Q. **Reference: Application Schedule 7**

Please provide Hydro's current Capitalization Guidelines and associated accounting policies, procedures and internal guidance applicable to the expenditures proposed in the 2027 CBA, including policies governing capitalization versus expense, internal labour and overhead, IDC, software/cloud expenditures, refurbishment and major maintenance, asset retirements and in-service dates.

A. Please refer to CA-NLH-052, Attachment 1 for Newfoundland and Labrador Hydro's ("Hydro") capitalization policy, CA-NLH-052, Attachment 2 for Hydro's Interest during Construction policy, CA-NLH-052, Attachment 3 for Hydro's Asset In-Service Policy, CA-NLH-052, Attachment 4 for Hydro's Capital Asset Disposal Policy and CA-NLH-052, Attachment 5 for Hydro's Intangible Asset Policy. Hydro is currently working on updating these capital policies and others to reflect the amalgamation and to remove some duplication across the various policies.

With respect to cloud-based software expenditures, there are typically two types of costs to consider, contract costs and implementation costs, with processes in place to review such costs to ensure they are captured correctly. When determining the accounting treatment of contract costs and implementation costs, Hydro considers whether the contract qualifies as a lease, contains an intangible asset, or is a Software as a Service ("SaaS"), with the accounting treatment different in each case. For contract costs, leases are accounted for under International Financial Reporting Standards 16, intangible assets are accounted for under the International Accounting Standard 38, and SaaS contracts are treated as a service contract and expensed as incurred. Implementation costs for SaaS contracts are not expensed as incurred, and are instead recorded in the Cloud Cost Deferral Account and amortized using Hydro's unit of depreciation rate for similar software assets, representing an estimate of the expected benefit period. For further information on Hydro's process around Cloud Cost expenditures, refer to Hydro's application for Approval of a Proposed Cloud Cost Deferral Account.[1]

[1] "Approval of a Proposed Cloud Cost Deferral Account", Newfoundland and Labrador Hydro, October 14, 2025.

Policy Title	**Capital Assets – Capitalization Policy**
Policy Group	Capital Assets
Policy Number	CA1
Accountable Division	Finance
Policy Owner	Assistant Corporate Controller

1. Policy Statement	This policy highlights the guidelines to be followed related to the recognition and measurement of capital assets in accordance with International Financial Reporting Standards (IFRS).
2. Purpose	The purpose of this policy is to provide guidance related to capitalization of costs in accordance with IFRS. The policy describes the conditions that must be met to capitalize a cost and the measurement of the capital assets at recognition. The policy also addresses the costs as they are incurred throughout the course of the capital project in work-in-progress and the subsequent treatment of the costs when projects are completed, closed and assets are placed in service.
3. Guiding Principles	Capital assets are a material item impacting Nalcor's financial position. It is therefore important that capital assets are presented accurately, completely, timely and in accordance with the agreed upon accounting principles in the records and financial statements of Nalcor. The recording of capital costs is based on the following principles: - Capital costs should be directly attributable to a capital project; - Capital costs should be reliably measurable; It is probable that the future economic benefits associated with the asset will flow to Nalcor for a period in excess of one year. <u>Materiality</u> Materiality limits are established related to capital assets to minimize the amount of administrative effort required to capitalize smaller dollar value assets. These limits permit the expensing of items that would normally meet the criteria for capitalization if costs are below a certain threshold. Any single or group purchase of the same asset below the limits does not require capitalization and related activities such as preparation of a capital budget. The materiality guidelines for each line of business will be determined and communicated by the appropriate Divisional Controller after consultation with the Corporate and Assistant Corporate Controllers.

4. Definitions and Terms	Capital assets: Property, plant and equipment which are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to have a useful life to Nalcor of more than one year. Capital spares: Major spare parts that meet the definition of capital assets that are kept on hand to be used in the event of an unexpected breakdown of failure of equipment, expediting the return of the assets to service. Maintaining capital spares is critically important in reducing periods of interruption in the generation, transmission and generation of electricity. Depreciation: The systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount: Depreciable amount represents the cost of an asset, including subsequent expenditures that have been capitalized within the scope of this policy, less its residual value. Front end engineering design (FEED): The engineering design for a capital project. FEED work commences with the project brief at the start of a project through to the visualization, conceptualization and definition stages and involves translating the project into a conceptual design and then a basic design. Incidental operations: Revenues earned and costs incurred during the construction of an asset that are not, in themselves, necessary to bring the asset itself to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs related to incidental operations are not eligible for capitalization. International Financial Reporting Standards (IFRS): A set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB). The goal of IFRS is to provide a global framework for how companies prepare and disclose their financial statements and has been adopted by Nalcor energy as the financial reporting framework. Major inspections: Activities performed during the life of the equipment and a frequency interval of longer than one year required to ensure the working order of the equipment. Major overhauls: Major overhauls involve upgrades or replacement of significant components (or a portion of) of equipment without replacing the equipment itself to maintain or improve the function of the equipment. In determining whether an overhaul is deemed to be major, the following criteria are used: - The overhaul would occur at regular predetermined intervals throughout the life of the asset; and,

	- would occur on a frequency greater than 1 year. Materiality: In the context of this policy, materiality is the concept of the relative importance of a capital cost expenditure. A capital expenditure is material if the amount significantly changes the value of the capital assets, affects decision making, or distorts the capital asset position of Nalcor. Materiality levels will also differ for various parties, for example, materiality at the consolidated Nalcor level will be higher when compared to the materiality levels of an individual division. Nalcor: includes Nalcor Energy and all lines of business including Newfoundland and Labrador Hydro, Churchill Falls, Energy Marketing, Bull Arm Fabrication, Oil and Gas and the Lower Churchill Project. Net book value: the value at which a company carries an asset on its balance sheet. It is equal to the cost of the asset minus accumulated depreciation. Relocation costs: costs that are incurred to move the asset from one location to the other and then bringing back to operational state as intended by the management Residual value: The expected value of an asset at the end of its useful life.
5. Scope of Application	The policy applies to property, plant and equipment for Nalcor but excludes the following: - Exploration and evaluation assets; refer to *CA18 – Exploration and Evaluation Costs*. - Mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources. - Intangible assets; refer to *CA14 – Intangible Assets*. - Incidental operations; refer to *CA7 – Incidental Operations.* - Asset Retirement obligations; refer to *CA15 – Asset Retirement Obligations*. - Property, plant and equipment classified as held for sale.
6. Standards and Requirements	In order to be capitalized, costs must fulfill the criteria listed in the processes and procedures section below. These processes and procedures are in accordance with IFRS IAS 16 – Property, Plant and Equipment.
7. Process/ Procedure	The following section describes the guidelines and policies regarding capitalization. For instances where the accounting treatment of transactions is unclear, the Assistant Corporate Controller will confirm the appropriate accounting treatment, in consultation with the Divisional Controller.

Eligible Capital Costs

In order to be considered eligible for capitalization, costs must be considered to be directly attributable to a capital project. The following examples are types of costs that are considered to be directly attributable costs eligible for capitalization:

- Costs of Nalcor salaries and wages and other employee benefits arising directly from the construction or acquisition of specific items of property, plant and equipment. Therefore, hours worked by staff, including managers and supervisors, that are directly attributable and incremental to a project should be recorded through the timesheet process to the appropriate capital work order. Capital work orders should be assigned to the appropriate capital business unit and cost type.
- Costs of onsite preparation;
- Initial delivery and handling costs, specifically identifiable for an asset;
- Installation and assembly costs; and
- Professional fees (ie consultants, contractors, lawyers etc.).

General overhead and administrative costs are not to be capitalized. These activities are generally not directly attributable and incremental to a project. Examples of these activities include legal, finance and administration activities, supply chain activities (such as the handling of inventory), general administrative supervision of staff and general management time. There are exceptions when an employee performing these functions is considered directly attributable and incremental to a specific project. In these situations when it is felt that this is the case, the Assistant Corporate Controller should be consulted to verify the appropriate accounting treatment for the related labour costs.

Relocation costs are not recognized in the cost of the asset and should be **expensed.** Once the asset is in the location and condition intended by management, costs related to redeploying or relocating the asset must be expensed.

Expenditures – Categories

The capitalized cost of an item of property, plant and equipment is comprised of:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (Refer to *CA15 – Asset Retirement Obligations);*

There are different types of expenditures related to capital projects that are often incurred by Nalcor. These have been further described below along with the appropriate accounting treatment associated with these costs.

1) <u>Replacement Parts</u>

Costs related to the day-to-day servicing of property, plant and equipment **should not be capitalized**. Costs of day-to-day servicing generally relate to labour and consumables and the cost of small parts and are generally expensed as System Equipment Maintenance costs (operating).

Parts of some items of property, plant and equipment requiring replacement at regular intervals (e.g. a furnace requiring a relining after a certain number of hours of use) **can be capitalized** if there is a benefit exceeding a one year period. In these situations, the Asset Owners should prepare a capital budget proposal, Asset Assignment Form and required retirement and removal forms. These documents must specify the specific asset numbers and the related costs of the assets being replaced (or percentage of the total asset, if applicable) to allow the replaced assets to be retired. Further details on retirements of assets can be found in *CA10 – Capital Asset Disposals*.

Items such as spare parts, servicing equipment and stand-by equipment should be recognized as property, plant and equipment as long as they are tangible items that:

- Are held for use in the production or supply of goods and services, for rental to others or for administrative purposes; and,
- Are expected to be used during more than one year.

Otherwise, these spares are classified as inventory.

2) <u>FEED Costs</u>

Assessment phase

The assessment phase of a project is defined as the planned investigation, inspection, engineering review or prioritization determination, all of which may be used to gain knowledge on the “if or how” work should proceed. Such activities are performed before it becomes probable that future economic benefits associated with the item will flow to Nalcor and therefore costs incurred for assessment phase activities are **expensed as operating costs**.

The following are examples of assessment activities to determine “if or how” work should proceed:

- Determining the requirements of a particular location, area, or department;
- Research and analysis to determine the best approach to development;
- Assessment of the prioritization for upgrade of existing assets.

Design phase

The design phase of a project is defined as the application of the findings or knowledge gained during the assessment phase to a plan and design of an existing asset or the construction of a new asset. Therefore, the costs incurred related to FEED work and other design activities during the design phase should be **capitalized**.

The engineering/labour costs can be capitalized and should be tracked through the work order process by coding to separately identifiable capital work orders, as opposed to operating work orders for general budgets and estimating.

If it is not possible to distinguish between the assessment and the design phase of a study, the project is treated as relating only to the assessment phase and is to be expensed accordingly.

FEED - other

FEED may result in the capitalization of costs on Nalcor's records in advance of specific budget approval for the capital jobs. Should the Board of Directors (or the Board of Commissioner of Public Utilities for Hydro) subsequently disallow or reject any of the capital projects, the costs associated with the FEED work will be **expensed** to operating costs immediately.

FEED expenditures will be reviewed on a periodic basis, with the following documentation prepared for any costs that are capitalized spanning multiple reporting periods (depending on materiality):

- A measurement of intention, evidenced by approvals, plans, etc.
- Likelihood of pursuit, evidenced by priority of the project in question relative to other projects.

3) <u>Other Administrative Costs related to Capital Projects</u>

Costs associated with compiling, copying and reporting the capital budget, related regulatory filings including any Capital Carryover and Variance Reporting and responses to requests for information from various parties should be considered **operating expenses**.

Project Managers are responsible for reviewing the detailed costs recorded to their capital jobs to ensure that these costs meet the criteria for capitalization.

Clarification should be sought from the Divisional Controller if there are any questions.

4) Studies

Costs associated with pre-engineering studies considered to be directly attributable to a project can be **capitalized**. These study costs include work performed after an alternative has been selected and the study is focused on how best to proceed with the work. If a study cannot be directly attributed to a capital asset, the study costs must be expensed. These study costs would be recorded in work-in-progress until work on the related project was completed and the related asset was set up in the capital asset records. These costs would be amortized over the same period as the related asset. If Nalcor decided not to proceed with the project after the pre-engineering study was completed, the related costs would then be **expensed as operating costs** at that time.

5) Training Costs

Training costs are not included in the cost of the capital asset and must be **recognized as an operating expense** when incurred.

6) Major Overhauls and Inspections

A condition of continuing to operate an item of property, plant and equipment may be performing regular major overhauls or inspections for faults regardless of whether parts are replaced.

When each major overhaul or inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the following recognition criteria are satisfied:

- It is probable that there will be future economic benefits for Nalcor associated with the costs for a period of greater than one year; and
- The cost of the item can be measured reliably.

Major overhauls and inspections are **capitalized** where they are required for the continued operation of an asset and meet the above criteria. Any remaining net book value of the previous inspection or overhaul should be removed from the accounting records. If unknown, the estimated cost of a similar current inspection or overhaul may be used to estimate the cost of the previously capitalized inspection and related net book value of components to be retired, factoring in the time value of money.

Major Inspections

As a guideline for capitalization, inspection activities are evaluated as either Level 1 or 2 and assessed in conjunction with the materiality of the activity to determine whether such activities are to be capitalized:

Level 1 **(generally not capitalized)**

> A level 1 Condition Assessment is a walk through, visual, external inspection providing sufficient detail by the assessor to clearly define the work required to address identified deficiencies, to enable an accurate cost estimate to be made, and a clear description to be provided of the scope of the restoration/repairs/replacement/removal for the work to be done. Where the assessor does not have the ability to clearly define the repair, it would indicate that the deficiencies require more rigorous assessment or specialist knowledge, and would be flagged by the Level 1 Assessor for a Level 2 Assessment to be undertaken. Level 1 inspection activities are **generally not capitalized.**
>
> Level 2 **(generally capitalized)**
>
> A Level 2 Condition Assessment is an assessment undertaken by a professional or certified specialist having the knowledge, skill and experience in the design, construction and operation of the facility type and may require knowledge and use of specialized equipment in the assessment of the facility. Level 2 Condition Assessments are a much more thorough assessment than a Level 1 Assessment and often involve the dismantling of the equipment. Level 2 inspection activities are **generally capitalized.**

Materiality is a factor that may be used by Nalcor to determine if an overhaul or inspection is considered to be major. Inspection and major overhaul materiality is evaluated on a group basis if multiple inspections or major overhauls occur as part of a single initiative (i.e. within the same year).

7) Incidental Operations

Incidental Operations are **not to be capitalized**. Please refer to *CA7 – Incidental Operations.*

Cessation of Capitalization

Cost recognition on a capital project is suspended once an item of property, plant and equipment is in the location and condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an item are not included in the carrying

	amount of that item. For example, the following costs are not included in the carrying amount of an item of property, plant and equipment: (a) costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity; (b) initial operating losses, such as those incurred while demand for the item's output builds up; and (c) costs of relocating or reorganising part or all of an entity's operations.
8. Responsibilities	Corporate Controller: Responsible for the preparation of the consolidated capitalized expenditures for Nalcor Divisional Controller: Responsible for the review of overall capitalized expenditures for the division and to ensure they are in accordance with the policies and procedures. Team Leads in charge of Capital Assets: Responsible for the administration of the capitalization policy and the effective operation of the capital asset accounting policies and procedures. This includes ensuring that appropriate work orders are prepared and capitalized costs are coded correctly within the financial systems.
9. Supporting and Related Documents	IAS 16 – Property, Plant, and Equipment (International Financial Reporting Standards)

Interest During Construction Policy

Policy #: FIN–005

Policy Metadata

Category:	**FINANCE**	**Governance:**	Level 2
Sub-Category:		**Revision #:**	1
Approval Date:	February 11, 2016	**Last Revision:**	February 11, 2016
Effective Date:	February 11, 2016	**Last Review:**	February 25, 2016

Policy Sponsor:	Vice President—Chief Financial Officer
Policy Owner:	Controller—Lower Churchill and Senior Manager, Capital
Policy Assignee:	Financial Analyst

Policy Statement

Hydro shall include interest during construction (IDC) as an element of the cost of a capital project when borrowing costs are incurred to fund a capital project (prior to the asset being placed in service) and the capital project takes a substantial period of time to be ready for its intended use or sale (in accordance with IAS23 – Borrowing costs).

Purpose

The purpose of this policy is to outline the accounting treatment and the procedures surrounding the capitalization of IDC.

Scope of Application

All borrowing costs that may be directly attributed to a capital project are within the scope of this policy. The policy applies to all lines of business within Hydro.

Definitions

Borrowing costs: Interest and other costs that an entity incurs in connection with the borrowing of funds. These may include:

- Interest expense calculated using the effective interest method
- Finance charges in respect of finance leases
- Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

Commencement date: The date where costs start incurring for a particular project, and are indirectly, subject to Hydro's cost of borrowing.

Effective Interest Method: a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Hydro (or "the Company): Includes Newfoundland and Labrador Hydro as well as any parent company, subsidiary companies or other affiliated companies included in the Hydro group of companies.

Interest during construction (IDC): Financing charges on project funds spent.

Matching principle: An accounting principle requiring that expenses incurred by an organization be charged to the income statement in the accounting period in which the revenue, to which those expenses relate, is earned.

Qualifying asset (for IDC): An asset that necessarily takes a period of time of six months or more to get ready for its intended use or sale.

Guiding Principles

- During the project's construction, the amount of interest during construction capitalized should be that portion of interest cost incurred by Hydro which theoretically could have been avoided if the expenditure for the project had not been made. Once the project is in service, the interest capitalized is amortized as part of the cost of the project over the service life of the asset in accordance *with CA3 – Depreciation – Finance Departmental Policy Manual*.
- International Accounting Standard IAS 23.1 describes the core principle: *Borrowing costs that are directly attributed to the acquisition, construction, or production of a qualifying asset form part of the cost of that asset.*
- IDC related to a particular project essentially represents the cost of debt financing the project is subject to during the construction phase. Hydro's policy is that only projects greater than six months are subject to IDC. Certain expenditures are excluded from IDC and are discussed in further detail in the following sections.

Requirements

IAS 23 – Borrowing Costs, sets out the circumstances requiring the capitalization of borrowing costs, the commencement, suspension, and cessation of the capitalization, and the amount to capitalize given general or specific borrowing costs. Hydro's policies and procedures have been developed in consideration of the following IAS 23 guidance:

Borrowing costs eligible for capitalization

- To the extent Hydro borrows funds specifically for the purpose of obtaining a qualifying asset, Hydro shall determine the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings (net interest expense).

- To the extent that Hydro borrows funds generally and uses them for the purpose of obtaining a qualifying asset, Hydro shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to Hydro's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that Hydro capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period.

Commencement of capitalization

Hydro shall begin capitalizing borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalization is the date when the project first meets all of the following conditions:

- expenditures for the asset are being incurred;
- borrowing costs are being incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Suspension of capitalization

Hydro shall suspend capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Hydro may incur borrowing costs during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. An example would include when a capital project is ceased if unsure progress on the project will continue. Such costs are costs of holding partially completed assets and do not qualify for capitalization.

However, Hydro would not normally suspend capitalization of borrowing costs during a period when it carries out substantial technical and administrative work or when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. International Accounting Standard IAS 23 provides the following example for illustrative guidance. Capitalization would continue during the extended period that high water levels delay construction of a bridge, if such high-water levels are common during the construction period in the geographical region involved.

Whether a period is considered to be an extended period is subject to professional judgment and should be reviewed with the Divisional Controller and the Assistant Corporate Controller, Financial Reporting. The Project Manager will inform the Team Lead in charge of Capital Assets if any capital project is suspended, who will be responsible for informing the Divisional Controller.

Cessation of capitalization

Hydro shall cease capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

This is normally when the construction of the asset is complete, regardless of whether routine administrative work continues or if there are minor modifications outstanding. Parts may be considered complete prior to the entire assets being considered complete. Delays in the submission of the Interest Cutoff Notice by the Project Manager to the Team Lead in charge of Capital Assets result in IDC being added inappropriately to the cost of the capital project.

When Hydro completes the construction of a qualifying asset in parts and each part is capable of being used in business operations while construction continues on other parts, Hydro shall cease capitalizing borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

Process and Procedures

Budgeting

IDC is included in the cost of the capital project when expenditures are incurred prior to the asset being available for service.

- IDC will be included in the Hydro's capital budgets for projects estimated to be of a substantial duration (greater than six months) when debt financing is used to fund capital activities.
- IDC for budget purposes will be calculated on projects from the commencement of the project (when costs are intended to be initially incurred) based on the timing and amount of budgeted cash flows to the in-service date assumed in the master project schedule.

IDC shall not be included in estimates for, or disbursements applied to:

- Front End Engineering Design work prior to approval of project;
- Upgrading of existing plant where the assets being installed are placed in service immediately;
- Supply type purchases (i.e. vehicles, tools, computer hardware and software etc.); and
- Against which equivalent contributions, grants, or subsidies are received prior to such disbursements.

The in-service date is defined as the date a project, or a section/unit thereof, is available on a permanent basis for use in a manner intended by management. A Project in Service and Interest Cutoff Notice form is provided by the Project Manager to the Team Lead, in charge of Capital Assets, advising of the requirement to cease the capitalization of interest.

Borrowing costs eligible for capitalization – General Borrowing

- Rates for the IDC calculation will be provided by the Corporate Treasurer.
- The actual IDC rate used for capitalization of general borrowing costs will be reviewed at the end of the quarter by Treasury to determine any significant differences from the annual rate provided based on any recently incurred debt. If significant differences are identified, the rate would be updated in the accounting system effective the beginning of the subsequent quarter and the IDC calculated from that point forward using the revised rate.

Calculation of IDC

The total IDC capitalized cannot exceed actual interest costs in the period.

For specific borrowing, the entire amount of interest incurred would be capitalized.

The calculation of the IDC is automatically performed based on an automated program in JDE for projects which are indicated as eligible for IDC. The calculation is based on the prior month's accumulated balance in work in progress for a project attracting IDC plus 50% of the current month related capital expenditures. These projects are reviewed by the Team Lead in charge of Capital Assets for adherence to the policy. The entries related to IDC that are system generated are posted and approved by the Team Lead in charge of Capital Assets. If there are any in service cutoffs during the month, the IDC calculation is adjusted manually to reflect the change in status of the job.

The status of the capital jobs is also monitored by the Capital Asset accountants in coordination with the Team Lead in charge of Capital Assets through discussions with the Project Managers to ensure that the Project In-Service and Interest Cutoff form is provided on a timely basis.

Allocation of actual borrowing costs

The method of calculating IDC on actual cash expended for borrowing costs on capital projects will be consistent with the steps identified in the divisional capital budgeting procedures above.

The Divisional Controller is accountable for the accurate reporting of IDC and the explanation of any significant variances in IDC to the Leadership Team. The Team Lead in charge of Capital Assets should ensure that appropriate analysis is conducted on a monthly basis to explain monthly variances between budget and actual results and that these are reviewed with the Divisional Controller.

Roles and Responsibilities

Project Manager

Responsible for the initial calculation of budgeted IDC by project using prescribed templates updated each year as the revised rate for the budget is provided by Treasury. The Project Manager is also responsible for explaining significant variances between actual IDC expenditures and the most recent monthly cash flow forecast to the Divisional Controller, the communication of significant milestones which would affect the commencement or cessation of IDC.

Divisional Controller

Responsible for the review of IDC budgeted and the IDC charged to the divisional projects. The Divisional Controller is also responsible for ensuring the accuracy and completeness of the IDC budgeted and charged to the divisional capital projects, and as a result, will initiate discussions with the Project Manager, Asset Owner , and the Team Lead in charge of Capital Assets to create the required awareness surrounding the importance of communicating all the appropriate milestones that may impact the commencement or cessation of IDC.

Team Lead in charge of Capital Assets

Responsible for obtaining and initially reviewing the budgeted IDC for capital projects and comparing to the amounts charged against the divisional projects. The Team Lead in charge of Capital Assets is also responsible for administering the commencement and cessation of IDC based on the notices provided from the Project Managers. The Team Lead in charge of Capital Assets is also responsible for the review of the notices received by the Project Managers and will raise the appropriate questions concerning the in-service date (and other project milestones) as required and will pursue any remedial actions as required.

Supporting Documents

- *Project In-service and Interest Cut-off Notice Form*

Policy Title	**Capital Assets – Project Completion and New Asset Setups**
Policy Group	Capital Assets
Policy Number	CA5
Accountable Division	Finance
Policy Owner	Manager of Corporate Accounting & Budgeting

1. Policy Statement	Nalcor must ensure that capital projects are closed from work-in-progress and new capital assets are recorded appropriately in the financial records of Nalcor on a timely, complete and accurate basis.
2. Purpose	The purpose of this policy is to outline the policies and procedures related to the recording of project completions and new capital assets.
3. Guiding Principles	- New assets placed in service should be recorded on a timely basis at the completion of the capital project. - Significant parts of a capital asset must be identified separately in the accounting records and appropriately assigned to a unit of property and related balance sheet accounts. Whether an item is significant requires the application of professional judgment and a threshold should be determined and communicated by the Divisional Controller, in consultation with the Assistant Corporate Controller. The threshold should be determined with consideration of materiality. Unless required for other management purposes, assets should be segregated into components where the different depreciation, resulting from useful lives of the components, will have a material impact on the entity's financial results or position. For Hydro regulated assets, each capital asset must also be classified by system, function, class and customer in accordance with the Cost of Service model used by Rates and Regulatory. This classification must be completed by individuals knowledgeable of the classifications for regulatory purposes (currently System Planning and reviewed by Rates and Regulatory). - When the asset is placed into service in the location and condition intended by management, the capital job will be closed and no additional expenditures will be capitalized to that capital job.
4. Definitions and Terms	Asset Management Database – a Lotus Notes application where asset additions, transfers and retirements are entered by the Asset Owner; used as

	a means to notify finance that such events have occurred and permitting classification of assets. Used to automatically set up assets in JD Edwards and to route through various participants in the capital asset processes Interest During Construction (IDC): Defined in *CA9 – Capital Assets Interest During Construction* as financing charges on project funds spent. Material/Materiality – Items are material if their omission or misstatement could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the item, or a combination of both, judged in the surrounding circumstances. Residual Value: Residual Value represents the estimated amount that Nalcor would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already at the age and condition expected at the end of its useful life. Project Completion Certificate: A document confirming that all aspects of a project have been completed. Unit of Property (UOP): Defined in *CA3 – Depreciation* as a method of componentization of capital assets that have similar attributes and average lives.
5. Scope of Application	The attached policy applies to all lines of business and divisions of Nalcor Energy.
6. Standards and Requirements	See *CA1 – Capitalization Policy* for standards relevant to capitalization policies. - From a financial reporting standpoint, a capital asset or project is substantially complete when the asset or project is placed into service and is in the location and condition ready for Nalcor's intended use. At this time, depreciation of the asset on a unit of property basis will commence (refer to *CA3 – Depreciation*). - For IDC, when the project is substantially completed and assets are placed in service and are capable of operating in a manner intended by management, the Project Manager is responsible for advising the Team Lead in charge of Capital Assets to cease capitalizing interest related to the project. Refer to *CA9 – Interest during Construction* for additional detail.
7. Process/ Procedure	As new assets are placed in service, the set up of the capital assets should be initiated by the Project Manager. The Project Manager adds the assets on an Asset Assignment form (as attached) along with the percentage of cost that will be assigned to each asset and then sends it to the Asset Owner who will set up the assets through the Asset Management Database. A prescribed workflow is established through the Asset Management Database. For Hydro, this requires review by System Planning prior to

	Finance receiving the information to comply with regulatory Cost of Service requirements. After receipt and review by the Capital Asset Accountants, certain information is uploaded into the fixed assets module of JDE. The Asset Owner will then add new asset numbers to the Asset Assignment form, and return it to the Project Manager who will forward it to Capital Asset Accountants. This form should be completed and submitted to the Capital Asset Accountants on a timely basis at the time that the assets are substantially ready for their intended use. Any delays in the submission of these forms results in delays in the related closing of capital projects and the set up of assets by the Capital Asset Accountants. Significant parts of an asset are required to be depreciated separately and must be separately identified in the financial records. As a result, when preparing Asset Assignment forms, consideration must be given to parts of assets that have a cost that is significant in relation to the total cost of the asset, has a different useful life, or has a different residual value. This will require judgment on the part of the Asset Owner, Project Manager, and the Team Lead in charge of Capital Assets. The units of property used to break overall assets down into parts should be used as a guideline for asset allocation on the Asset Assignment forms and have been attached as an appendix for reference. A Project Completion certificate is also required to be submitted to the Capital Asset Accountants by the Project Manager when the capital project is considered to be substantially complete (generally only administrative items remaining to be completed) and assets are in the location and condition necessary to be capable of operating in the manner intended by management. All costs which are incurred after this point should be identified and expensed unless they meet the requirements for capitalization as set out in *CA1 – Capitalization Policy*. It may be possible that there are costs that have been incurred prior to the completion of the Project Completion form but only an estimate of the cost is available at the time. An accrual should be made for these costs (prior to the receipt and processing of the invoice) as discussed *in CA2 – Monthly Accruals*. The capital project should then be closed in the system. If there are any significant differences between the accrual and the invoiced cost, an adjustment can be made to the capital project (after reopening, if determined necessary) and related capital cost of the assets. This will be assessed on a case by case basis by the Team Lead in charge of Capital Assets in conjunction with the Divisional Controller. Capitalization of interest costs (IDC) must also cease when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Refer to *CA9 – Interest during Construction* for additional detail.

8. Responsibilities	Divisional Controllers: Divisional Controllers are responsible for ensuring that the recording of the capital costs are in accordance with *CA1 – Capitalization Policy*. Divisional Controllers are also responsible for administering the accounting policies, procedures related to new asset setup and project completion, and are accountable for the accuracy and completeness of the capital asset records. Assistant Corporate Controller: The Assistant Corporate Controller is responsible for the preparation of the consolidated capital asset records and the determination of the appropriate accounting policies surrounding capital assets and their related procedures. Asset Owner: The individual responsible for the capital asset, recommending the appropriate unit of property, any repairs required, anticipated timelines for disposal and replacement, and any residual value, if any. The Asset Owner is also responsible for notifying the Team Lead in charge of capital assets for the line of business of any changes to the asset that would have accounting implications, through entry of additions, transfers and disposals in Asset Management Database and the Asset Assignment Form. Project Manager: The individual responsible for evaluating progress on a capital project, and appropriately notifying the corporate and divisional finance teams of any significant milestones achieved (i.e. contract completion, IDC cut-off, and project completion) that would have financial accounting implications. Team Lead in change of Capital Assets: The Team Lead is responsible for ensuring that work-in-progress and capital assets are recorded in Nalcor's accounts in accordance with the policies and procedures established. The Team Lead is also responsible for ensuring that the commencement of depreciation, the cessation of IDC, and project close outs are accurately processed based on the forms and notifications provided from the Project Manager. Capital Asset Accountants – Reviews source documentation and processes capital asset transactions including project closeouts and new asset setups. Performs account analysis and/or work order analysis to verify accuracy and completeness of data and prepares reports
9. Supporting and Related Documents	*Asset Assignment Form (see link below)* H:\Finance\Policies\Asset Assignment.xlsm *Project Completion Certificate (see link below)* H:\Finance\Policies\CA13 Attachment - Project Completion Certificate.xls *Newfoundland and Labrador Hydro Service Life Listing by UOP (see link below):* H:\Finance\Policies\UOP-Hydro-Gannett Service Lives-Effect Jan 1- 2011.pdf

	Churchill Falls Service Life Listing by UOP (see link below): H:\Finance\Policies\SERVICE LIFE LISTING FINAL CFLCO JAN 2013.xlsx

Policy Title	**Capital Assets – Asset Disposals & Removal Costs**
Policy Group	Capital Assets
Policy Number	CA10
Accountable Division	Finance
Policy Owner	Manager of Corporate Accounting & Budgeting

1. Policy Statement	All asset disposals must be recorded on a timely basis in accordance with International Financial Reporting Standards (IFRS).
2. Purpose	The purpose of this policy is to outline the policies and procedures surrounding capital asset disposals and, if applicable, the associated removal costs.
3. Guiding Principles	Asset disposals should be recorded in Nalcor's financial records as they occur rather then at the end of the capital projects. If removal costs are incurred during the disposal process, such costs are required to be recorded as part of the loss on disposal of an asset and not part of the cost of any replacement assets. Asset records are required to be properly maintained to ensure that the carrying value of assets is correctly reflected for both internal and external financial reporting purposes. A proper capital assets disposal policy and related procedures are an important step in preventing a material misstatement in the cost and accumulated depreciation associated with capital assets held by the Nalcor. Subsequent expenditures on an existing capital asset are an indicator that an internal discussion may be necessary to determine the percentage or component of the capital asset that is required to be retired (partial disposal). If costs are incurred at the end of a capital asset's useful life and the capital asset is removed permanently from service, costs to remove do not constitute a capital asset addition and should be expensed as part of the loss on disposal on the income statement.
4. Definitions and Terms	Asset Management Database – a Lotus Notes application where asset additions, transfers and retirements are entered by the Asset Owner; used as a means to notify finance that such events have occurred and permitting classification of assets. Asset Split – process of separating a percentage of an asset, including cost and accumulated depreciation/amortization to a new asset number in JD Edwards, generally for the purposes of processing a partial retirement

	Capital asset disposal: Occurs when a party has a capital asset that is no longer considered to be in working order, is obsolete, scrapped, dismantled, or sold, and as a result, is removed from service. Carrying value: the original cost of an asset, less the accumulated amount of any depreciation or amortization, less the accumulated amount of any asset impairments Present Value: a future amount of money that has been discounted to reflect its current value, as if it existed today Removal costs: The costs of permanently removing any asset from the original location in which it was placed, including internal and contract labour, lease of assets, charges for use of internal assets such as vehicle charges, transportation costs, freight and shipping costs etc.
5. Scope of Application	All capital asset disposal transactions and transactions involving removal costs for all lines of business and divisions of Nalcor are within the scope of this policy.
6. Standards and Requirements	When a capital asset is retired, both the recorded cost of the capital asset (or portion thereof) and the corresponding amount of accumulated depreciation at the time of disposal must be removed from the capital asset accounting records. The difference between the net book value (Asset Costs less Accumulated Depreciation) of the assets and any proceeds received on disposal from a sale to a third party will create a gain or loss on disposal in the income statement. When a subsequent expenditure is made on an existing capital asset and the criteria for capitalization of the costs as outlined in *CA1 – Capitalization Policy* are met, a portion of the asset may require retirement. This will require judgement and any required retirements should be recorded using the methods and procedures as described in section 7 below.
7. Process/ Procedure	During the capital budgeting process, the project Estimators and Managers in conjunction with the Asset Owners will identify the assets which will be retired along with the estimated timing of those retirements and submit this information to the Team Lead in charge of Capital Assets on the Budgeted Retirements form. This information will be used in determining the budgeted gain/loss on disposal of the assets for the budget year. At the same time, any costs meeting the definition of removal costs will also be identified (after consultation with the Project Manager and the Asset Owner) by the Project Estimator and submitted to the Team Lead in charge of Capital Assets on the Budgeted Removal Costs form. The Team Lead in charge of Capital Assets will use the budget as a monitoring tool to ensure that information is provided on a timely basis from the Project Managers/Asset Owners regarding asset disposals and removal costs throughout the year. Asset Owners (in coordination with the Project Managers) must inform the Team Lead in charge of Capital Assets of any disposals of assets at the time of the disposal through the Asset Management Database. This is particularly important in areas

	where assets are upgraded or replaced, as a portion of the related asset must be retired. Assets damaged or destroyed by fire, flood or other damage and claimed in an insurance claim must also be specifically identified to the Team Lead in charge of Capital Assets (please refer to *CA19 – Insurance Proceeds* for additional guidance). Upon replacement or upgrading of an asset, it is important that Asset Owners specifically identify the asset numbers that are being disposed or partially disposed. Furthermore, Asset Owners should ensure that the identified assets have been assigned costs in the capital asset module of JD Edwards, as there are some lower level assets for which the costs have not been allocated from the larger asset which encompasses them. Estimates of the portion of the asset that is being replaced or retired should be provided to the Team Lead in charge of Capital Assets based upon the Asset Owners' knowledge of the assets and the capital project. The Capital Asset Accountants will be required to remove or retire a portion of the original overall asset from the financial records upon replacement or upgrading of the asset. This is accommodated through an asset split in JD Edwards. Information regarding disposals or partial disposals is provided to the Team Lead in charge of Capital Assets by the Asset Owner through a disposal request in the Asset Management Database immediately upon replacement or disposal of an asset. It should also be noted on the Asset Assignment Form (see supporting documents), in addition to making the disposal request. Estimates should also be provided related to the percentage of the asset being removed, if unable to separately identify each part of the asset. **<u>Removal Costs</u>** Asset removal costs will be reported as a loss on disposal on the income statement and not as an operating expense. The Asset Owners/Project Managers will discuss the nature of such costs with the Team Lead in charge of Capital Assets to verify the appropriate treatment within JDE. In order to track the removal costs per project, the Project manager will initiate the set up of an operating project business unit by forwarding a completed 'New Operating Project' form to the Divisional Controller for review and approval. (The procedures associated with the set up of a new operating project business unit are described further in *GL2 – General Ledger – Chart of Accounts*). Removal costs related to the project are then tracked through work orders assigned to the operating project and reviewed on a monthly basis by the responsible Project Manager and the Team Lead in charge of Capital Assets to ensure that the nature of the costs are indeed removal costs. Only costs associated with assets that are at the end of their service lives and are no longer going to be in service are considered removal costs. Dismantling and reassembly of current assets for the purposes of upgrading or overhauling are not considered removal costs. The

	Capital Asset Accountant will then transfer externally incurred costs from the operating project business units to the loss on disposal accounts. **Capital Asset Retirement Methods** The Asset Owner is responsible for calculating the amount of any partial disposals, depending on the nature of the transaction and the method that would result in the most appropriate cost and carrying value. The following methods are available: - The Asset Owner assesses the subsequent expenditure based on the nature of the work being performed and determines the percentage of the asset to retire; - The Asset Owner evaluates the value of the current expenditure against the current value of the asset, and retires the capital asset on a pro-rata basis; - The Asset Owner evaluates the activity to which the expenditure relates and retires all previous capital asset costs that related to that activity in the past (i.e. all previously capitalized major inspection or overhaul costs will be expensed when the next major inspection or overhaul is performed); - The Asset Owner evaluates the present value of the anticipated cash flows of the expenditure against the value of the asset now, and retires the capital asset on a pro-rata basis. Determining the capital asset retirement method requires judgment. If the Asset Owner is unsure of which method to use, the Asset Owner should consult the Team Lead in charge of Capital Assets.
8. Responsibilities	Team Leads in charge of Capital Assets: Responsible for: 1) ensuring that the capital asset records are up to date with all disposed assets during the period accurately reflected on a timely basis; 2) completing the comparison between the budgeted disposals and the related gain/loss on disposals for the period and the actual results for the period; and 3) evaluating the explanations provided by the Asset Owner/Project Manager for any significant variances from budget. Any issues noted during a reconciliation process performed between the physical capital assets and the capital asset records will be corrected by the Team Lead in charge of Capital Assets accordingly. The Team Lead in charge of Capital Assets may delegate certain responsibilities under their direction in this policy to the Capital Asset Accountants. Divisional Controller: Responsible for ensuring that all disposal and removal costs transactions are recorded appropriately and that any activity or balances that deviate from expectations or result in any significant variances from budget (e.g. budgeted disposals vs. actual disposals) have been adequately explained or investigated. Asset Owner: Responsible for providing asset retirement information including asset numbers to retire through the Asset Management database to the Team Leads in charge of Capital Assets, when capital assets are removed from service. The Asset Owner is also responsible for providing to the Project Manager the listing

	of budgeted capital asset disposals and the anticipated disposal proceeds. Any significant variances from budget must be explained by the appropriate Asset Owner. If a partial disposal has occurred, the Asset Owner will determine the most appropriate retirement method and advise the Team Lead in charge of Capital Assets for processing.
9. Supporting Documents	New Operating Project Form http://grid/Forms.nsf/059f37de6afb4529a3257665005058cb/88c53598d47f332da3257bc9003f34ef?OpenDocument Asset Assignment Form http://grid/Forms.nsf/059f37de6afb4529a3257665005058cb/18235b806ac24ccaa325707d004ff75f?OpenDocument Budgeted Retirements Form H:\Finance\Policies\Retirement of Asset Form 2014.xlsx Budgeted Removal Costs Form H:\Finance\Policies\Removal Costs Form 2014.xlsx

Policy Title	**Capital Assets – Intangibles**
Policy Group	Capital Assets
Policy Number	CA14
Accountable Division	Finance
Policy Owner	Assistant Corporate Controller

1. Policy Statement	Nalcor will capitalize the costs associated with the acquisition/development and implementation of intangible assets if the capitalization criteria are satisfied.
2. Purpose	The purpose of this policy is to outline the policies surrounding the capitalization of intangible assets.
3. Guiding Principles	The recognition of an item as an intangible asset requires an entity to demonstrate that the item meets: (a) the definition of an intangible asset; and (b) the recognition criteria. This requirement applies to costs incurred initially to acquire or internally generate an intangible asset and those incurred subsequently to add to, replace part of, or service it. An intangible asset shall be recognized if, and only if: (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity (thus the entity has control); and (b) the cost of the asset can be measured reliably. To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into: a) a research phase; and b) a development phase (see criteria below in Section 7) Furthermore, "If an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure on that project as if it were incurred in the research phase only." [IAS 38.53]

	"No intangible asset arising from research (or from the research phase of an internal project) shall be capitalized. Expenditure on research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred." [IAS 38.54] The concept of the materiality limit takes into account the amount being spent. Even if the expenditures are eligible for capitalization under IAS 38 (Intangibles), Nalcor may choose not to capitalize the item in question. If expenditures on existing capital assets within a capital asset group (intangible assets) are small relative to the capital value of that asset group, the expensing of such expenditures does not materially distort the value of total capital assets published in the financial statements or is not considered to impact the decision making of the users.
4. Definitions and Terms	Development phase: The phase of a project where activities clearly identify an intangible asset and demonstrate that the asset will generate probable future economic benefits. Examples of development activities include: - The design, construction, and testing of pre-production or pre-use prototypes and models; - The design, construction, and testing of a chosen alternative for new or improved materials, devices, products, processes, systems, or services. For activities during the development phase to be capitalized, certain criteria must be satisfied (refer to section 7 below for a listing and description of the criteria). Identifiable: An asset is 'identifiable' if it either: • Is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or • Arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. [IAS 38.12] Intangible assets: Defined in *CA1 – Capitalization Policy* as an identifiable non-monetary asset without physical substance. Materiality: *Defined in CA1 – Capitalization Policy* as the concept of the relative importance of a capital cost expenditure. A capital expenditure is material if the amount significantly changes the value of the capital assets, affects decision making, or distorts the capital asset position of Nalcor. Materiality levels will also differ for various parties, for example, materiality at the consolidated Nalcor level will likely be higher when compared to the

	materiality levels of an individual division. Research phase: The phase of a project where activities do not contribute to demonstrating whether an intangible asset exists and has the ability to generate probable future economic benefits. Therefore, expenditures during the research phase are recognised as an expense when incurred.
5. Scope of Application	This policy applies to all divisions or lines of business within Nalcor Energy. All transactions related to intangibles (including internally generated intangibles such as internally developed software and website costs) are within the scope of this policy with the exception of the following: • Internally generated goodwill and • Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance.
6. Standards and Requirements	Capitalization of intangible costs must fulfill the criteria of being an intangible asset. Materiality may be used as a guideline (refer to *CA1 – Capitalization Policy* for additional detail) and intangible assets would be considered within the category of 'General Properties'). For an intangible asset to be recognized, the following recognition criteria must be met: - It is probable that the expected future economic benefits that are attributed to the asset will flow to Nalcor; and - The cost of the asset can be measured reliably. Internally generated intangible assets may also be considered for capitalization provided the costs are occurred during the development phase (and not the research phase) and that they satisfy the recognition criteria above. If Nalcor cannot distinguish between the development phase and the research phase, the expenditures will be expensed. In assessing whether the costs related to the internally generated intangible asset are either research or development, the following criteria must be met in order for costs to be considered development costs: - The technical feasibility of completing the intangible asset so that it will be available for use or sale. - Nalcor's intention to complete the intangible asset and use or sell it. - Nalcor's ability to use or sell the intangible asset. - How the intangible asset will generate probable future economic benefits. Among other things, Nalcor should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset. - The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

	- Nalcor's ability to measure reliably the expenditure attributable to the intangible asset during its development. If the above characteristics are satisfied, then the internally generated asset should be capitalized.
7. Process/ Procedure	**<u>Initiator of Capital Budget Proposal</u>** If the development of internally generated capital assets is to be capitalized, it must be included in Nalcor's capital budget and appropriately approved in accordance with Nalcor's authority matrix. **<u>Cost inclusions</u>** The Project Manager will ensure that only costs specifically identifiable with the project are charged into the related capital project. These costs will include, but are not limited to: - Costs associated with the Project Manager's time specifically identifiable with the project. - Consulting fees specifically related to the project and applicable to services rendered prior to the in-service date. - Costs associated with time spent by formally assigned project team members in discharging matters specifically related to the project. - Costs associated with the external purchase of computer software. - Costs associated with parallel runs performed to determine the integrity of the software package prior to the in-service date. - Costs associated with time spent by Management Information Services staff on system design, programming, installation and testing activities specifically related to the project. **<u>Website costs</u>** Costs incurred during the development phase of a website may be considered part of an internally generated intangible asset that is subject to the requirements of this policy. All website costs are expensed unless Nalcor can provide documentation that the website will generate probable future economic benefits. Examples of such future economic benefits from websites are as follows: - The ability of the website to generate revenues; - Enabling orders or direct commercial activity to take place. A website developed solely for promoting or primarily for advertising Nalcor's own products and services is not sufficient to demonstrate that probable future economic benefits will occur.

	<u>Depreciation</u> Depreciation of intangible assets will follow *CA3 – Capital Assets Depreciation Policy*.
8. Responsibilities	Team Lead in charge of Capital Assets: Responsible for ensuring that intangible asset transactions are properly capitalized based on the standards and requirements in this policy. The Team Lead in charge of Capital Assets will ensure that capital projects contain the proper approval, capitalized cost amounts are coded correctly within JDE, that depreciation is commenced at the appropriate time in accordance with *CA3 – Depreciation.* Project Manager: Responsible for advising the Team Lead in charge of Capital Assets of any significant milestones (i.e. Project in-service, project completion, etc.) Asset Owner: Responsible for assigning the intangible asset a unit of property that is appropriate Divisional Controller: Responsible for ensuring the proper accounting treatment regarding either capitalizing or expensing the intangible assets, within the context of this policy and IAS 38.
9. Supporting Documents	IAS 38 – Intangible Assets – International Financial Reporting Standards