

Issued: January 12, 2022

## Purpose

The purpose of this policy is to:

- improve the knowledge and awareness of all BC Hydro employees to the potential risks of **Fraud**;
- set out responsibilities regarding the prevention, detection, and investigation of fraud;
- send a clear message that fraud will not be tolerated internally and externally; and
- assist in promoting a culture where employees feel comfortable raising concerns without fear of retaliation.

## Policy

BC Hydro:

- requires BC Hydro Board directors and employees to comply with BC Hydro's Code of Conduct, which describes expected conduct, including compliance with all applicable laws, use of BC Hydro property, and compliance with BC Hydro's financial controls, and supporting requirements.
- has zero tolerance for fraud in any form, including **Theft, Corruption** and **Non-compliant activities**.
- recognizes the importance of protecting the organization, its operations, its employees, and its assets from the consequences of fraudulent activity.
- values the integrity of its employees and recognizes the key role employees play in the prevention, investigation, and reporting of fraud and as such, employees must always be vigilant, are required to act lawfully and report any fraud related concerns at the earliest opportunity in accordance with the policy guidelines.
- completes and updates a comprehensive fraud risk assessment to identify specific fraud schemes and risks, assess their likelihood and significance, evaluate existing fraud control activities, and implement actions to mitigate residual fraud risks.
- is committed to high integrity and ethical values regarding managing fraud risk.
- is committed to investigate and promptly resolve all fraudulent activities.

## Scope

This policy applies to BC Hydro and its subsidiaries, including all BC Hydro Board directors (the Board), and employees, including executives, managers and senior leaders. The policy may also apply to others, such as contingent labour resources or individual contractors, if BC Hydro and the other parties specifically agree.

## Policy application

### CONTROL ACTIVITIES TO MITIGATE FRAUD RISK

A fraud risk assessment is completed by BC Hydro to identify and address specific fraud risks. The CFO ensures the fraud risk assessment is completed, updated periodically, and that the results are communicated to the President & CEO, Executive Team members, the Director of Audit Services, the Ethics Officer, the Chief Accounting Officer, and Finance Directors.

### MECHANISMS TO REPORT FRAUD

Any suspected fraud must be reported immediately. BC Hydro promotes an open-door policy with regard to reporting suspected fraud and has implemented secure, non-retaliatory, and confidential channels for individuals to report suspected fraud.

Employees and the Board, as well as Contractors who have agreed to follow this policy, must report any instances of suspected or actual fraud as outlined in the BC Hydro Code of Conduct Part 4: How to report concerns & what happens after disclosure.

### FORMAL APPROACH TO ADDRESS ALLEGATIONS OF FRAUD

Detailed procedures for the investigation of fraud allegations are outlined in the Management and Accounting Policies and Procedures (MAPP) Fraud Investigation Procedure. All fraud allegations are reported to the Audit, Finance and Capital Committee of the Board on a quarterly basis.

Examples of fraudulent activity are outlined in **Appendix 1: Examples of Fraud and Similar Illegal Activities**.

### CONFIDENTIALITY AND WHISTLEBLOWER PROTECTION

Confidentiality and whistleblower protection are outlined in the BC Hydro Code of Conduct Part 4: How to report concerns & what happens after disclosure (Confidentiality and whistleblower protection section).

## Roles and responsibilities

The **Board of Directors** is responsible for the review and approval of this policy and monitoring the effectiveness.

**CFO** is assigned responsibility from the Board of Directors for a fraud risk management program, including oversight of all reported fraudulent incidents and ensuring the fraud risk assessment is completed.

**Finance Directors** of each business group and the **Controller** are responsible for ensuring a system of internal controls for the prevention and detection of fraud is implemented and maintained.

**Management** is responsible for the detection and prevention of fraud and misappropriations.

The **Office of the General Counsel** may be required to provide legal guidance regarding potential actions against employees for fraudulent activities.

**Audit Services** is responsible to review the fraud risk management program and to provide assurance to the Board and Management that fraud controls are sufficient for identified fraud risks, and controls are functioning effectively. Audit Services also assists in investigations and the reporting of matters to the Audit, Finance and Capital Committee.

The **Ethics Officer** is responsible for managing reported fraudulent incidents and supporting confidentiality and whistleblower protection for any reported fraudulent activity.

**Human Resources** will be responsible for recommending disciplinary action arising as a result of breaching this policy.

**Employees** are responsible for acting in an accountable manner by understanding and complying with this policy.

## Supporting documentation

- CPS Code of Conduct Policy
- MAPP Fraud Investigation Procedure

## Definitions

**Business Group (BG):** The highest-level organization group that is managed by an individual Executive Team member.

**Corruption:** Is the offering, giving, soliciting or acceptance of an improper inducement or reward, which may influence the decision, decision-making process, or action of any person.

**Fraud:** Is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.

**Loss:** Is the detrimental effect or disadvantage that results from being deprived of a resource or a right to participate in an opportunity that would have otherwise legitimately benefited BC Hydro.

**Non-compliant activities:** Are illicit acts or failures to act in accordance with legislation, regulations, policies, internal controls or other obligatory standards.

**Theft:** Is an offence under the Criminal Code of Canada. It is the act of stealing, taking or removing corporate or personal property, including intellectual property, monetary or other physical goods, without appropriate authorization.

## Appendix 1: examples of fraud and similar illegal activity

The following examples are not intended to be an exhaustive list.

### EMPLOYEES

Some examples of employee fraud or similar illegal acts are deliberate:

- falsification or alteration of financial records
- disclosing confidential and proprietary information to outside parties
- deceitful use of a corporate credit card
- unauthorized use of BC Hydro owned or leased vehicles and equipment
- corruption of BC Hydro files or data
- reimbursements for non-legitimate expenses or unworked hours
- accepting bribes or kickbacks from contractors, vendors or persons providing services to BC Hydro
- undeclared conflicts of interest
- theft of BC Hydro assets
- submission of false benefits claims
- failure to accurately record time and labour

### CONTRACTORS

Some examples of external third-party fraud or similar illegal acts are:

- theft or intentional damage of BC Hydro property
- corruption of BC Hydro files or data
- deliberate short shipment by a supplier
- deliberate substitution of inferior quality or defective goods by a supplier
- bid-rigging, price fixing, or kickbacks in the contracting process
- fraudulent claims for benefits, grants, or other program payments, including refunds and rebates