to assist management with the preparation of meeting materials to assure the appropriate level of detail and overall consistency.

It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance. Directors are reminded that unless otherwise indicated, Board materials should be treated as confidential.

Custodianship of all archival meeting materials is the responsibility of the Corporate Secretary for the subsidiary.

Non-Directors at Active Subsidiary Board Meetings

The subsidiary Board appreciates the value of having members of management, employees, advisors or others attend Board meetings to provide information and opinions to assist the Directors in their deliberations. The subsidiary Board, through the subsidiary Chair and subsidiary Chief Executive Officer, will determine attendees at Board meetings. These persons will be required to maintain any confidential information discussed in the meeting in confidence.

Both the Board and management recognize that throughout the year there are times in meetings when the Board needs to meet without management in attendance. These occasions will be determined judiciously.

Active Subsidiary Board Relations with Management

Board policies and guidelines are issued to management for their adherence. Directors may direct questions or concerns on management performance to the Chair, to the Chief Executive Officer, or through Board meetings. Directors must respect the organizational structure of management. A Director has no authority to direct any staff member.

Size of the Active Subsidiary Board

From time to time, the Subsidiary Board will consider its size to ensure it has the necessary diversity of skills, perspectives and experience to fulfill its obligations.

Director Orientation

Directors will be provided with an orientation and education program which will include written information about the duties and obligations of Directors and the business and operations of the subsidiary, documents from recent Board meetings and opportunities for meetings, site visits and discussion with senior management and other Directors.

Director Compensation

Government establishes compensation levels paid to Directors. Details regarding Director compensation are outlined in Tab 16 of the Board Governance Manual.

Term of Service

Directors are appointed to each Active Subsidiary's Board by BC Hydro's Board of Directors with prior notification to the Crown Agency and Board Resourcing Office and in accordance with the Active Subsidiary's Articles and the BC *Business Corporations Act*.

The Corporate Secretary of the subsidiary is responsible for the corporate records of each subsidiary company and for reporting changes respecting composition of subsidiary Boards to the Registrar of Companies.

Approval Authorities

Each Active Subsidiary's Board of Directors and Chief Executive Officer are responsible for defining appropriate approval authority levels that reflect the subsidiary's business requirements.

Internal Controls

Integral to the subsidiary Board's overall responsibilities is the existence of control systems, which ensure the effective discharge of these responsibilities. The confidence of the subsidiary Board in the ability and integrity of management is the paramount control mechanism.

Corporate Strategy

Management is responsible for the development of an overall corporate business strategy to be presented to the subsidiary Board. The subsidiary Board's role is to ensure there is a strategic and business planning process, and then review, advise on and question, with a view to validating, and ultimately endorsing the strategy for the subsidiary and monitoring its implementation.

Administrative Support for Subsidiary Directors

The Corporate Secretary of the subsidiary will provide all required administrative services for Directors in their capacity as subsidiary Directors.

TERMS OF REFERENCE CHIEF EXECUTIVE OFFICERS FOR ACTIVE SUBSIDIARIES

Introduction

The Chief Executive Officer of an Active Subsidiary is its senior management officer. In appropriate cases, an Active Subsidiary's Board may appoint a Chief Operating Officer. If a Chief Operating Officer is appointed, the subsidiary's Board may delegate some of the duties and responsibilities below to the Chief Operating Officer.

Active Subsidiary Chief Executive Officer Duties and Responsibilities

- Lead and manage the subsidiary within the parameters established by the subsidiary Board of Directors.
- Report to the subsidiary Board on an ongoing basis.
- Advise BC Hydro's President and CEO of material changes to the subsidiary's corporate business plan as necessary.
- Successfully implement the subsidiary's annual business plan, which includes operational plans, capital plans and other supporting initiatives. Provide quarterly reports to BC Hydro's Chief Financial Officer on the subsidiary's financial performance against its approved annual business plan.
- Direct and monitor the subsidiary's activities in a manner that ensures the assets of the subsidiary are safeguarded and optimized.
- Ensure the integrity of the subsidiary's internal control and management systems.
- Identify and report to the subsidiary Board of Directors the principal risks of the business and ensure the implementation of systems to manage these risks.
- Ensure the safe efficient operation of the subsidiary and compliance with the BC Hydro *Code of Conduct*, all laws, and environmental, health and safety policies and procedures established by the subsidiary.
- Ensure the subsidiary achieves and maintains a satisfactory competitive position within its industry and a high standard for its products and services.
- Develop and recommend to the subsidiary Board of Directors the overall corporate organizational structure.
- Review senior management development and succession.
- Provide Directors at subsidiary Board meetings with exposure to the subsidiary's senior management team.
- Together with the subsidiary Chair, acts as a primary spokesperson for the subsidiary and coordinates the Subsidiary's interface with its shareholder, BC Hydro.
- Collaborates closely and regularly exchanges information with the Chair to review material issues and to ensure the subsidiary Chair and other Directors are provided with relevant and timely information..
- Foster a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility.
- When considering any significant public service commitments and/or accepting outside Board appointments, seek subsidiary Board approval and ensure appointments are in accordance with applicable corporate policies.

- Seek the appropriate approval for expenditures, revenue measures, leases or other actions or transactions falling outside the plans approved by the subsidiary Board of Directors.

GOVERNMENT'S MANDATE LETTER

The Government's Mandate Letter is attached.



June 15, 2021

Mr. Doug Allen
Chair
BC Hydro
18th Floor, 333 Dunsmuir Street
Vancouver, BC V6B 5R3

Dear Mr. Allen:

On behalf of Premier John Horgan and the Executive Council, I would like to extend my thanks to you and your board members for the dedication, expertise and skills with which you serve the people of British Columbia.

Every public sector organization is accountable to the citizens of British Columbia. The expectations of British Columbians are identified through their elected representatives, the members of the Legislative Assembly. Your contributions advance and protect the public interest of all British Columbians and, through your work, you are supporting a society in which the people of this Province can exercise their democratic rights, trust and feel protected by their public institutions.

You are serving British Columbians at a time when people in our province face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and government. It will require all Crowns to adapt to changing circumstances and follow Public Health orders and guidelines as you find ways to deliver your services to citizens.

This mandate letter, which I am sending in my capacity as Minister responsible for BC Hydro on behalf of the Executive Council, communicates expectations for your organization. It sets out overarching principles relevant to the entire public sector and provides specific direction to BC Hydro about priorities and expectations for the coming fiscal year.

I expect that the following five foundational principles will inform your agency's policies and programs:

- **Putting people first:** We are committed to working with you to put people first. You and your board are uniquely positioned to advance and protect the public interest, and I expect that you will consider how your board's decisions maintain, protect and enhance the public services people rely on and make life more affordable for everyone.
- **Lasting and meaningful reconciliation:** Reconciliation is an ongoing process and a shared responsibility for us all. Government's unanimous passage of the *Declaration of the Rights of Indigenous Peoples Act* was a significant step forward in this journey – one that all Crown agencies are expected to support as we work in cooperation with Indigenous peoples to establish a clear and sustainable path to lasting reconciliation. True reconciliation will take time and ongoing commitment to work with Indigenous peoples as they move towards self-determination. Guiding these efforts, Crown agencies must also remain focused on creating opportunities that implement the Truth and Reconciliation Commission's recommendations through your mandate.
- **Equity and anti-racism:** Our Province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical responsibility to tackle systemic discrimination in all its forms – and every public sector organization has a role in this work. All Crowns are expected to adopt the Gender-Based Analysis Plus (GBA+) lens to ensure equity is reflected in your operations and programs. Similarly, appointments resulting in strong public sector boards that reflect the diversity of BC will help achieve effective and citizen-centred governance.
- **A better future through fighting climate change:** Announced in December 2018, the CleanBC climate action plan puts our Province on the path to a cleaner, better future by building a low-carbon economy with new clean energy jobs and opportunities, protecting our clean air, land and water and supporting communities to prepare for carbon impacts. As part of the accountability framework established in CleanBC, and consistent with the *Climate Change Accountability Act*, please ensure your organization aligns operations with targets and strategies for minimizing greenhouse gas emissions and managing climate change risk, including the CleanBC target of a 50% reduction in public sector building emissions and a 40% reduction in public sector fleet emissions by 2030. Your organization is expected to work with government to report out on these plans and activities as required by legislation.

- **A strong, sustainable economy that works for everyone:** I expect that you will identify new and flexible ways to achieve your mandate and serve the citizens of BC within the guidelines established by the Provincial Health Officer and considering best practices for conducting business during the pandemic. Collectively, our public sector will continue to support British Columbians through the pandemic and economic recovery by investing in health care, getting people back to work, helping businesses and communities, and building the clean, innovative economy of the future. As a public sector organization, I expect that you will consider how your decisions and operations reflect environmental, social and governance factors and contribute to this future.

The Crown agencies and Board Resourcing Office (CABRO), with the Ministry of Finance, will continue to support you and your board on recruitment and appointments as needed, and will be expanding professional development opportunities in 2021/22. The Governing in the Public Interest online certificate program is now available, and all board members are encouraged to complete this new offering.

As the Minister Responsible for BC Hydro, I expect that you will make substantive progress on the following priorities and incorporate them in the goals, objectives and performance measures in your 2021/22 Service Plan:

- Provide leadership in advancing CleanBC's climate and economic development objectives, including electrification, fuel switching, and energy efficiency initiatives in the built environment, transportation, mining, oil and gas, and other sectors.
- Keep electricity affordable by ensuring that rates do not increase above inflation, on a cumulative basis, over the next decade.
- Continue delivering affordability measures that support BC's Poverty Reduction Strategy, including demand-side management programs targeted to low-income customers, in a manner consistent with new and emerging CleanBC policies.
- Maintain or improve customer satisfaction by providing timely and responsive service.
- Safely complete the Site C project within the lowest cost and approved schedule, and implement the recommendations of the Milburn Report, reports from independent dam safety experts, other directions from the Minister responsible, and provide quarterly progress and other reporting to Treasury Board and the BC Utilities Commission.
- Continue to implement government direction resulting from the Comprehensive Review of BC Hydro. Priority initiatives for 2021/22 should include:

- Supporting the implementation of the BC Hydrogen Strategy;
 - Expanding BC Hydro's network of electric vehicle DC fast-charging stations;
 - Supporting clean technology innovation through Powertech;
 - Increasing industrial electrification by making it easier and faster for customers to connect to the electricity grid; and
 - Re-investing new low carbon fuel standard credit revenues in transportation electrification infrastructure, incentives and programs.
- Develop a short-term electrification plan that builds on the key results of the Comprehensive Review of BC Hydro and supports CleanBC.
 - Working with customers, develop efficient and flexible rate proposals for BC Utilities Commission review that will incent greenhouse gas emission reductions and keep rates affordable.
 - Actively market 100% clean energy through Powerex to realize new trading opportunities and income for the benefit of BC Hydro ratepayers.
 - Partner with the Province and the federal government to implement the CleanBC Remote Community Energy Strategy to help remote communities, with a focus on Indigenous communities, reduce diesel use and replace it with clean energy.
 - Work with the Province to secure additional federal funding and bring into service transmission projects that will reduce or avoid greenhouse gas emissions and help meet its climate goals.

Each board member is required to sign the Mandate Letter to acknowledge government's direction to your organization. The signed Mandate Letter is to be posted publicly on your organization's website in spring 2021.

I look forward to continuing to work with you and your Board colleagues to build a better BC.

Sincerely,



Bruce Ralston
Minister

Date: June 15, 2021



Doug Allen,
Chair



Len Boggio,
Director



Daryl Fields,
Director



Valerie Lambert,
Director



Irene Lanzinger,
Director



Nalaine Morin,
Director



John Nunn,
Director



Catherine Roome,
Director



Chris Sanderson,
Director

cc: Honourable John Horgan, Premier
Lori Wanamaker, Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public Service
Heather Wood, Deputy Minister and Secretary to Treasury Board, Ministry of Finance
Douglas S. Scott, Deputy Minister, Crown Agencies Secretariat, Ministry of Finance
Fazil Mihar, Deputy Minister, Ministry of Energy, Mines and Low Carbon Innovation
Len Boggio, Director, BC Hydro
Daryl Fields, Director, BC Hydro
Valerie Lambert, Director, BC Hydro
Irene Lanzinger, Director, BC Hydro
Nalaine Morin, Director, BC Hydro
John Nunn, Director, BC Hydro
Catherine Roome, Director, BC Hydro
Chris Sanderson, Director, BC Hydro
Chris O'Riley, President and Chief Executive Officer, BC Hydro

MISSION, VISION, VALUES & PRIORITIES

BC Hydro's Mission

To safely provide reliable, affordable, clean electricity throughout B.C.

BC Hydro's Vision

A cleaner more sustainable future for all British Columbians.

BC Hydro's Values

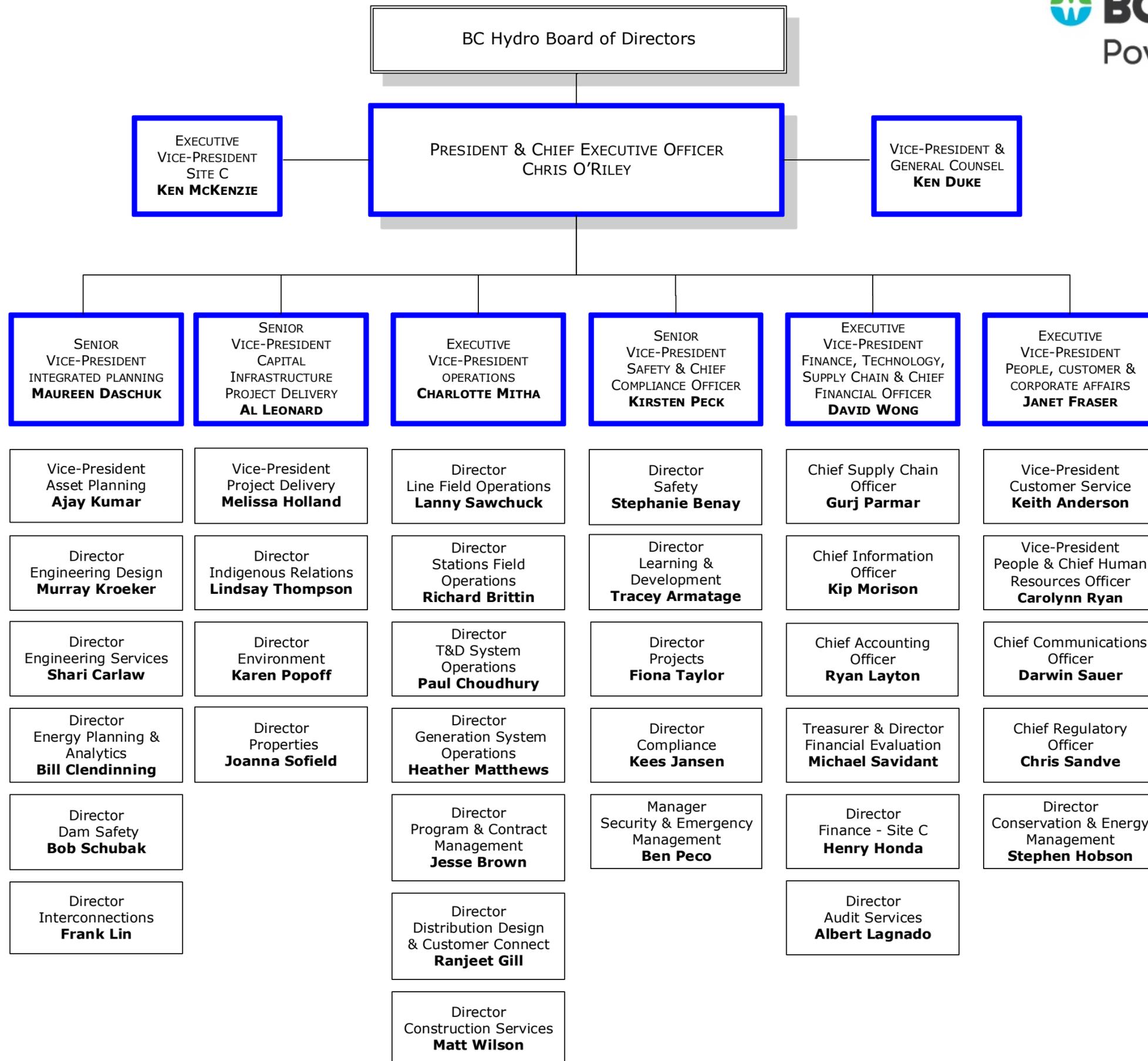
- We are safe
- We are here for our customers
- We are one team
- We include everyone
- We act with integrity and respect
- We are forward-thinking

BC Hydro's Company-Wide Priorities

- Make it easy for customers to do business with us.
- Deliver capital projects on time and on budget.
- Explore the full potential of energy conservation.
- Strengthen our proud and valued workforce.
- Continue to improve the way we operate.

CORPORATE ORGANIZATION CHART

The Corporate Organization Chart is attached.



****SUBSIDIARIES****

POWEREX CORP

POWERTECH LABS

CORPORATE POLICIES AND DELEGATED FINANCIAL AUTHORITIES

Corporate Policies

BC Hydro's corporate policies, adopted by the Board of Directors, are:

1. Code of Conduct Policy
2. Financial Responsibility and Approval Policy

The Board of Directors has authorized the Chief Executive Officer to approve policy revisions that become necessary from time to time, however the Board, through its respective Committees, will be advised as soon as practicable of any substantive policy changes not requiring formal Board approval.

The Board of Directors has also adopted policy relating to conduct expectations, conflict of interest guidelines and procedures respecting financial whistleblowers - the ***BC Hydro Code of Conduct Policy***. Revisions to this policy require Board approval prior to implementation. The *Code of Conduct Policy* is located at Tab 10.

Delegated Financial Authorities

The Board of Directors has delegated certain general and specific authorization limits to management details of which are set out in *Financial Responsibility & Approval Policy*.

CORPORATE POLICY STATEMENT (CPS)

FINANCIAL RESPONSIBILITY & APPROVAL POLICY

Issue Date: May 1998

Revision: 2 (September 2017)

Revision: 3 (15 November 2017) Executive Sponsor & Contact Updated

Revision: 4 (06 June 2019) Table 3 & 4 Updated

Executive Sponsor

Executive Vice-President Finance, Technology, Supply Chain & Chief Financial Officer (CFO)

Contact for Policy Interpretation and Clarification

Controller

POLICY

The purpose of this Policy is to establish financial responsibility and delegate financial authorization levels.

All Initiatives, Projects, and capital expenditures must be planned and authorized prior to commencement of any work. Funding request approvals must be captured in Authorization Documents that are retained and available for audit purposes.

All expenditures, Contracts, and Commitments must be approved in advance of entering into any financial obligations with third parties.

Authorization documents must be obtained in advance of the expenditure if cost overruns exceed, or are forecast to exceed, the authorized amount.

An employee may not exercise any authority they do not ultimately derive from the Board.

SCOPE

This policy applies to all employees of BC Hydro and its subsidiaries.

Exceptions

Items included in the Board approved Treasury Risk Management Policy.

CORPORATE POLICY STATEMENT (CPS)

RESPONSIBILITIES

The Board of Directors (the Board), the President and Chief Executive Officer (CEO), and the CFO are responsible and accountable for the financial integrity of BC Hydro including all of its Business Groups (BG's) and subsidiaries.

The Active Subsidiary Boards of Directors and their respective CEOs are responsible for defining appropriate approval authorities within their subsidiaries; however, such approval authorities must be consistent with BC Hydro's corporate policies.

The Board may create Committees and Project Boards which are delegated financial authority to approve specific items as indicated by their terms of reference.

The **President & CEO** is delegated financial approval authority limits up to \$50M for annual budgeted amounts and up to \$20M for Ex-Plan amounts as outlined in **Appendix I, Table 1** and **Table 2**.

The President & CEO is also responsible for:

- ensuring the integrity of BC Hydro's internal control and management systems;
- seeking Board approval for expenditures, revenue measures, leases and other actions or transactions falling outside the plans approved by the Board; and
- approving corporate policy revisions and advising the Board, through its respective Committees, of any substantive corporate policy changes not requiring formal Board approval.

The **CFO** is assigned financial policy responsibility for all BGs, all subsidiaries other than Active subsidiaries, and investments and is required to report financial and operating results to the Board and government. The CFO is required as an additional approver of all:

- equity, partnership or joint venture investments and all agreements that include options, warrants or other security positions; and
- funding requests, including initiatives and pre-approvals of expenditures, contracts, and commitments at the President or Board level.

The **Chief Accounting Officer (CAO)**, who reports to the CFO, and leads the Finance team is charged with the development and oversight of the financial control framework across all BGs and subsidiaries other than Active Subsidiaries, and ensures the protection of corporate assets, responsible financial decision-making and accurate financial reporting and forecasting.

CORPORATE POLICY STATEMENT (CPS)

Employees entrusted with corporate assets and/or financial decision making are responsible for acting in a financially accountable manner by understanding and complying with internal financial control requirements.

POLICY APPLICATION

Financial Approval Limits

- **Appendix I: Financial Approval Authority (FAA)** limits are outlined in the following tables:
 - Table 1: FAA limits within the Approved Annual Budgets
 - Table 2: FAA limits for Ex-Plan Amounts
 - Table 3: All Guarantees, Letters of Credit, and Stand-alone Indemnities
 - Table 4: Special Authorities
 - Table 5: Emergencies
- The funding amount being approved should exclude recoverable value added taxes, such as GST.
- Contributions-in-aid shall not be deducted when determining FAA limits.
- FAA limits apply to individual authorization documents and transactions, unless otherwise stated. For phased capital projects, FAA limits for that phase are based on the cumulative capital expenditures, inclusive of prior capital phases, and are based on the total project estimate.
- For payments in perpetuity, the Expected Amount is based on the present values of the expected cash flows.
- Funding requests for initiatives, including projects, and capital expenditures are approved at the Authorized Amount.
- The Corporate Secretary will provide management with certified copies of Directors' Resolutions approving financial commitments for project expenditures as passed by the Board, Board Committees or Project Boards having delegated authority to do so, either upon approval of the resolution for current financial commitments or upon request for historical financial commitments previously approved.
- Splitting any type of document into smaller parts to circumvent established and delegated FAA limits is prohibited.

Delegation of FAA Limits

- For Board approved initiatives, projects and capital expenditures, the Board may direct the President, or delegate, to conclude, approve and execute all agreements, documents and payments. This authorization is granted by Board Resolution.

CORPORATE POLICY STATEMENT (CPS)

- The President is authorized to further delegate these approval authority limits; however, further delegation by those receiving such delegation, except on a temporary basis, is not permitted.
- The approval limits delegated by the President shall be administered by the CFO.

SUPPORTING DOCUMENTATION

MAPP 1.2.1B.2 Financial Approval Authority Procedure (FAAP).

DEFINITIONS

Authorized Amount: Requested funding for a project inclusive of all contingencies and based on a fixed scope and in-service date. The Authorized Amount is equal to the Expected Amount plus any Project Reserve.

Authorization Documents: A category of Control Documents that is used to document funding requests for initiatives, projects or programs.

Business Group (BG): The highest level organization group that is managed by an individual Executive Team member.

Commitment: Any form of communication (whether formal written or informal verbal, e-mail or otherwise) from a representative of BC Hydro to a supplier representative that commits or binds BC Hydro (i.e. forms a legal contract) to make payment for materials and/ or services.

Control Documents: Consists of planning, authorization, commitment, payment documents and expense claims.

Contract: An agreement, including a letter agreement, with one or more other parties in which BC Hydro undertakes an obligation to provide a service, to provide goods, to refrain from doing either, or to acquire either, to acquire or dispose of real property or rights or interests therein.

Expected Amount: Is determined on a cumulative basis of expenditures inclusive of loadings, previous revisions and forecast cost overruns in nominal dollars, but not including any Project Reserve.

Financial Approval Authorities (FAA): The list of financial approval limits assigned to BC Hydro employees or positions.

CORPORATE POLICY STATEMENT (CPS)

Guarantee: A provision included in an agreement, or an entire agreement, by which BC Hydro or one or more of its subsidiaries promises, or agrees, to perform one or more duties or obligations of another person or firm if that other person or firm fails to do so.

Initiative: A Project or Program that is a time-limited undertaking with a specific set of objectives, deliverables and budget.

Program: Multiple projects or work activities that are intended to be carried out as a group and have similar characteristic and a common objective.

Project: A one-time, time-limited undertaking carried out by a project manager supported as required by a project team to achieve a unique, specified set of objectives.

Project Reserve: The sum of incremental increases from Expected Amount to Authorized Amount representing differences in estimating accuracies and specifically identified risks. These amounts are approved for release by the delegate assigned when the Expenditure Authorization Request is approved.

Stand-alone indemnity: An agreement in writing between BC Hydro (or a subsidiary) and one or more other parties in which the primary obligation of BC Hydro (or a subsidiary) is to indemnify and hold harmless such other party or parties with respect to actions taken at the request of BC Hydro by such other party or parties for the benefit of BC Hydro (or a subsidiary).

CORPORATE POLICY STATEMENT (CPS)

Appendix 1: Financial Approval Authority (FAA) Limits

Table 1: FAA Limits within Approved Annual Budgets

<i>FAA Limits Within Approved Annual Budgets</i>	Authorization Documents, Contracts, Commitments and Payment Documents, Miscellaneous Revenues and Cost-Recoveries Pre-Approval Upper Limit (\$ Millions)
BC Hydro Board of Directors	No Limit
President & CEO	\$50

Table 2: FAA Limits for Ex-Plan¹

<i>FAA Limits for funding requests in excess of the consolidated Annual Service Plan</i>	Authorization Documents, Contracts, Commitments and Payment Documents, Miscellaneous Revenues and Cost-Recoveries Pre-Approval Upper Limit (\$ Millions)
BC Hydro Board of Directors	No Limit
President & CEO	\$20M
CFO	\$10M

¹Excludes limits during an emergency as outlined in Table 5 below. Ex-Plan includes funding requests that are not planned and are in excess of the approved consolidated Annual Service Plan amounts.

CORPORATE POLICY STATEMENT (CPS)

Table 3: All Guarantees, Letters of Credit and Stand-alone Indemnities

FAA of all Guarantees given by BC Hydro, either stand-alone or contained in a contract, letters of credit issued under BC Hydro's credit facilities, and Stand-alone Indemnities given by BC Hydro is retained by the BC Hydro corporate level positions because of the financial and risk management implications and as governed by the Minister of Finance.

Table 3 – All Guarantees, Letters of Credit, and Stand-alone Indemnities		
Upper Limit¹ (\$ Millions)		
	For BC Hydro, Powerex (non-specified counterparties), and all other BC Hydro Subsidiaries	For Powerex (specified counterparties) ²
<p><i>2 signatories are required and one must be the BC Hydro Board of Directors:</i></p> <ul style="list-style-type: none"> • BC Hydro Board of Directors • President & CEO • CFO 	No Limit	No Limit
<p><i>2 signatories are required and one must be the President or CFO:</i></p> <ul style="list-style-type: none"> • President & CEO • CFO • CAO • Treasurer 	\$50 or US\$50 for Powerex	US\$100

¹ To determine the applicable signing authorities, the cumulative amount of guarantees, letters of credit, and stand-alone indemnities provided to a single end counterparty/beneficiary is used. Amounts shall be converted, at the time of execution, into US dollars for Powerex and Canadian dollars for BC Hydro and other BC Hydro Subsidiaries when determining the cumulative amount.

² Specified Powerex counterparties include: 1) Independent System Operator/Alberta Electric System Operator, 2) Bonneville Power Administration, 3) California Independent System Operator Corporation, 4) ICE NGX Canada Inc., 5) J.P. Morgan Securities Ltd./J.P. Morgan Securities plc

CORPORATE POLICY STATEMENT (CPS)

Table 4: Special Authority

BC Hydro's Board of Directors may, from time to time, assign special authority which exceeds the FAA limits listed in **Table 1**.

<i>Table 4 - Special Authorities (other than Powerex Transactions)¹</i>		
Payment Items	Responsibility	Upper Limit (\$ Millions) <small>(based on individual remittance)</small>
Provincial Dividend payment	<i>2 signatories are required and one must be the President & CEO or CFO:</i> <ul style="list-style-type: none"> • President & CEO • CFO • CAO • Treasurer 	As dictated by Special Directive HC1 or as approved by BC Hydro's Board of Directors
Payment of interest and principal on debt, and any related fees	<i>Any 1 signatory:</i> <ul style="list-style-type: none"> • President & CEO • CFO • CAO • Treasurer 	As dictated by the terms of the Bond or Contract
Increases in the net cost of domestic market transactions between the latest Monthly Energy Studies Forecast and the latest Board Approved Forecast, in either the current fiscal year or one of the subsequent two years.	Interim approval by President & CEO and CFO acting together <i>(To be reported at next meeting of the Audit and Finance Committee)</i>	Over \$200
	President & CEO and CFO acting together	\$200
	Executive Team member responsible for Generation Resource Management	\$100
	Director responsible for Generation Resource Management	\$25
Compliance payments to Government agencies: including but not limited to; Water rentals, Payroll remittances, Pension Solvency Deficit funding, Property, GST and other taxes, and WCB payments.	<i>If >\$20M, 2 signatories and one must be the President & CEO or CFO</i> <ul style="list-style-type: none"> • President & CEO • CFO • CAO 	As dictated by the compliance requirements

¹Special Authorities assigned by the Board of Directors for Powerex transactions are approved in the [Powerex Risk Management Policy](#).

CORPORATE POLICY STATEMENT (CPS)

Table 5: Emergencies Resulting in a Level 1 (Full) Activation of the Emergency Coordination Centre (ECC)

In the event of an emergency that requires Level 1 (Full) ECC activation; financial approval authority is listed below.

Table 5 - Approval Limits During Level 1 (Full) ECC Activation	
Responsibility	Authorization Documents, Contracts, Commitments and Payment Documents Upper Limit (\$ Millions)
Any signatory contacted <i>in order of authority of the following:</i> <ul style="list-style-type: none"> • President & CEO • CFO • Any other Executive Team member 	\$50
ECC Director	\$3

During every emergency, financial due diligence is expected; however, given the nature of an emergency, standard procurement procedures and approvals may not be able to be followed until systems are running and time permits.

After the emergency period has passed, the ECC Finance & Administration Section Lead shall report on expenditure decisions made and whether other signatories on the list were contacted.