

CASE STUDY: SOCIAL RESPONSABILITY OF HYDRO-QUÉBEC

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Abstract: *This case study presents the social responsibility practices of the Canadian company Hydro Quebec. It is a state enterprise, working in the field of hydroelectricity production and distribution. Thanks to its substantial profit and its participation in the economy of the province of Quebec, this company represents one of the largest organizations in Canada. As presented in the text, it firstly demonstrates efficient management, its profits amounting to billions of dollars. She also acts philanthropically, supporting various causes, including cultural, environmental, socio-economic, scientific and educational ones. She is also concerned about ensuring a good climate and working conditions for her employees. Employee training is also a point of interest. Being governed by strict laws and regulations, Hydro-Québec has an ethic code whose compliance is closely followed. The case was funded by the UQAT University Pedagogy Fund and it address at business management students, enrolled in corporate social responsibility courses.*

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JEL Classification: M12.

1. The company history

Hydro-Québec is a State corporation, meaning that its sole shareholder is the Government of Quebec (Canada), so its profits benefit all Quebecers. The company specializes and stands out worldwide through the production, transmission and distribution of electricity. The production of this resource, now essential for everyday life, is done in a clean and renewable way through hydroelectricity (water energy). The company currently has four divisions: Hydro-Québec Production, Hydro-Québec TransÉnergie, Hydro-Québec Distribution and Hydro-Québec Equipments and Shared Services and the James Bay Energy Corporation. The parent company is located in Montreal and, since June 3, 2015, is chaired by Mr. Éric Martel. Approximately 20,000 employees are employed to operate this large institution in some 150 institutions. Hydro-Québec's mission is as follows:

"The purpose of the State Corporation, pursuant to the Hydro Quebec Act, is to provide energy and to work in the field of energy research and promotion, processing and energy economy, as well as in any related or energy related field. It must, in particular, ensure the provision of heritage electricity as established by the Act respecting the Régie de l'énergie and

which corresponds to a maximum annual reference volume of 165 TWh for the Québec market "(Hydro-Québec, 1996-2016).

Hydro-Québec has been supplying electricity to Quebec, but also to the province of Ontario and the north of the United States for more than 50 years. The company first appeared in 1944 as the Quebec government passed a new law requiring the three companies Montreal Light, Heat and Power Company Consolidated to sell their assets to the Hydroelectric Commission of Quebec (Hydro-Québec). In 1963, the second phase of nationalization of electricity took place when the Commission purchased almost all Quebec electricity distributors through a takeover bid (OPA). In these twenty years, this company becomes the most important in the field of electrical energy and is now an indispensable player in the Quebec economy. In 1975, as Hydro-Québec will have to live with various Aboriginal communities in some of its projects, the James Bay and Northern Quebec Agreement is signed. It "establishes the rights and obligations of the Cree and Inuit, and other parties involved, and the terms and conditions that must govern the development of the resources of the James Bay Territory" (Hydro-Québec, 1996-2016). It was in 2002 that the Peace of the Braves agreement was signed. This historic agreement is between the Government of Quebec and the Grand Council of the Cree and gives the green light to the development of Eastmain-1 and Eastmain-1-A to James Bay with partial diversion of the Rupert River. The Québec government is committed to involving the aboriginal communities in its projects and paying them a considerable sum of \$ 4 billion. As for them, the Crees have committed to abandoning any lawsuit against the Quebec government. Finally, 2012 is the beginning of a new shift towards electric vehicles when Hydro-Québec inaugurates its first network of public charging stations in the metropolitan areas of Quebec City and Montreal.

It is thanks to its numerous large-scale projects such as Gentilly 1 (1961), Gentilly 2, the complex La Grande (1971), Eastmain-1, Eastmain-1A (2012), Robert-Bourassa, Beauharnois and Manic-5 that the company is the largest producer of hydroelectricity in the world today. Hydro-Québec currently has 62 hydroelectric generating stations, but the installation of all these infrastructures was not without opposition and without compromise for the organization.

2. The context of the operations of the state corporation

Being governed by the Hydro-Québec Act, a document marking the operations of the State corporation, in addition to specifying the mission and rules of governance, Hydro-Québec is working in a highly regulated environment. From the outset, the number of directors who sit on the Board of Directors is set by the Act. They take action in eight different committees, including governance and ethics, an aspect on which the organization pays particular attention.

Article 18 of the Code of Ethics and Professional Conduct provides that a new officer, director or controller of the State Corporation has thirty days to transmit a statement containing the identification and various details concerning the companies in which he holds more than 10% of the capital. He must also identify the companies in which he may be involved or have a certain interest (debt, option, mortgage, financial or commercial advantage) and any other situation that could put him in a conflict of interest, real or apparent. Also, this is a recurring procedure, which must be

completed on January 31 of each year. In addition, a declaration of knowledge and understanding of the elements is provided according to the code. Employees refer to the document Code of Conduct: Ethics at the Heart of Our Decisions. This document aims to frame and optimize the application of the ethical principles adopted by the company in 1988. The document proves to be visually interesting and easy to consult for an employee, despite the wide range of information found there. Thierry Vandal, the President and Chief Executive Officer at the time of its adoption, states in his signature:

"Our Code of Conduct is the cornerstone on which our behaviors and actions are based in all circumstances and reflects the commitment of each of us to our customers, suppliers and other partners. It is up to us to familiarize ourselves with its principles and rules and to take them personally into account in everything we do. » (Thierry Vandal)

The predominance of the code of conduct is therefore specified in the introduction to the company. Indeed, the content of the code of conduct turns out to prevail over any policy, directive or any form of supervision of the company. The expectation of respect for the principle of sound management in the absence of established rules is clarified, which helps to communicate the ethical practices and deep values of the state corporation to newcomers, or to remind them of long time. The individual responsibility of each employee to become aware of it and to ensure its application is also emphasized, which reinforces the credibility of the message that the company is trying to pass through its President and Chief Executive Officer.

3. Investments that benefit Quebecers

In order to ensure its constant development and to produce more for less, Hydro-Québec has invested more in many niches, some of which it has expertise and some not. During 2014, in order to further develop its niche expertise, the state company invested \$ 15.4 million in its technology innovation section, \$ 4.5 million in its technical support section and 0.6 million for technology watch. These amounts add up to \$ 20.6 million invested in research and development. It has invested close to \$ 776 million for network growth and \$ 826 million for the improvement of its distribution network, which totals \$ 1.6 billion. It has also invested 1.2 billion in the improvement and development of its production equipment. In order to constantly improve its service, the company has also invested an additional 915 million to improve its customer service in its distribution section. This last investment was made in addition to and outside of Hydro-Québec's overall energy efficiency plan.

These research and development efforts have enabled the company to offer electricity to citizens at a modest price. Montreal is the city with the lowest cost of electricity consumption per 1000 kW in North America.

4. A company involved in its community

From the outset, Hydro-Québec has adopted a policy to ensure its social role. This policy is called Our Social Role and complements the State Corporation's Donor and Sponsorship Policy. It provides that the company must participate in social and cultural dynamism and social well-being by supporting activities in various social

areas such as education, health and humanitarian actions. The company is also involved in cultural, environmental, socio-economic, scientific, educational and sports events. The budget allocated to the various community financing activities is evaluated each year during the preparation of the annual business plan. This budget is generally equivalent to 1% of the net profits on the continuing operations of the company.

On the cultural front, Hydro-Québec supports Quebec culture so that it continues and joins provincial cultural events. In 2014, the company donated \$ 140,000 to Culture pour tous to organize Culture Day, an event held in 350 communities across Quebec to awaken the public to local and provincial culture. The museum sector also receives support through specific exhibitions and school and family activities. Overall, the role of the State corporation is major for Quebec. In 2015, in all investment areas, Hydro-Québec supported nearly 1,000 organizations, including the Estuaire Symphonic Orchestra, the Université de Sherbrooke, the Dr Julien Foundation, the Québec Games and the Expo -Science in several regions, for a total of \$ 16.8 million.

Hydro-Québec is also involved in environmental matters. The company's major contribution to the environment is made through the Hydro-Québec Foundation for the Environment. The company is also involved in promoting activities and awareness-raising projects in relation to its development activities, as well as public awareness of taking action for the environment and sustainable development. The company regularly publishes documents indicating the actions taken in this direction. A good example of these actions took place in 2014. Indeed, the organization proceeded to the planting of trees and shrubs at the site of the old dam of Saint-Narcisse and returned to the original state the site of the old dam Baude, Mauricie, after its dismantling. Currently, a study on the impact of work on birds is underway. Hydro Quebec has also financed environmental organizations and financially offset the impacts of its projects. Among other things, Hydro-Québec paid \$ 10 million to the Nordic Development Fund. This contribution has been paid annually since 2012 and protects the northern territories of Quebec. In addition, the Hydro-Québec Foundation for the Environment (FHQE) paid \$ 393,000 to finance twelve projects. Hydro-Québec contributed \$ 800,000 to the Ouranos consortium, a group of 400 scientists and professionals of all kinds. The Hydro Quebec Foundation for the Environment contributed to the preservation of 12 floral and wildlife species that were considered threatened.

Finally, Hydro-Québec's mission in its policy on its social role is to encourage its employees to become involved in community or charity activities. This measure is a testament to the scope of the organization's implications that go far beyond fulfilling its duty, but which also encourages its employees to participate in the well-being of society.

5. The collaboration, an essential variable for Hydro-Québec projects

A good example of integration of the population into Hydro-Québec's projects is the public consultation that took place in 2015 for the Langlois-Vaudreuil Dorion project. Between 2001 and 2014, the Vaudreuil-Soulanges Regional County Municipality (RCM) experienced a 43% increase in electricity consumption. In addition, industrial and commercial development also experienced significant growth, forcing Hydro-Québec to review the sector's power grid. To meet the new requirements, a new 120

kV transmission line needs to be built, an existing line needs to be rebuilt to support greater capacity, and Ericsson needs to be powered through a new connection. The commissioning of these new lines is announced for 2017.

The project has three important sections. The first section connecting the Cedars substation to the Dorion substation is an extension of an existing line over a length of 7 km. This extension will have the advantage of grouping all the lines in the same corridor. This avoids the establishment of several corridors, which involves clearing and cutting wood. Nature will be less affected with this route.

The second section starts from the Dorion substation and connects it to the Vaudreuil-Soulanges substation. This line reuses the right of way of the existing corridor over the 8.5 km of the route. It is in fact the dismantling of the existing line, whose pylons are made of wood, and the rebuilding of a steel structure that improves the capacity of the circuit. Using the existing right-of-way allows the company to use the easement rights already in place. In addition, this measure once again makes it possible to avoid deforestation and excavation work.

The last segment is used to connect the Ericsson company to the distribution network. It is a 2.5 km line that will cross Highway 40 to the airfield post near the company's underground connection.

Hydro-Québec has set up an information program so that the project is better accepted and citizens find answers to their questions. State company officials worked with representatives of the affected municipalities to gather feedback and expectations on the project. Information meetings were organized with the citizens to inform them of the issues and implications of the new route. The exercise, held in spring 2015, helped improve the route so that it better meets the needs and demands of the population. Citizens even have the opportunity to contact the Info-projects line, where agents are inclined to answer any questions or concerns.

6. Training to keep the organization efficient

To enable employees to reach their full potential, the company has devoted resources to the development of its employees. In fact, Hydro-Québec spent 3% of its payroll on human resource development. This budget is used in training programs of all kinds. One of the very important aspects in the work of this company is the safety of the workers on the various places of intervention. In order to comply with the standards, the 6th edition of the Safety Code was presented to 13,649 employees in all trades and to technicians and contractors doing business with the state company.

Knowledge development is also a priority for maximizing the full potential of workers. They develop professionally through self-training during which they will learn by gaining experience in the field. Companion programs are also offered to employees who are less experienced in certain tasks in order to accelerate their learning period thanks to the contribution of an experienced colleague. Hydro-Québec also frequently conducts knowledge mapping to determine the level of training and specialization of its employees. To make life easier for employees, training is given in a location close to where they live and work, where possible.

To contribute to the well-being of employees, it is also essential for them to integrate well when they enter the company. Since 2011, 4,493 employees have retired, increasing the need for new talent at the heart of the organization. Hydro-Québec promotes learning and empowerment through action. Once again, the support of

apprentices by experienced and recognized employees in their field greatly accelerates the training speed and standardizes the application of the methods and standards put in place by the company. This, at the same time, saves costs associated with training and error correction caused by inexperienced workers.

With regard to working conditions, Hydro-Québec is committed to providing competitive, fair and competitive working conditions. These conditions must also allow the employee flexibility so that he can reconcile other aspects of his life with work to meet his needs and have a good quality of life.

A healthy work environment with no evidence of discrimination and violence, no abuse of power and no harassment is provided by the organization. Employees are made aware of the effects of this type of behavior and procedures have been put in place to avoid or denounce such misconduct, in particular through a confidential telephone line for complaints or internet service. An awareness campaign was conducted with 3,400 employees in 2014 to prevent them from harassment and to promote healthy relationships between workers.

7. Innovation: a priority

Hydro-Québec continues to innovate over the years in the implementation of its new projects. In 1985, the company set up the Integrated Enhancement Program (IVP) to work with municipalities affected by its hydroelectric transportation projects to offset residual impacts on their territory. This program aims to improve the living environment of citizens by investing 1% of the total cost of the project in municipal infrastructure. The investments made are based on a few conditions and criteria. First, the eligible population is a municipality, a borough, an RCM or a community affected by a hydroelectric project. Then, the improvement offered by Hydro-Québec must be of common interest for the inhabitants of the municipality, it must be carried out on public property and in no case be a nuisance for the community.

References

To complete the case, the authors used a multitude of documents presented on the Hydro Quebec website, in Canadian newspapers and in other media. Also, they had access to information from employees working for this company.