

**CODE OF ETHICS AND RULES OF
PROFESSIONAL CONDUCT FOR DIRECTORS,
EXECUTIVES AND CONTROLLERS OF
HYDRO-QUÉBEC**

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AND CONTROLLERS OF HYDRO-QUÉBEC**

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FOREWORD

This Code is intended to clarify the application of section 19 of the *Hydro-Québec Act*, R.S.Q. c. H-5, articles 321 to 326 of the *Civil Code of Québec* and certain provisions of the *Regulation respecting the ethics and professional conduct of public office holders* (Order-in-Council 824-98 of June 17, 1998 (1998) 130 G.O. II., 3474, pursuant to sections 3.01 and 3.02 of the *Act respecting the Ministère du Conseil exécutif*, R.S.Q., c. M-30), appearing in Schedule A, and to add some additional parameters to these legal provisions. Accordingly, none of the provisions of this Code may be construed as having the effect of restricting the scope of this legislation.

**CODE OF ETHICS AND RULES OF PROFESSIONAL CONDUCT FOR DIRECTORS, EXECUTIVES
AND CONTROLLERS OF HYDRO-QUÉBEC**

PART I INTERPRETATION AND APPLICATION

1. In this Code, unless the context indicates otherwise:

- a) **“Board”** means the Board of Directors of the Company;
- b) **“Committee”** or “Ethics and Corporate Governance Committee” means the Ethics and Corporate Governance Committee established by resolution of the Board of October 17, 1997 (HA-173/97), a copy of which is attached in Schedule D;
- c) **“contract”** includes a proposed contract;
- d) **“control”** means the direct or indirect ownership of securities, including shares, conferring more than 50% of voting rights or economic interest without this right depending on the occurrence of a particular event or allowing the election of the majority of directors;
- e) **“controller”** means the controller of the Company, the controllers of divisions or groups or units reporting to the President and Chief Executive Officer of the Company;
- f) **“Company”** means Hydro-Québec;
- g) **“director”** means, with respect to the Company, a member of the Board of Directors of the Company, whether or not working full-time within the Company;
- h) **“enterprise”** means any form that can be taken by the organization for the production of goods or services or any other business of a commercial, industrial or financial nature or any group seeking to promote certain values, interests or opinions or to exercise an influence on public officials; however, this does not include the Company or a non-profit association or group that has no financial link with the Company or is not incompatible with the objects of the Company;
- i) **“executive”** with respect to the Company means any contractual manager whose employment conditions are subject to the approval of the Board;
- j) **“immediate family”** means spouse and dependent children;
- k) **“Regulation”** means the *Regulation respecting the ethics and professional conduct of public office holders* (Order-in-Council 824-98 of June 17, 1998 (1998) 130 G.O. II., 3474, pursuant to sections 3.01 and 3.02 of the *Act respecting the Ministère du Conseil exécutif*, R.S.Q., c. M-30), as amended from time to time;
- l) **“affiliated enterprise”** means a legal person or company in which the Company owns, directly or indirectly, securities, including shares, conferring more than 10% of voting rights or economic interest;
- m) **“spouse”** includes marriage partners and persons living as if married for more than one year;

n) **“subsidiary”** means a legal person or company controlled directly or indirectly by the Company.

2. In this Code, the prohibition to perform an act also applies to any attempt to perform it and any participation in it or incitement to perform it.

2.1 This Code applies to the directors, the President and Chief Executive Officer, other executives of the Company and its controllers.

The directors and the President and Chief Executive Officer are also subject to the Regulation.

PART II ETHICAL PRINCIPLES AND GENERAL RULES OF PROFESSIONAL CONDUCT

3. The director, executive or controller is appointed to contribute to the achievement of the Company’s mission in the best interest of Québec. Accordingly, he is expected to use his knowledge, abilities and experience in a way that will promote the effective, fair and efficient accomplishment of the objectives assigned to the Company by law and the good administration of the property it owns as mandatary of the State.

His contribution shall be made with respect for the law and with honesty, loyalty, prudence, diligence, efficiency, application and fairness.

3.1 The director, executive or controller respects the following principles in the performance of his duties:

- a vision of the Company that seeks to make it a world leader in the energy industry by developing its expertise for the benefit of its customers, employees and shareholder and by working with partners in business ventures;
- the values underlying the activities of the Company as a government-owned business Company, which include customer satisfaction, a “business first” approach, respect for employees, quality improvement, respect for the environment, partnership with local communities and safeguarding the future; and
- the principles set out in the basic policies of the Company, expressing commitments and conveying a business culture with regard to customers, human resources, acquisition of assets and services, business partners, finance, assets, the environment, social role and corporate governance.

3.2 The director, executive or controller is required, in the performance of his duties, to respect the ethical principles and rules of professional conduct provided by law, the Regulation as applicable, and those defined in this Code. In case of discrepancy, the more stringent rules and principles apply.

When in doubt, act according to the spirit of these principles and rules.

A director, executive or controller who, at the request of the Company, serves as director or member of an undertaking or a company, is held to the same standards.

4. The director, executive or controller shall not merge the assets of the Company with his own; he may not use the assets of the Company or information he obtains as a result of his duties for his own profit or the profit of others. These obligations continue even after the director, executive or controller has ceased to hold his position.

5. The director, executive or controller shall seek, in the performance of his duties, only the interest of the Company to the exclusion of his own interest or that of others.

5.1 The director, executive or controller is bound to discretion in regard to anything that comes to his knowledge in or during the performance of his duties and is at all times bound to maintain the confidentiality of such information.

5.2 In the performance of his duties, the director, executive or controller shall make decisions without regard for any partisan political considerations.

The Chairman of the Board, the director working full-time within the Company, the executive and the controller shall demonstrate reserve in the public expression of their political opinions.

6. The director, executive or controller may not directly or indirectly grant, solicit or accept a favor or an undue advantage for himself or for a third party.

In particular, he may not accept or solicit an advantage from a person or undertaking doing business with the Company or a subsidiary or acting in the name of or on behalf of such a person or undertaking if this advantage is intended or likely to influence him in the performance of his duties or generate expectations of this nature.

6.1 The director, executive or controller shall, in making decisions, avoid allowing himself to be influenced by offers of employment.

6.2 The director, executive or controller may not accept any gift or hospitality except what is customary and modest in value.

Any other gift or hospitality shall be returned to the giver.

7. The director may not make a commitment to a third party or grant them any guarantee relative to a vote he may be asked to make or any decision whatsoever that the Board may be asked to make.

7.1 The director, executive or controller may not, in the performance of his duties, deal with a person who has ceased to be a director, executive or controller of the Company for less than one year if this person is acting on behalf of a third party with respect to a proceeding, negotiation or other transaction to which the Company is a party and about which he has information not available to the public.

7.2 After ceasing his duties, no director, executive or controller may disclose confidential information he has obtained or give anyone advice based on information not available to the public concerning the Company or any other undertaking or company with which he had direct and substantial dealings during the year preceding the date on which he ceased his duties.

In the year following that date, he may not act on behalf or on account of another party with respect to a procedure, negotiation or other transaction to which the Company is a party and about which he has information not available to the public.

8. The director, executive or controller shall collaborate with the Chairman of the Board or the Ethics and Corporate Governance Committee on an issue of ethics or professional conduct when asked to do so.

- 8.1 The director, executive or controller who intends to be a candidate for elective office shall inform the Chairman of the Board of this intention.

The Chairman of the Board or President and Chief Executive Officer with the same intention shall inform the Secretary General of the Conseil exécutif.

PART III DUTIES AND OBLIGATIONS OF DIRECTORS, EXECUTIVES AND CONTROLLERS WITH RESPECT TO CONFLICTS OF INTEREST

1. PREVENTION OF CONFLICTS OF INTEREST

9. The director, executive or controller shall avoid placing himself in a situation in which his personal interest is in conflict with the duties of his position or in which reasonable doubt is cast on his ability to perform these duties with undivided loyalty.

A director who is employed full-time within the Company or one of its subsidiaries shall also avoid performing duties or being bound by commitments that prevent him from devoting the time and attention that the normal exercise of his duties requires.

As for other directors, they shall be sure to devote the time and attention reasonably required in the circumstances for the execution of their duties.

10. No director holding a full-time office with the Company, under pain of forfeiture of office, may have any direct or indirect interest in an undertaking, company or association that puts his personal interest in conflict with that of the Company.

However, such forfeiture is not incurred if that interest devolves to him by succession or gift, provided that he renounces or disposes of it with all possible dispatch. Meanwhile, sections 12, 13, 15 and 18 apply to this director.

Every other director who has an interest in an undertaking shall, on pain of forfeiture of his office, comply with the provisions of sections 12, 13, 15 and 18.

11. A director, executive or controller of the Company who serves as director, executive or controller of an affiliated enterprise shall be specifically authorized by the shareholder or shareholders who control the enterprise concerned to:

- a) hold shares, rights or any other security issued by such enterprise and conferring voting rights or economic interest in it or the right to subscribe or buy such shares, rights or securities;
- b) benefit from any profit-sharing program, unless this director, executive or controller works full-time for the enterprise and the profit-sharing program is closely linked with the individual performance of the director, executive or controller within the affiliated enterprise;
- c) benefit from a pension plan granted by the affiliated enterprise if he does not hold a full-time position within the enterprise; or
- d) benefit from any advantage granted in advance in the case of a change of control of the affiliated enterprise.

12. A director, executive or controller who:
- a) is party to a contract with the Company or a subsidiary; or
 - b) has a direct or indirect interest in an enterprise that is a party to a contract with the Company or a subsidiary or is a director, executive, controller or employee of this enterprise;

shall disclose the nature and extent of his interest in writing to the Chairman of the Board.

The same applies to a director who has a direct or indirect interest in any issue being considered by the Board of Directors.

The director shall at all times abstain from conveying any information of any kind to any employee, controller, executive or director of the Company with respect to this contract or interest.

The director shall abstain from deliberating or voting on any question linked to this interest and avoid trying to influence the related decision. The director shall also withdraw from the meeting for the duration of deliberations and voting on this question.

- 12.1 A director who is a member of the Audit Committee of the Board of Directors may not have an interest in the Company or a subsidiary. In particular, he may not accept from the Company or a subsidiary fees with respect to consulting, consulting services or any other similar service.

13. The disclosure required by section 12 occurs, in the case of a director, during the first meeting:

- a) in the course of which the contract or question concerned is under study;
- b) following the time at which the director who had had no interest in the contract or question concerned acquires such interest;
- c) following the time at which the director acquires an interest in the already concluded contract; or
- d) following the time at which any person with an interest in a contract or a question under study becomes a director.

14. An executive or controller who is not a director shall make the disclosure required in section 12 immediately after:

- a) having learned that the contract or question concerned was or will be studied at a meeting;
- b) having acquired the interest, if it is acquired after the contract was concluded or the decision made; or
- c) having become an executive or controller, if he becomes one after acquiring the interest.

The executive or controller may not try to influence the directors' decision in any way.

15. The director, executive or controller shall make the disclosure required in section 12 as soon as he has knowledge of a contract contemplated by this section which, as part of the normal business of the Company, does not require the approval of the directors.

16. Sections 12 to 15 apply also when the interest concerned is held by a member of the immediate family of the director, executive or controller.
17. The director, executive or controller shall notify the Chairman of the Board in writing of the rights he may invoke against the Company, by indicating their nature and their value, as soon as these rights come into existence or when he acquires knowledge of them.
18. The director, executive or controller shall submit to the Chairman of the Board, within 60 days of being appointed and on January 31 of each year in which he remains in office, an attestation in the form provided in Schedule B and containing the following information:
 - a) the name of any enterprise in which the director, executive or controller owns, directly or indirectly, securities or assets, including common shares, specifying the nature and quantity in number and proportion of securities owned and value of assets;
 - b) the name of any enterprise for which he performs functions or in which he has an interest in the form of a debt, right, priority, mortgage or significant commercial or financial benefit; and
 - c) to the best of his knowledge, the information specified in the preceding paragraphs concerning his employer and the Company, company or enterprise of which he is owner, shareholder, director, executive or controller.

A director, executive or controller to whom the provisions of paragraphs a) to c) do not apply shall fill out an attestation to that effect and present it to the Chairman of the Board.

The director, executive or controller shall also produce such an attestation within 60 days of the occurrence of a significant change in its content.

The attestations presented pursuant to this section are treated as confidential.

19. The Chairman of the Board submits the attestations received pursuant to sections 12 to 18 to the Secretary of the Company, who keeps them at the disposal of the members of the Board and the Ethics and Corporate Governance Committee.

Moreover, the Secretary of the Company notifies the Ethics and Corporate Governance Committee of any failure to satisfy the obligations provided for in sections 12 to 18 as soon as the Secretary becomes aware of them.

2. WAIVERS

20. This Code does not apply:
 - a) to owning securities when the size of the holding probably does not place the director, executive or controller in a conflict of interest;
 - b) to owning an interest by way of a mutual fund in whose management the director, executive or controller plays no role directly or indirectly;

- c) to owning interests through a blind trust whose beneficiary cannot know its makeup;
- d) to owning a minimum number of shares required to be eligible as director of a Company;
- e) to an interest which, by its nature and extent, is common to the public at large or a particular sector in which the director, executive or controller operates;
- f) to a directors' liability insurance agreement; or
- g) to the owning of shares issued or guaranteed by the Company, a government or municipality under the same conditions for everyone.

3. ATTESTATION

- 20.1 Within sixty days of the adoption of this Code by the Board, each director, executive or controller shall submit to the Chairman of the Board and the Secretary of the Company the attestation appearing in Schedule C.

Each new director, executive or controller shall do the same within sixty days of his appointment to this position.

PART IV REMUNERATION

- 20.2 The director, executive or controller, for the exercise of his duties, is entitled solely to the remuneration related to those duties. Such remuneration may not include, even partially, monetary advantages such as those established, in particular, by a profit-sharing plan based on the variation in the value of shares or on a stake in the capital stock of the Company.
- 20.3 A director, executive or controller dismissed for just and sufficient cause may not receive a severance allowance or payment.
- 20.4 A director, executive or controller who quits his duties, who has received or is receiving a severance allowance or payment and who holds an office, employment or any other remunerated position in the public sector during the period corresponding to that allowance or payment shall refund the part of the allowance or payment covering the period for which he receives a salary or shall cease to receive it during that period.

However, if the salary he receives is lower than that he received previously, he shall be required to refund the allowance or payment only up to the amount of his new salary, or he may continue to receive the part of the allowance or payment that exceeds his new salary.

- 20.5 Anyone who has received or is receiving a severance allowance or payment from the public sector and receives a salary as director, executive or controller during the period corresponding to that allowance or payment shall refund the part of the allowance or payment covering the period for which he receives a salary or shall cease to receive it during that period.

However, if the salary he receives as director, executive or controller is lower than that he was receiving previously, he shall be required to refund the allowance or payment only up to the amount of his new salary, or he may continue to receive the part of the allowance or payment that exceeds his new salary.

- 20.6 A President and Chief Executive Officer who has ceased to perform his duties, who has received so-called assisted departure measures and who, within two years after his departure, accepts an office, employment or any other remunerated position in the public sector shall refund the sum corresponding to the value of the measures received by him, up to the amount of the remuneration received, by the fact of his return to the public sector, during that two-year period.
- 20.7 Part-time teaching by a director, executive or controller is not covered by sections 20.4 to 20.6
- 20.8 For the application of sections 20.4 to 20.6, “public sector” means the bodies, institutions and Companies referred to in the Regulation in Schedule A.

The period covered by the severance allowance or payment referred to in 20.4 and 20.5 shall correspond to the period that would have been covered by the same amount if the person had received it as salary in his prior office, employment or position.

PART V APPLICATION OF THE CODE

1. COMPETENT AUTHORITIES

- 20.9 The Associate Secretary General for Senior Positions of the Ministère du Conseil exécutif is the competent authority for the application of this Code with respect to the Chairman of the Board and the other directors of the Company appointed by the Government.

The Chairman of the Board is the competent authority with respect to all directors of wholly owned subsidiaries, executives or controllers of the Company.

The Chairman of the Board shall ensure observance of the ethical principles and rules of professional conduct by the directors, executives and controllers of the Company.

21. The Ethics and Corporate Governance Committee has as its mission to advise the competent authority with respect to ethics and professional conduct.

The Committee also performs the duties invested in it by the resolution appearing in Schedule D and performs any other duties related to ethics entrusted to it by the Board.

In the performance of its duties, the Ethics and Corporate Governance Committee may become acquainted with the attestations contemplated by section 19.

22. When a director, executive or controller is accused of a violation of ethics or the rules of professional conduct, the Committee is responsible for collecting all relevant information. It makes a report of its findings to the competent authority and recommends appropriate measures, if any.

The competent authority notifies the director, executive or controller of the alleged violations and the possible penalties. It informs him that he has seven days in which to respond and if he requests, to be heard on this matter.

23. The Committee may render advisory opinions to directors, executives or controllers on the provisions of this Code and their application to specific cases, even hypothetical ones. It is not required to limit its views to the terms contained in the request.

- 23.1 In order to allow an appropriate decision to be made in the case of an urgent situation requiring fast response or in an alleged case of serious misconduct, the competent authority may temporarily relieve of his duties, with remuneration, the director, executive or controller who is accused of violations of ethics or the rules of professional conduct.
24. The Secretary of the Company keeps records in which are stored the statements, disclosures and attestations that must be submitted to it under this Code, the reports, decisions and advisory opinions of the Committee and the decisions of the competent authority with respect to ethics and professional conduct.
- The Secretary shall also take the necessary steps to ensure the confidentiality of the information provided by the directors, executives and controllers pursuant to this Code.
25. The Committee may consult and receive opinions from outside counsel or experts on any issue it considers appropriate.
26. A director, executive or controller does not violate the provisions of this Code if he has obtained in advance a favorable decision from the Committee on the following conditions:
- a) the decision was obtained before the facts on which it was based became a reality;
 - b) the decision was submitted to the Board;
 - c) all of the relevant facts were fully disclosed to the Committee exactly and completely; and
 - d) the director, executive or controller has complied with all the requirements of the decision.
27. The Committee and the competent authority preserve the anonymity of complainants, applicants and informers unless there is a clear intention to do otherwise. They may not be forced to reveal information likely to disclose their identity except if the law or a court so requires.

2. PENALTIES

28. Upon concluding that a provision of the law, the Regulation or this Code has been violated, the competent authority may impose either of the following penalties:
- a) for an executive or a controller, the appropriate penalty, which can extend as far as termination of employment; and
 - b) for a director, reprimand, suspension without remuneration for a maximum of three months, or removal from the Board.

However, when the competent authority is the Associate Secretary General contemplated by section 20.9, the penalty is imposed by the Secretary General of the Conseil exécutif. If the penalty proposed consists of the removal of a public office holder appointed or designated by the Government, it can only be imposed by the latter; in this case, the Secretary General of the Conseil exécutif may immediately suspend the public office holder without remuneration for a period not exceeding 30 days.

Any penalty imposed on a director and the decision to temporarily relieve him of his duties must be in writing and give the reasons therefor.

29. In the case of a violation of section 10, the competent authority records in writing the forfeiture of office of the violator.
30. The director, executive or controller shall render an account and restore to the Company any profits earned or benefits received as a result of or on the occasion of a violation of the provisions of this Code.
31. A director's vote shall not be a casting vote if it is made in violation of the provisions of this Code or associated with such a violation, or if the director fails to produce the attestation contemplated by section 18.

SCHEDULE A

LEGISLATION

Hydro-Québec Act (R.S.Q., c. H-5)

Sec. 19. *No member of the board of directors holding a full-time office with the Company or one of its subsidiaries may, under pain of forfeiture of his office, have any direct or indirect interest in an undertaking putting his personal interest in conflict with that of the Company. However, such forfeiture is not incurred if that interest devolves to him by succession or gift, provided that he renounces or disposes of it with all possible dispatch.*

Every other member of the board of directors who has an interest in an undertaking must, on pain of forfeiture of his office, divulge such interest in writing to the chairman of the board, and abstain from participating in any decision pertaining to an undertaking in which he has an interest.

A member of the board of directors may hold the shares required to qualify him to be a director of a company of which the Company has acquired shares under section 39 or of Churchill Falls (Labrador) Company Limited.

Civil Code of Québec

Art. 321. *A director is considered to be the mandatary of the legal person. He shall, in the performance of his duties, conform to the obligations imposed on him by law, the constituting act or the by-laws and he shall act within the limits of the powers conferred on him.*

Art. 322. *A director shall act with prudence and diligence. He shall also act with honesty and loyalty in the interest of the legal person.*

Art. 323. *No director may mingle the property of the legal person with his own property nor may he use for his own profit or that of a third person any property of the legal person or any information he obtains by reason of his duties, unless he is authorized to do so by the members of the legal person.*

Art. 324. *A director shall avoid placing himself in any situation where his personal interest would be in conflict with his obligations as a director.*

A director shall declare to the legal person any interest he has in an enterprise or association that may place him in a situation of conflict of interest and of any right he may set up against it, indicating their nature and value, where applicable. The declaration of interest is recorded in the minutes of the proceedings of the board of directors or the equivalent.

Art. 325. *A director may, even in carrying on his duties, acquire, directly or indirectly, rights in the property under his administration or enter into contracts with the legal person.*

The director shall immediately inform the legal person of any acquisition or contract described in the first paragraph, indicating the nature and value of the rights he is acquiring, and request that the fact be recorded in the minutes of proceedings of the board of directors or the equivalent. He shall abstain, except if required, from the discussion and voting on the question. This rule does not, however, apply to matters concerning the remuneration or conditions of employment of the director.

Art. 326. *Where the director of a legal person fails to give information correctly and immediately of an acquisition or a contract, the court, on the application of the legal person or a member, may, among other measures, annul the act or order the director to render account and to remit the profit or benefit realized to the legal person.*

The action may be brought only within one year after knowledge is gained of the acquisition or contract.

Regulation respecting the ethics and professional conduct of public office holders

(M-30, O.I.C. 824-98, An Act respecting the Ministère du Conseil exécutif, R.S.Q., c. M-30, ss. 3.0.1 and 3.0.2.; 1997, c. 6, s.1)

CHAPTER II

ETHICAL PRINCIPLES AND GENERAL RULES OF PROFESSIONAL CONDUCT

4. *Public office holders are appointed or designated to contribute, within the framework of their mandate, to the accomplishment of the State's mission and, where applicable, to the proper administration of its property.*

They shall make their contribution in accordance with law, with honesty, loyalty, prudence, diligence, efficiency, application and fairness.

5. *In the performance of his duties, a public office holder is bound to comply with the ethical principles and the rules of professional conduct prescribed by law and by this Regulation, as well as the principles and rules set forth in the Code of ethics and professional conduct applicable to him. In case of discrepancy, the more stringent principles and rules shall apply.*

In case of doubt, he shall act in accordance with the spirit of those principles and rules. He shall, in addition, arrange his personal affairs in such a manner that they cannot interfere with the performance of his duties.

A public office holder is bound by the same obligations where, at the request of a government agency or company, he performs his duties within another government agency or company, or is a member thereof.

6. *A public office holder is bound to discretion in regard to anything that comes to his knowledge in the performance or during the performance of his duties and is at all times bound to maintain the confidentiality of information thus received.*

That obligation does not have the effect of preventing a public office holder from reporting to a specific interest group that he represents or to which he is linked, except where the information is confidential by law or where the board of directors requires that confidentiality be maintained.

7. *In the performance of his duties, a public office holder shall make decisions regardless of any partisan political considerations.*

8. *A chairman of the board of directors, a chief executive officer of an agency or company and a full-time public office holder shall demonstrate reserve in the public expression of their political opinions.*

9. *A public office holder shall avoid placing himself in a situation of conflict between his personal interest and the duties of his office.*

He shall reveal to the agency or company within which he is appointed or designated to an office any direct or indirect interest that he has in an agency, company or association likely to place him in a situation of conflict of interest, as well as any rights that he may assert against the agency or company, and shall indicate, where applicable, their nature and value.

A public office holder appointed or designated to an office within another agency or company shall, subject to section 6, also reveal any such situation to the authority that appointed or designated him.

10. *A full-time public office holder may not, on penalty of dismissal, have a direct or indirect interest in an agency, company or association entailing a conflict between his personal interest and that of the agency or company within which he is appointed or designated to an office. Notwithstanding the foregoing, such dismissal shall not occur if such interest devolves on him by succession or gift, provided that he renounces it or disposes of it promptly.*

Any other public office holder who has a direct or indirect interest in an agency, company or association entailing a conflict between his personal interest and that of the agency or company within which he is appointed or designated to an office shall, on penalty of dismissal, reveal the interest in writing to the chairman of the board of directors and, where applicable, shall abstain from participating in any deliberation or any decision pertaining to the agency, company or association in which he has that interest. In addition, he shall withdraw from the sitting for the duration of the deliberations and the vote concerning that matter.

This section does not prevent a public office holder from expressing opinions about conditions of employment applied at large within the agency or company and that could affect him.

11. *A public office holder shall not treat the property of the agency or company as if it were his own property and may not use it for his own benefit or for the benefit of a third party.*

12. *A public office holder may not use for his own benefit or for the benefit of a third party information obtained in the performance or during the performance of his duties.*

That obligation does not have the effect of preventing a public office holder from consulting or reporting to a specific interest group that he represents or to which he is linked, except where the information is confidential by law or where the board of directors requires that confidentiality be maintained.

13. *A full-time public office holder shall perform exclusively the duties of his office, except where the authority having appointed or designated him also appoints or designates him to other duties. Notwithstanding the foregoing, he may, with the written consent of the chairman of the board of directors, engage in teaching activities for which he may be remunerated or in non-remunerated activities within a non-profit organization.*

The chairman of the board of directors may likewise be so authorized by the Secretary General of the Conseil exécutif. However, the chairman of the board of directors of a government agency or company that holds 100 % of the shares of a second government agency or company is the authority who may give such an authorization to the chairman of the board of directors of that second agency or company.

14. *A public office holder may not accept any gift, hospitality or other advantage, except what is customary and is of modest value.*

Any other gift, hospitality or advantage received shall be returned to the giver or shall be remitted to the State.

15. *A public office holder may not, directly or indirectly, grant, solicit or accept a favour or an undue advantage for himself or for a third party.*

16. *In the decision-making process, a public office holder shall avoid allowing himself to be influenced by offers of employment.*

17. A public office holder who has left public office shall conduct himself in such a manner as not to derive undue advantages from his previous service with the agency or company.

18. It is prohibited for a public office holder who has left public office to disclose confidential information or to give anyone advice based on information not available to the public concerning the agency or company for which he worked, or concerning another agency or company with which he had a direct and substantial relationship during the year preceding the end of his term of public service.

Within one year after leaving office, a public office holder shall not act for or on behalf of anyone else in connection with a proceeding, negotiation or other transaction to which the agency or company that he served is a party and about which he has information not available to the public.

A public office holder of an agency or company referred to in the second paragraph may not, in the circumstances referred to in that paragraph, deal with a public office holder referred to therein for one year following the end of his term of public service.

19. The chairman of the board of directors shall ensure that the public office holders of the agency or company comply with the ethical principles and rules of professional conduct.

CHAPTER III POLITICAL ACTIVITIES

20. A full-time public office holder, the chairman of a board of directors and the chief executive officer of an agency or company who intends to run for election to an elective public office shall so inform the Secretary General of the Conseil exécutif.

21. The chairman of a board of directors or a chief executive officer of an agency or company wishing to run for election to an elective public office shall resign from his position.

22. A full-time public office holder wishing to run for election to the National Assembly, the House of Commons of Canada or another elective public office whose functions will probably be performed on a full-time basis shall request, and is entitled to, leave without remuneration, from the day on which he announces that he is a candidate.

23. A full-time public office holder wishing to run for election to an elective office whose functions will probably be performed on a part-time basis, but whose candidacy may make it impossible for him to demonstrate reserve as required, shall apply for, and is entitled to, leave without remuneration from the day on which he announces that he is a candidate.

24. A full-time public office holder who is granted leave without remuneration in accordance with section 22 or 23 is entitled to return to his duties no later than on the thirtieth day following the final date for nominations, if he is not a candidate, or, where he is a candidate, no later than on the thirtieth day following the date on which a person other than he is declared elected.

25. A full-time public office holder whose term of office is of fixed duration, who is elected to a full-time public office and who agrees to this election shall immediately resign from his position as a public office holder.

A full-time public officer holder who is elected to a part-time public office shall, where that office may make it impossible for him to demonstrate reserve as required, resign from his position as a public office holder.

26. A full-time public office holder whose term of office is not of fixed duration and who is elected to a public office is entitled to leave without remuneration for the duration of his first elective term of office.

**CHAPTER IV
REMUNERATION**

27. A public office holder shall be entitled, for the performance of his duties, solely to the remuneration related to those duties. Such remuneration may not include, even partially, monetary advantages such as those established, in particular, by a profit-sharing plan based on the variation in the value of shares or on a participation in the capital stock of the company.

28. A public office holder dismissed for just and sufficient cause may not receive a severance allowance or payment.

29. A public office holder who has left public office, who has received or is receiving a severance allowance or payment and who holds an office, employment or any other remunerated position in the public sector during the period corresponding to that allowance or payment shall refund the part of the allowance or payment covering the period for which he receives a salary, or shall cease to receive it during that period.

Notwithstanding the foregoing, where the salary he receives is lower than the salary he received previously, he shall be required to refund the allowance or payment only up to the amount of his new salary, or he may continue to receive the part of the allowance or payment that exceeds his new salary.

30. Any person who has received or is receiving a severance allowance or payment from the public sector and who receives a salary as a public office holder during the period corresponding to that allowance or payment shall refund the part of the allowance or payment covering the period for which he receives a salary, or shall cease to receive it during that period.

Notwithstanding the foregoing, where the salary that he receives as a public office holder is lower than the salary he received previously, he shall be required to refund the allowance or payment only up to the amount of his new salary, or he may continue to receive the part of the allowance or payment that exceeds his new salary.

31. A full-time public office holder who has left public office, who has received so-called assisted departure measures and who, within two years after his departure, accepts an office, employment or any other remunerated position in the public sector shall refund the sum corresponding to the value of the measures received by him, up to the amount of the remuneration received, by the fact of his return to the public sector, during that two-year period.

32. Sections 29 to 31 do not apply to part-time teaching activities by a public office holder.

33. For the purposes of sections 29 to 31, "public sector" means the bodies, institutions and companies referred to in the Schedule.

The period covered by the severance allowance or payment referred to in sections 29 and 30 shall correspond to the period that would have been covered by the same amount if the person had received it as a salary in his former office, employment or position.

**CHAPTER V
CODE OF ETHICS AND PROFESSIONAL CONDUCT**

34. The members of the board of directors of each government agency or company shall adopt a Code of ethics and professional conduct in conformity with the principles and rules established by this Regulation.

35. The Code shall establish the ethical principles and the rules of professional conduct of the agency or company.

The ethical principles shall reflect the agency's or company's mission, the values underlying its operations and its general principles of management.

The rules of professional conduct shall pertain to the duties and obligations of public office holders. The rules shall explain and illustrate those duties and obligations in a concrete manner. They shall in particular cover

- (1) preventive measures, specifically, rules concerning the declaration of interests held by a public office holder;*
- (2) identification of situations of conflict of interest; and*
- (3) the duties and obligations of public office holders even after they have left public office.*

36. *Each agency or company shall take the necessary measures to ensure the confidentiality of the information provided by public office holders under this Regulation.*

CHAPTER VI **DISCIPLINARY PROCESS**

37. *For the purposes of this chapter, the authority competent to act is the Associate Secretary General for Senior Positions of the Ministère du Conseil exécutif where the person concerned is the chairman of the board of directors, a public office holder appointed or designated by the Government or a Minister.*

The chairman of the board of directors is the authority competent to act in respect of any other public office holder.

Notwithstanding the foregoing, the chairman of the board of directors of a government agency or company that holds 100 % of the shares of a second government agency or company is the authority competent to act in respect of the chairman of the board of directors of that second agency or company, except where he himself is its chairman.

38. *A public office holder accused of violation of ethics or professional conduct may be temporarily relieved of his duties, with remuneration, by the competent authority, in order to allow an appropriate decision to be made in an urgent situation requiring rapid action or in a presumed case of serious misconduct.*

39. *The competent authority shall inform the public office holder of the violations of which he is accused, of the possible penalty and that he may, within 7 days, provide it with his observations and, if he so requests, be heard regarding the alleged violations.*

40. *Where it is concluded that a public office holder has violated the law, this Regulation or the Code of ethics and professional conduct, the competent authority shall impose a penalty.*

However, where the competent authority is the Associate Secretary General referred to in section 37, the penalty shall be imposed by the Secretary General of the Conseil exécutif. Furthermore, if the penalty proposed is the dismissal of public office holder appointed or designated by the Government, the penalty may be imposed by the Government only; in that case, the Secretary General of the Conseil exécutif may suspend the public office holder immediately, without remuneration, for a period not exceeding 30 days.

41. *The penalties that may be imposed on the public office holder is a reprimand, a suspension without remuneration for a maximum of three months or the dismissal.*

42. *Any penalty imposed on a public office holder, as well as the decision to temporarily relieve him of his duties, shall be in writing and give the reasons therefor.*

[...]

SCHEDULE

(s. 33)

PUBLIC SECTOR

1. *The Government and its departments, the Conseil exécutif and the Conseil du trésor.*
2. *The staff of the Lieutenant-Governor, the National Assembly, the Public Protector, any person designated by the National Assembly to perform duties that come under the National Assembly where its personnel is, by law, appointed and remunerated in accordance with the Public Service Act, and any body to which the National Assembly or a committee thereof appoints the majority of the members.*
3. *Any body which is established by or under an act or by a decision of the Government, the Conseil du Trésor or a minister and which meets one of the following conditions:*
 - (1) *all or part of its appropriations for operating purposes appear under that heading in the budgetary estimates tabled in the National Assembly;*
 - (2) *its employees are required by law to be appointed or remunerated in accordance with the Public Service Act; or*
 - (3) *the Government or a minister appoints at least half of its members or directors, and at least half of its operating expenses are borne directly or indirectly by the consolidated revenue fund or by other funds administered by a body referred to in section 1 or 2 of this Schedule, or both situations hold true at the same time.*
4. *The Public Curator.*
5. *Any body, other than those mentioned in sections 1, 2 and 3 of this Schedule, which is established by or under an act or by a decision of the Government, the Conseil du trésor or a minister and at least half of whose members or directors are appointed by the Government or a minister.*
6. *Any joint-stock company, other than a body mentioned in section 3 of this Schedule, more than 50% of whose voting shares are part of the public domain or are owned by a body referred to in sections 1 to 3 and 5 of this Schedule or by a company referred to in this section.*
7. *Any educational institution at the university level referred to in paragraphs 1 to 11 of section 1 of the Act respecting educational institutions at the university level (R.S.Q., c. E-14.1).*
8. *Any general and vocational college established under the General and Vocational Colleges Act (R.S.Q., c. C-29).*
9. *Any school board subject to the Education Act (R.S.Q., c. I-13.3) or the Education Act for Cree, Inuit and Naskapi Native Persons (R.S.Q., c. I-14) and the Conseil scolaire de l'île de Montréal.*
10. *Any private institution accredited for the purposes of subsidies under the Act respecting private education (R.S.Q., c. E-9.1).*

11. *Any other educational institution more than half of whose operating expenses are paid out of appropriations appearing in the budgetary estimates tabled in the National Assembly.*
12. *Any public or private institution under agreement and any regional board referred to in the Act respecting health services and social services (R.S.Q., c. S-4.2).*
13. *The regional council established by the Act respecting health services and social services for Cree Native persons (R.S.Q., c. S-5).*
14. *Any municipality, any body declared by law to be the mandatary or agent of a municipality, any body more than half of whose board of directors are members of a municipal council and any body otherwise under a municipal authority.*
15. *Any urban community, intermunicipal board, intermunicipal transit company, any intermunicipal board of transport, the Kativik Regional Government and any other body, except a private body, more than half of whose board of directors are elected municipal officers.*

SCHEDULE B
(Section 18)

DECLARATION RESPECTING CONFLICTS OF INTEREST

NOTICE

The declarant, to understand the scope of his obligations, should refer to the Code of Ethics and Rules of Professional Conduct for Directors, Executives and Controllers of Hydro-Québec, (“the Code of Ethics”), and in particular the concepts of enterprise and interest as specified in sections 1 and 20 respectively of the Code of Ethics.

I, _____, (director, executive or controller of Hydro-Québec), declare the following interests:

1. Offices I hold or interests I own in the following enterprises, as defined in the Code of Ethics:

Nature of link or interest

Enterprise	Office	Shareholder, Owner of shares or owner	Other link or interest (e.g. creditor)	Quantity and value of interest

2. To the best of my knowledge, here is the list of enterprises in which the enterprises listed in point 1 (excluding those of which you are a creditor) owns an interest or exercises powers:

Nature of link or interest

Enterprise listed in point 1	List of enterprises in which the enterprise listed in point 1 owns an interest or exercises powers (e.g. subsidiaries)	Shareholder, Owner of shares or owner	Other link or interest (e.g. creditor)	Quantity and value of interest

3. I ask for a ruling on the following issues and a recommendation on the appropriate measures in order to ensure compliance with the Code of Ethics:

Signature: _____

Title: _____

Date: _____

SCHEDULE C
(Section 20.1)

ATTESTATION

I, the undersigned, _____, director, executive or controller of Hydro-Québec, declare that I have read the Code of Ethics and Rules of Professional Conduct for Directors, Executives and Controllers of Hydro-Québec, adopted by the Board of Directors on September 10, 1999, and amended by the Board of Directors on September 19, 2003 under resolution HA-183/2003, understand its meaning and scope and declare that I am bound by each of its provisions as if it were a contractual commitment on my part to Hydro-Québec.

Signed at _____, on _____

SCHEDULE D

RESOLUTION OF THE BOARD

(see attached document)

BOARD OF DIRECTORS OF HYDRO-QUÉBEC

EXTRACT from the minutes of the meeting of the Board of Directors of Hydro-Québec held in Montreal on Friday, October 17, 1997

HA-173/97

SECRETARIAT GENERAL – REVISION OF TERMS OF REFERENCE OF COMMITTEES OF THE BOARD OF DIRECTORS

RESOLVED:

TO approve the creation and terms of reference of the following three committees of the Board of Directors:

1. Ethics and Corporate Governance Committee

This committee has the responsibility of assuring the Board of Directors that the Company maintains the highest standards of ethics and corporate governance. Specifically, the committee advises and formulates recommendations for the Board of Directors such that it can have reasonable assurance with respect to:

- annual corporate performance goals of the Board of Directors, directors and the President and Chief Executive Officer (respect for mission, vision, strategy);
- policies and action plans, containing targets and measurable performance indicators for achieving these targets;
- criteria relative to the structure and composition of the Board of Directors and committees as well as criteria for the competence required from directors, executives and controllers to support the Company's ability to achieve its objectives;
- an adequate program for preparing and educating directors;
- the division of responsibilities among the Board of Directors, Executive Committee and Senior Management;
- the existence or implementation, where appropriate, of a communication, coordination, management and control information process to support Company values and the achievement of its objectives;

- mechanisms for the periodic evaluation of the performance of the Board of Directors, Chairman of the Board, directors and President and Chief Executive Officer;
- the orientations, policies, strategies and general objectives of Hydro-Québec with respect to the rules of ethics and the conduct of its affairs, and those of its employees in the exercise of their activities for the Company;
- the application and follow-up of the application of the *Code of Ethics* of directors, executives and controllers.

The Committee also has a mandate to approve the requests for hiring outside consultants at the expense of the Company, when required by directors for the purposes of their work.

[...]

TO set as six the maximum number of members of the committees listed above.

[...]

Note: This English version is a translation of the French resolution adopted by the Board of Directors of Hydro-Québec. Only the French text is official.

CERTIFIED TRUE COPY

Assistant Corporate Secretary