

## Policy

<b>Theme</b> <b>Our Customers</b>	<b>Effective</b> <b>April 14, 2008</b>

### **1. Introduction**

This policy sets out Hydro-Québec's commitment to its customers. It presents the orientations that the company intends to adopt to guide its practices, including product and service offerings, pricing, and customer relations.

### **2. General Principles**

Hydro-Québec adopts strategies and business practices that meet its customers' needs by offering quality products and services in a cost-effective manner. Thus:

#### **Products and services**

To provide customers with quality products and services, Hydro-Québec undertakes to:

- supply electricity;
- ensure a reliable, secure power supply that meets the standards in effect;
- supply products, energy efficiency advice and high-quality customer service;
- continuously improve the quality of its products and services in line with industry standards and a changing business context.

#### **Price**

Given the regulatory framework and rate context which governs the Distributor, Hydro-Québec intends to:

- maintain uniform rates throughout its Québec service territory for each customer category, taking the special features of off-grid systems into account;
- offer the same conditions for service throughout Québec;
- adjust the structure of each rate to offer a better price signal promoting energy efficiency;
- offer rate options, depending on the business context, that enable optimal management of electricity consumption.

#### **Customer relations**

To maintain quality relations with its customers, Hydro-Québec undertakes to:

- communicate regularly with its customers in a clear and coherent fashion;

- give customers information enabling them to make informed decisions on electricity use and the service conditions in effect;
- take into account the changing needs, expectations and characteristics of each customer category;
- measure customer satisfaction and include this aspect in its objectives;
- make customers aware of the uses of electricity and the advantages of adequately managing their energy consumption;
- suggest mechanisms to efficiently resolve customer dissatisfaction and support the improvement process to prevent similar complaints from recurring.

### **3. Accountability**

#### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

#### **Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4) *Analysis of conformity of the recommended solution.*

#### **Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

#### **Action**

The President of Hydro-Québec Distribution submits a report each year to the President and Chief Executive Officer and the Board of Directors on the application of the general principles contained in this policy.

<b>Theme</b> <b>Our Human Resources</b>	<b>Effective</b> <b>April 14, 2008</b>

## **1. Introduction**

This policy sets out Hydro-Québec's commitment to its employees. Hydro-Québec operates in a work environment based on respect for the individual. It is an environment characterized by strong leadership and organizational capability that take into account the realities of each unit of the company and allow all employees to develop and maintain their skills, to be involved and to contribute to the achievement of the company's business results.

In return, Hydro-Québec expects its employees to maintain work relations that respect others and to contribute to the achievement of the company's business objectives.

## **2. General principles**

In Hydro-Québec's overall strategy, employees are deemed essential to the realization of the corporate vision. Employees' skills, motivation, working conditions and relations, performance, health and safety are factors related directly to its success. Accordingly, Hydro-Québec's commitment to its employees is as follows:

### **Skills**

To maintain and enhance the skills needed to achieve its business objectives, Hydro-Québec undertakes to:

- attract, recruit, integrate and retain a diversified and competent work force that shares its values and is motivated to help improve the company's competitive advantage;
- offer its employees the best opportunities and strategies for professional development to ensure a high level of skill, expertise and leadership at all times;
- ensure succession planning and the continuity of know-how;
- ensure that women, Aboriginal peoples, visible and ethnic minorities, and handicapped persons are equitably represented within the organization.

Employees, for their part, are responsible for their own development and for helping maintain know-how within the company.

### **Motivation**

To motivate its employees, Hydro-Québec undertakes to:

- communicate regularly and openly, and in a coherent and clear fashion, its vision, orientations, expectations and achievements, in an environment where everyone actively participates in discussions and in

- sharing information, while maintaining the confidentiality of strategic information;
- create a dynamic, people-focused organizational environment where performance, whether individual, team or corporate, is encouraged and recognized, and where individuals take responsibility and develop their own autonomy;
  - develop a climate of trust and openness where all employees grow and develop, innovate and express creativity, and are recognized for contributing to their full potential;
  - listen to employees' expectations and concerns and take steps to improve their level of satisfaction;
  - encourage, insist on and value employees' contribution to the company's growth;
  - provide employees with the tools essential to their work so they can contribute to the company's commercial success.

Employees, for their part, have an obligation to contribute to the achievement of their unit's objectives related to motivation.

### **Working conditions**

To offer working conditions adapted to the company's social and commercial environment, Hydro-Québec undertakes to:

- give employees competitive and fair working conditions, in line with the company's compensation guidelines, so as to improve work organization, flexibility and efficiency, while recognizing employees' needs regarding their quality of life;
- guarantee equitable relations and a healthy work climate that is free of discrimination, violence, abuse of power and harassment and where each person develops and maintains relations based on respect, is treated with dignity and has the opportunity to participate fully in the realization of the corporate vision;
- pursue and develop with unions and employee associations relations based on mutual respect, transparency, sharing information and development of solutions adapted to the needs of the parties, and to abide by existing agreements;
- pay particular attention to its retirees and maintain special relations with them.

Employees, for their part, must show integrity, loyalty and diligence toward the company by respecting people and the environment. They shall respect the rules of ethics, protect confidential information and deal equitably and courteously with customers, suppliers and partners.

### **Performance**

To aim for excellence in all its operations, Hydro-Québec undertakes to:

- pursue the development of a business culture focused on results and profitability, where all understand their role and the contribution

- expected in the implementation of their unit's business plan and the company's strategic orientations;
- manage employees' performance and presence at work.

Employees, for their part, are obliged to be present at work and to contribute, through the quality and quantity of their work, to the achievement of their unit's business plan.

### **Health and safety**

To be proactive in health and safety, Hydro-Québec undertakes to:

- provide a safe, healthy work environment and take the necessary measures so that employees can perform their duties in a manner that does not jeopardize the physical and mental health or safety of themselves, others or the public;
- put in place adequate means to eliminate hazards, reduce and control risks and ensure that employees have health and safety information and training relevant to their work;
- ensure that its facilities, equipment, processes and operations comply with the laws, regulations and guidelines in effect.

Employees, for their part, must contribute fully to create and maintain a healthy, safe work environment by:

- applying the work methods and safety rules specific to their area of activity;
- adopting safe behavior to protect the health and safety of themselves, others and the public;
- participating actively in health and safety prevention, information and training activities;
- reporting any situation that may present a risk to the health and safety of themselves, others or the public.

## **3. Accountability**

### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

### **Exceptions**

Any deviation from one or more of these principles should be reported to the Direction principale – Ressources humaines.

### **Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

**Action**

The Executive Vice President – Human Resources and Shared Services submits a report each year to the President and Chief Executive Officer and the Board of Directors on the application of the general principles contained in this policy.

<b>Theme</b> <b>Our Acquisition of Goods and Services and Contract Conditions</b>	<b>Effective</b> <b>August 17, 2009</b>

## **1. Introduction**

This policy sets out Hydro-Québec's commitment regarding the acquisition of goods and services. Hydro-Québec aims to efficiently acquire the goods and services needed for the conduct of its day-to-day business and strategic operations; strategic goods and services are those required for its basic mission, that is, the generation, transmission and distribution of electricity. This policy lays down the general principles the company applies in the acquisition of goods and services, as well as in the terms and conditions of its contracts.

## **2. General Principles**

Hydro-Québec must obtain its goods and services at the appropriate time and location, in the necessary quantities and of the necessary quality, and at the best cost. To this end, it deals with competent and effective goods and services suppliers and ensures equitable and confidential treatment of those suppliers, while avoiding any conflict of interest. Thus:

### **Security of supply**

To ensure a secure supply of strategic goods and services needed to carry out its basic mission, Hydro-Québec undertakes to:

- help maintain an adequate number of competent suppliers to maintain the required level of know-how.

### **Sustainable development**

To make its acquisitions in a sustainable manner, Hydro-Québec undertakes to:

- specify its sustainable development requirements to its suppliers, where applicable, notably by taking preservation of the environment and natural resources into consideration.

### **Quality**

To obtain quality goods and services with a view to continuous improvement, Hydro-Québec undertakes to:

- verify the qualifications of its suppliers and their ability to meet the company's requirements;
- specify its technical, commercial and other needs and requirements to its suppliers, as well as the safety rules required by the company;
- manage the quality of goods and services needed for its basic mission by detailing its needs in terms of quality, by ensuring that its suppliers have an adequate quality management system and by carrying out adapted monitoring to ensure the quality of goods and services;

- evaluate the performance of its suppliers according to criteria known by them, to inform them of this evaluation, and to use it in making decisions regarding future acquisitions.

### **Efficiency**

To obtain the best terms on the market, Hydro-Québec undertakes to:

- optimize procurement management by planning and grouping together its needs with respect to goods and services;
- generally favor acquisition methods that encourage competition among suppliers;
- award contracts to suppliers who meet the specified requirements at the best cost;
- develop long-lasting business relations with its suppliers if such relations will further common objectives in terms of cost reduction, quality improvement or technological development, with a view to increased profitability.

### **Economic spinoffs**

To maximize economic spinoffs in Québec, Hydro-Québec undertakes to:

- give preference to Québec companies, subject to intergovernmental agreements in force, while ensuring healthy competition;
- use its purchasing power to help maintain and develop Québec's economic activity.

## **3. Accountability**

### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

### **Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4) *Analysis of conformity of the recommended solution*.

### **Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

### **Action**

The Executive Vice President – Human Resources and Shared Services submits a report each year to the President and Chief Executive Officer and the Board of Directors on the application of the general principles contained in this policy.

<b>Theme</b> <b>Our Business Partners</b>	<b>Effective</b> <b>April 14, 2008</b>

### **1. Introduction**

This policy sets out Hydro-Québec's commitment to its business partners. The company establishes partnerships based on mutual respect and on an equitable and sustainable sharing of risks and benefits. This policy lays down the principles and orientations that guide the development and deployment of such partnerships.

### **2. General Principles**

Hydro-Québec intends to form business partnerships in line with its values and strategic orientations, based on true mutual interests and with a view to generating profits or savings. Thus:

- To ensure the development and deployment of profitable partnerships, Hydro-Québec undertakes to:

#### **Development of partnerships**

- give preference to business partnerships in marketing its know-how, technology and assets;
- favor business partnerships that include the pooling of complementary expertise and, if necessary, the pooling of assets;
- favor business partnerships that guarantee the continuity of Québec know-how and technology;
- use standard procedures and known, recognized criteria in choosing the preferred form of partnership and in selecting partners.

#### **Deployment of partnerships**

- sign formal agreements with its partners, clearly stipulating the terms, conditions and obligations binding the parties;
- recognize and respect the degree of autonomy conferred by the partnership agreement;
- conduct financial and commercial transactions with its partners on a business basis.

### **3. Accountability**

#### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

**Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4) *Analysis of conformity of the recommended solution.*

**Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

**Action**

The Executive Vice President – Technology submits an update each year to the President and Chief Executive Officer and the Board of Directors on the application of the general principles contained in this policy.

<b>Theme</b> <b>Our Finances</b>	<b>Effective</b> <b>April 14, 2008</b>

## **1. Introduction**

This policy sets out Hydro-Québec's commitment regarding financial management. Hydro-Québec manages its finances so as to meet the expectations of its shareholder, protect its assets at all times and support its growth. Specifically, this policy covers activities related to financial management and operations, accounting, and protection of financial resources.

## **2. General Principles**

Hydro-Québec maintains a management environment that enables it to increase the long-term value of its assets and its equity, ensure its financial viability, safeguard its financing capability, and protect its funds and securities. Thus:

### **Financial management**

To consolidate its financial position and provide the latitude needed for expansion, Hydro-Québec undertakes to:

- protect its principal sources of revenue and develop its business in accordance with its Strategic Plan;
- rigorously manage its costs through continuous improvement and process control;
- rigorously gauge the profitability of its investments and maintain their overall economic value;
- maintain a capital structure in keeping with the nature of its activities and its business risks;
- establish financial plans that will help to ensure an overall return comparable to that of the most successful companies in its industry;
- meet its fair share of the fiscal obligations related to its activities at home and abroad;
- optimize working capital management;
- set up an insurance program that will safeguard the continuity of its sources of revenue;
- optimize its financial results while maintaining an acceptable level of risk compatible with prudent management;
- manage its financial risks on an integrated basis and using the appropriate coverage, as required.

### **Financing and investments**

To ensure timely and optimal-cost availability of the funds needed for operations, Hydro-Québec undertakes to:

- develop and maintain an annual borrowing program;
- establish rigorous criteria to justify its financing decisions;

- use the sources of financing most likely to ensure that funds are available when needed, in the quantity required, and in the right currency according to business and market conditions;
- adopt a financing strategy that takes financial risk into account;
- establish rigorous criteria for choosing financial counterparties;
- make investments that offer optimum return while ensuring availability of the funds when needed, assuming acceptable risk compatible with prudent management;
- stay at the leading edge of this field with the goal of maintaining the highest level of proficiency needed to achieve its objectives.

### **Protecting resources**

To ensure the safety of its funds and securities, Hydro-Québec undertakes to:

- take the necessary steps to ensure the secure transfer of its funds and securities;
- manage the risk of financial losses by using various forms of protection, when judged necessary.

### **Accounting**

To allow monitoring of its financial position by its shareholder, lenders, energy regulatory agencies, business partners and other stakeholders, and to support the quality of their decisions, Hydro-Québec undertakes to:

- produce quality financial information at the appropriate time and in the appropriate form;
- ensure at all times the integrity and completeness of the data underlying the financial information it produces and regularly verify the quality and reliability of such data through control evaluations;
- influence and remain constantly abreast of new accounting conventions, standards and practices with the aim of maintaining the highest possible level of knowledge and ensuring compliance of its financial information with these concepts, standards and practices;
- provide the managers of business units with an appropriate information structure for managing their operations.

## **3. Accountability**

### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

### **Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4)

*Analysis of conformity of the recommended solution.*

**Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

**Action**

The Executive Vice President – Finance and Chief Financial Officer produces the following reports each year:

- quarterly and annual consolidated financial statements;
- annual corporate business plan;
- periodic corporate reviews of expected results.

<b>Theme</b> <b>Our Assets</b>	<b>Effective</b> <b>April 14, 2008</b>

## **1. Introduction**

This policy sets out Hydro-Québec's commitment regarding its assets.

Hydro-Québec intends to acquire, manage and dispose of its assets in the best interests of the company.

## **2. General Principles**

### **Tangible and intangible assets**

Hydro-Québec acquires, manages and disposes of all its tangible assets (property and inventory) and intangible assets (software, intellectual property, servitudes) profitably, while ensuring the quality of the services provided to its customers. Thus:

Hydro-Québec undertakes to:

#### **- acquisition**

- acquire its assets just in time according to the company's business planning and needs, the particular context and market conditions;

#### **- management**

- manage all its assets based on the risks they represent in terms of customer service quality, health and safety, and respect for the environment;
- maintain them in the state of availability and reliability required for their operation;
- operate them according to their design characteristics so as to ensure long-term operability;
- protect them according to their nature and value;
- make them profitable, when deemed appropriate, by prolonging their useful life, reusing or disposing of them;
- free assets from any environmental or other constraint prior to their disposal.

### **Information resources**

To ensure that its information resources (essentially financial and management information, data on its employees, customers, suppliers and business partners) are managed effectively and safely, Hydro-Québec undertakes to:

- manage their access according to responsibilities and risks, safeguarding their integrity;
- protect them in accordance with their strategic importance and sensitivity;

- respect the confidentiality of personal and commercial information on its employees, customers, suppliers and business partners.

### **3. Accountability**

#### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

#### **Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4) *Analysis of conformity of the recommended solution.*

#### **Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

#### **Action**

Each year, on the basis of information supplied by the division presidents or group executive vice presidents, the Executive Vice President – Finance and Chief Financial Officer presents the report on assets, to comply with the accountability requirement of this policy.

<b>Theme</b> <b>Our Environment</b>	<b>Effective</b> <b>April 14, 2008</b>

## **1. Introduction**

This policy sets out Hydro-Québec's orientations and commitment toward the environment. Hydro-Québec emphasizes the judicious use of resources from a sustainable development perspective.

## **2. General Principles**

Hydro-Québec is a leader in the environmental field. By using renewable resources to generate electricity, Hydro-Québec protects the environmental heritage for future generations. It develops profitable, environmentally acceptable projects that are well received by host communities. It practises rigorous environmental management that complies with the ISO 14001 standard, with a view to continuous improvement. Thus:

### **Sustainable development**

To contribute to sustainable development, Hydro-Québec undertakes to:

- promote more efficient use of electricity;
- give preference to hydropower and the other sources of renewable energy, such as wind power;
- use resources as efficiently as possible, promote responsible consumption and practise reduction at source, reuse and recycling.

### **Continuous improvement of environmental performance**

To improve its environmental performance, Hydro-Québec undertakes to:

- include environmental concerns in its decision-making processes and at all stages in the life cycle of its products, services and facilities, in such a way as to prevent pollution, manage impacts at source, mitigate negative impacts and maximize positive impacts;
- adopt a transparent approach by encouraging the participation of local communities in the environmental assessment of its activities, programs and projects;
- make its business partners and suppliers aware of the need for responsible environmental management of their activities, products and services;
- carry out or support technological innovation and research on the environmental impacts of its operations.

### **3. Accountability**

#### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

#### **Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4) *Analysis of conformity of the recommended solution.*

#### **Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

#### **Action**

The Executive Vice President – Corporate Affairs and Secretary General submits a report each year to the Board of Directors on sustainable development. The report is also made public.

<b>Theme</b> <b>Our Social Role</b>	<b>Effective</b> <b>September 8, 2009</b>

## **1. Introduction**

This policy sets out Hydro-Québec's commitment regarding its social role from a sustainable development perspective. As a responsible corporate citizen, Hydro-Québec makes a significant contribution to the economic, social and cultural growth of the society in which it operates.

## **2. General Principles**

As an owner, manager of society's resources, purchaser and good corporate citizen, Hydro-Québec considers its social role paramount and fundamental. The company practises social responsibility by taking the entire life cycle of its products and services into account. Thus:

### **Economic, regional and social development**

To effectively perform its role as an economic generator and a responsible corporate citizen, Hydro-Québec undertakes to:

- support the development of Québec and all its regions by using its capital spending, workforce, purchasing power and partnerships to conduct activities that are profitable for the company and for society in the long term;
- contribute to the economic and social development of host communities where new generating and transmission facilities are built;
- implement and maintain emergency plans and measures, coordinated with the local players and governments concerned;
- contribute to research and development in fields related to its mission;
- contribute to social and cultural vitality and collective well-being by supporting various humanitarian, community, educational and health-related activities, and by partnering with various cultural, environmental, socioeconomic or sports events. This commitment is detailed in the company's Donation and Sponsorship Policy;
- contribute to artistic life by acquiring and making accessible works of art by Québec artists;
- support employees who do volunteer work in their community;
- open some of its facilities to the public to make its issues, technologies and heritage known, while contributing to the development of regional tourism.

### **Development of society's resources**

To properly assume its role as a corporate owner and manager of society's resources, Hydro-Québec undertakes to:

- protect and develop its built, technological and historical heritage;

- favor the multi-purpose use by third parties of its equipment and property, as well as the reservoirs it manages, without jeopardizing their reliability, security and profitability.

### **Communities and interested parties**

As a company that pays attention to the needs of communities and other stakeholders interested in its activities, Hydro-Québec undertakes to:

- work in concert with communities, including Aboriginal communities, in its planning, design, construction and operating activities; and, as required, to conclude agreements that are of mutual benefit;
- take into account, when conducting its affairs, the concerns of other interested parties, as well as the ethnocultural diversity of Québec society.

## **3. Accountability**

### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

### **Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4) *Analysis of conformity of the recommended solution*.

### **Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

### **Action**

Hydro-Québec produces an annual report on sustainable development that includes its key achievements related to its social role. It also produces an annual activity report containing profiles by region, including information on its economic and social participation. In addition, it files an annual statement of donations and sponsorships.

<b>Theme</b> <b>Our Management</b>	<b>Effective</b> <b>April 14, 2008</b>

## **1. Introduction**

This policy sets out Hydro-Québec's commitment to ensuring rigorous management that is transparent and respectful with regard to the Board of Directors and the various stakeholders. This policy presents the company's commitments as they pertain to its management principles, risk management, control of activities, ethics, communications, and language of work and communication.

## **2. General Principles**

### **Management**

To engage in strategic management focused on growth and profitability, Hydro-Québec undertakes to:

- produce a Strategic Plan that establishes the company's orientations and strategies, and an annual Business Plan that sets the financial objectives to be achieved;
- ensure that the company's development in terms of equity, markets, assets and resources, as well as the objectives of its administrative units, are designed, carried out and evaluated according to the desired strategic positioning;
- develop and improve its management practices with a view to achieving its business objectives.

### **Integrated business risk management**

To ensure its continuity and the achievement of its objectives, Hydro-Québec undertakes to:

- protect its heritage and strengthen its ability to create value;
- manage the risks related to each of its activities and operations according to a tolerance level that is acceptable to the company and in keeping with the expectations of its shareholder, its creditors and its customers;
- manage its risks in an integrated and proactive manner so as to obtain a complete picture and thus improve its ability to react quickly and effectively to changes;
- consider integrated business risk management to be an explicit and permanent component of its Strategic Plan, its Business Plan, its Control Plan, and any other decision-making process.

## **Control**

To ensure that its management system (vision, structure, plan, delegation of decision-making powers, procedures, etc.) facilitates the achievement of its business objectives and, consequently, its financial results, Hydro-Québec undertakes to:

- establish and maintain control methods in all its spheres of activity, and pay particular attention to areas where the risks and stakes are high;
- continuously improve its internal system of controls, based on, among other things, the recommendations of the various recognized organizations in the field;
- implement and monitor the complaint handling process concerning irregularities related to internal control and fraud;
- regularly evaluate its control mechanisms and immediately correct any shortcomings.

## **Ethics**

To ensure ethical behavior, Hydro-Québec and its employees undertake to:

- carry out their functions in accordance with laws, regulations, corporate guidelines and other specific rules of ethics adapted to particular situations;
- refuse to conduct any transaction, conclude any agreement or take any action that goes against the policies governing their activities or the rules of sound administration and good conduct;
- treat all company employees and customers, suppliers and other parties associated with the company with courtesy, attention, good faith and fairness;
- avoid all conflicts of interest as well as any situation likely to create a conflict of interest;
- maintain records and files that accurately reflect the reality of the subjects involved and that accurately and fairly depict the nature of transactions and the use of the company's assets;
- take actions that can be openly discussed in public if required.

Hydro-Québec also acknowledges that its employees may participate in community activities in an individual capacity.

## **Communications**

To communicate effectively, Hydro-Québec undertakes to:

- have the necessary information regarding all its activities, in order to make sound decisions;
- properly inform its shareholder, the general public, specialized publics, its customers and employees, communicating in a respectful, consistent and transparent manner, while taking business imperatives into account;
- maintain a presence with its various publics and partners so as to facilitate access to the company and its representatives, in a spirit of openness.

## **Language of work and communications**

To promote the French language throughout the company, whether written, oral, audiovisual or electronic, and to ensure its use by customers, suppliers and partners, Hydro-Québec undertakes to:

- offer employees the support, guidelines and expertise to comply with and apply the standards and rules of the Commission de toponymie and the *Charter of the French Language*;
- use French in its communications with customers, suppliers, partners and other parties in Québec, using other languages as needed in accordance with the *Charter of the French Language*;
- use all the linguistic and terminology resources needed to ensure that its internal and external communications are good examples of clear and correct administrative language;
- use French exclusively in its internal communications; French is the company's only language of work.

## **3. Accountability**

### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

### **Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4) *Analysis of conformity of the recommended solution*.

### **Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

### **Actions**

#### **- Management**

At regular intervals, the company reports to the Board of Directors on its Strategic Plan and on the assessment of its risk portfolio and level of residual risk.

#### **- Control**

At regular intervals, the Internal Auditor submits reports that are used to evaluate the quality and effectiveness of the controls. Each year, the external auditors submit their observations and recommendations regarding the company's internal controls related to financial information.

**- Ethics**

The Secretary General submits a report each year to the Board of Directors on the application of the company's rules of ethics.

**- Language of work and communication**

The Secretary General submits a report each year to the Board of Directors on the application of the principles of this policy with respect to language. The company also gives an account in its Annual Report.

<b>Theme</b> <b>Our Security</b>	<b>Effective</b> <b>January 1, 2008</b>

## **Introduction**

This policy sets out Hydro-Québec's commitment with regard to security. Hydro-Québec takes every step to ensure the security of its employees and others against the risks, threats, dangers, emergency situations and exceptional circumstances that could occur during the course of its operations. It also ensures maximum security and protection of all its tangible assets needed to accomplish its mission. This policy outlines Hydro-Québec's orientations with regard to the security and safeguarding of persons and assets. These orientations are established by the Direction principale – Sécurité industrielle.

## **2. General principles**

Hydro-Québec acknowledges that its assets are strategic assets essential to Québec society and the welfare of its citizens.

In this spirit, and in keeping with the strategic importance of its assets for the purposes of its mission, Hydro-Québec plans and implements risk and vulnerability analysis programs as well as a security plan for its installations, which is monitored continuously. Thus:

To maximize protection of persons and assets, Hydro-Québec undertakes to:

- constantly improve the physical, technological and human means of protection;
- anticipate, evaluate and mitigate risk and threats, together with all electricity industry authorities, and in close collaboration with all organizations involved in prevention and security;
- promote a culture of security within the company and in the host environments of Hydro-Québec assets, and raise public awareness and the awareness of its partners regarding the key principles of security.

## **Optimization and performance**

To optimize its security performance, Hydro-Québec undertakes to:

- integrate security into all its decision making;
- monitor and analyse global security trends;
- draw inspiration from the industry's best practices in the field;
- constantly improve its security services;
- maintain, and exceed, industry standards.

## **Scope**

To assume its leadership role in the field of security, Hydro-Québec undertakes to:

- share its expertise with its partners;

- participate in the large gatherings and important associations of the North American electricity industry.

### **Research and development**

To excel in security, Hydro-Québec undertakes to:

- encourage and support research and development in the fields of security and related science and technology.

## **3. Accountability**

### **Responsibility**

Each manager is responsible for applying and following the orientations established by the Direction principale – Sécurité industrielle as well as the general principles of this policy and for reporting the results to management.

### **Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4) *Analysis of conformity of the recommended solution.*

### **Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

### **Action**

The Secretary General submits a report each year to the Board of Directors, prepared by the Direction principale – Sécurité industrielle, on the company's security performance and that of its business units.

<b>Theme</b> <b>Financial Disclosure</b>	<b>Effective</b> <b>January 1, 2008</b>

## **1. Financial disclosure**

This policy sets out Hydro-Québec's commitment with regard to the disclosure of financial information.

The policy applies to Hydro-Québec employees, executives and directors.

The policy is aimed at the disclosure of financial information contained in the following statutory documents of a financial nature: Annual Report and Quarterly Reports of the Company and in the forms and documents submitted to securities regulators. More specifically, it covers news releases and press conferences and presentations given at industry or investor conferences related to the disclosure of statutory documents of a financial nature. It also extends to information appearing on Hydro-Québec's Web site related to these documents.

## **2. General Principles**

Hydro-Québec subscribes to the principles of transparency, rigor and respect for confidentiality in its communications. It communicates complete, non-selective information to its investors, the media and the general public and discloses accurate, timely information that complies with the laws to which it is subject. Thus:

### **Legal obligation to disclose**

To comply with the laws to which it is subject, Hydro-Québec undertakes to:

- submit its financial statements each year as well as any other information required under the *Hydro-Québec Act* to the government;
- within the scope of its financing activities, submit the forms, reports and any other document prescribed by the securities authorities in countries where Hydro-Québec contracts loans.

### **Uses of disclosure**

To ensure transparency in its communications, Hydro-Québec undertakes to:

- publicly communicate the quarterly and annual financial statements;
- communicate in a timely fashion the important facts pertaining to its financial information;
- communicate important unfavorable facts about the Company's financial information as quickly as it communicates important favorable facts about its financial information, and in a non-selective way. Senior management determines what is deemed to be an important fact.

### **Confidentiality of financial information**

To respect the duty of confidentiality, Hydro-Québec undertakes to:

- adequately protect the Company's financial information.

### **Dissemination**

To ensure coherent dissemination of financial information, Hydro-Québec undertakes to:

### **Spokesperson**

- for the disclosure of statutory documents of a financial nature, appoint Hydro-Québec's President and Chief Executive Officer and the Executive Vice President – Finance and Chief Financial Officer or any other person designated by them as official spokesperson for Hydro-Québec.

### **Approval of news releases and presentations given at press conferences**

Statutory documents of a financial nature are approved by the Executive Vice President – Finance and Chief Financial Officer, by the President and Chief Executive Officer and, if applicable, by the Board of Directors.

Presentations related to statutory documents of a financial nature prepared for release at press conferences are approved by the Controller of the Company and by the Executive Vice President – Finance and Chief Financial Officer.

When an important event occurs involving financial information, the Direction principale – Communications and the responsible department draft a news release. If the news release contains financial information, it must be validated by the Controller of the Company's office, Groupe – Finances.

### **Hydro-Québec Web site**

Hydro-Québec's Web site – Investor Relations at <http://hydroquebec.com/financing/index.html> assists with the dissemination of news releases and statutory documents of a financial nature.

All documents to be added to Hydro-Québec's Web site must be submitted to the Direction principale – Communications for examination before being presented to the public.

### **Control and validation of information**

To ensure the disclosure of reliable financial information, Hydro-Québec undertakes to:

- maintain a control process to validate the financial information that is disclosed and to ensure that the information that is disseminated is accurate and timely.

### **3. Accountability to the Board of Directors**

#### **Responsibility**

Each manager is responsible for applying the general principles of this policy and for reporting the results to management.

#### **Exceptions**

Any deviation from one or more of these principles should be indicated in recommendations submitted for approval under the heading: (4) *Analysis of conformity of the recommended solution.*

#### **Concerns**

In the case of a specific concern, the Board of Directors or the President and Chief Executive Officer may at any time request a report on the application of a given general principle of this policy.

#### **Action**

The Executive Vice President – Finance and Chief Financial Officer reports each year on the application of this policy to Hydro-Québec's Board of Directors.