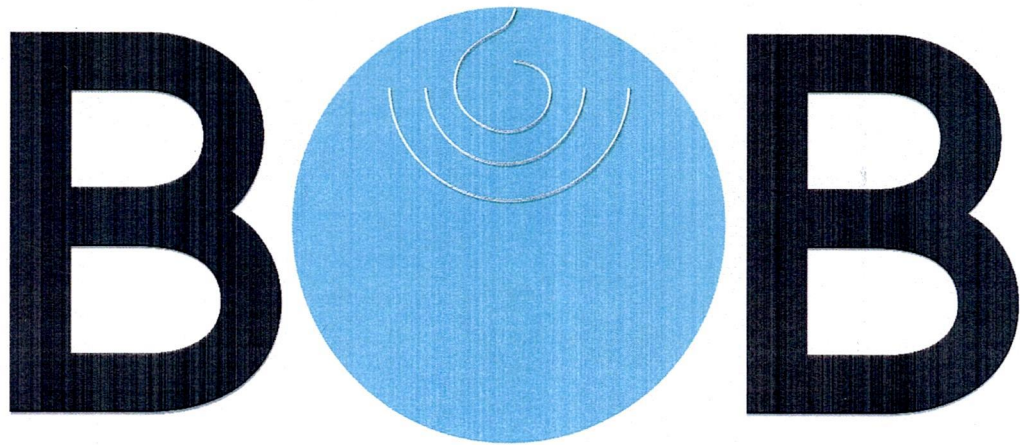


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BANK OF BHUTAN

A **dhi** Company

Bank of Bhutan Limited

Business Integrity Policy

(Guidelines on Ethical Business)

Version 1, 2018

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The BOBL Business Integrity Policy has been drafted to provide comprehensive guidelines on ethical business to guide its employees and stakeholders.

This Policy covers checklist and scope for business integrity, and procedures for implementation and redressal, so that each employee in the Bank of Bhutan can understand the contents of the Policy thoroughly and are, in a position to conduct business functions and ones' roles in propriety.

The Policy's objective is to gain and maintain trust and confidence of the Bank's stakeholders in particular and public in general and also engender pride and commitment in its employees.

This Policy is subject to revision from time to time and the Bank shall be glad to receive any corrections and suggestions, which will be examined with appreciation, for inclusion in the Policy.



(Pema N. Nadik)
Chief Executive Officer

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1. Purpose

- 1.1. To guide employees and stakeholders in conducting ethical business.
- 1.2. To engender pride and commitment in the employees.
- 1.3. To earn and maintain trust and confidence of the *Tsawa Sum* in general public and customers in particular.

2. Principles

The Bank of Bhutan shall always:


- 2.1. Practice good governance and carry out its business with integrity, transparency, accountability and responsibility;
- 2.2. Abide by the laws of the land and rules and regulations pertaining to anti-corruption;
- 2.3. Abstain from affording any undue preferential treatment to or discriminate any individual or group, or from abusing position and authority;
- 2.4. Avoid acting arbitrarily, while discharging duties or providing products and services, to the detriment of an individual or group or body, but exercise due regards for their rights, duties and interests.
- 2.5. Avoid working with Organizations which the Bank knows or suspects to be involved in unlawful activities, in particular fraud, corruption, illegal workers, exploitation and pollution of the environment.

3. Scope

This policy is applicable to:

- 3.1. The Board, Management and all employees of the Bank of Bhutan.
- 3.2. All the stakeholders, clients and customers.



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4. Conflict of Interest (COI)

- 4.1. The Anti-Corruption Commission's (ACC) Guideline on managing Conflict of Interest (COI) shall be followed as the main basis to manage COI in the Bank.
- 4.2. COI will be managed through annual declaration or transactional or ad hoc declaration.
- 4.3. COI declarations will be managed through:
 - 4.3.1. Waiving of the COI, where an employee with personal interest shall avoid participating in a decision-making process;
 - 4.3.2. Recusal, where an employee with interest shall not be required to withdraw from the decision-making process; and
 - 4.3.3. Divestiture, where an employee sells or transfers the conflicting interest if COI is likely to occur repeatedly.
- 4.4. Board Directors, Management and employees shall declare and avoid participation in the decision-making process where there is a real or perceived conflict of interest which would jeopardize reaching an objective outcome.
- 4.5. **Annexure 4.2** of the Bank of Bhutan Service Rules (BOBSR) should be used to declare and record any COIs.

5. Bribery

- 5.1. Bribery means 'the offering, promising, giving, accepting or soliciting of an advantage, whether directly or indirectly, as an inducement for an action, which is illegal, unethical or a breach of trust'.
- 5.2. Direct engagement in bribery refers to the one where the Bank or its officials are a party and an indirect one refers to the one where a third party is involved on behalf of the Bank.
- 5.3. The Bank prohibits its employees, clients and stakeholders from engaging in any form of bribery mentioned hereunder.



6. Gifts, Entertainment and Hospitality

The exchange of modest gifts, entertainment and hospitality may help to build goodwill and sound business relationships with partners and other stakeholders, but it has to be through legitimate, modest and occasional. However, offering or receiving of such, when connected in some way with an actual or potential business transaction or regulatory approval is of concern and is thus, unacceptable. Hence, soliciting, offering or receiving of any gift, entertainment or hospitality is unacceptable, if it:


- 6.1. is received or offered in exchange of a business contract;
- 6.2. is received or offered for an improper favour while conducting business;
- 6.3. is in breach of the Anti-Corruption Commission's regulations;
- 6.4. is seen to be damaging the reputation of the Bank;
- 6.5. is adjudged to cause a sense of obligation;
- 6.6. influences or perceived to influence business judgments; and
- 6.7. creates or perceived to cause conflicts between personal interests and those of the Bank.

7. Facilitation Payments

Facilitation payment is payment, usually a nominal amount, paid to an employee to perform a routine duty to which the payer is legally entitled. It may be done in order to hasten the process or during urgent scenarios or for doing things which otherwise is not legally permitted. An example of such payment in the Bank can be of a businessman paying a Loan Officer to process and release his loan faster. In any case, facilitation payment is prohibited in the Bank as follows:

- 7.1. No employee of the Bank shall solicit or accept such payment;
- 7.2. No client, customer or any stakeholder shall pay or attempt to pay any such payment to a bank employee; and
- 7.3. Any such incidence experienced by an employee or customer should be reported immediately to the Management.



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8. Use of Bank Assets


- 8.1. The bank assets include land, buildings, equipment, vehicles, furniture and fixtures, stores, etc. registered with the Bank.
- 8.2. No employee or third party is allowed to use such assets for activities which are unrelated to the Bank's business or approved charitable purposes.

9. Donations: Charitable and Political

9.1 Charitable Donation

- 9.1.1. The Bank may make charitable contributions in the form of cash or kind as part of its Corporate Social Responsibility (CSR) for nation-building and community development and to enhance its brand image to attract more business and clients.
- 9.1.2. Such donation when made shall not be on any condition of or in expectation of any direct business or benefits from the recipient.
- 9.1.3. The Bank shall ensure that such donation does not go to an individual, but for the benefits of an institution and/or community development.
- 9.1.4. Where the Bank knows that an institution is of poor integrity, such donations shall not be supported, or it shall be immediately withdrawn if the Bank learns of any impropriety in such institution.
- 9.1.5. The Bank shall avoid making such donations to an institution or community where it could be perceived as improper or controversial.
- 9.1.6. Any sponsorship intended or extended by the Bank should be for an ethical and lawful cause and should not be to gain improper advantage or business contract or permit.



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9.1.7. All such donations can be approved by the Chief Executive Officer (CEO) only in a transparent manner and shall be subject to audit scrutiny subject to the DHI Donation Policy.

9.2 Political Donation

9.2.1 Any form of donations for political purposes is prohibited, whether it is directly to a political party or candidate or indirectly to a related organization or a party worker or a related person.

10. National wellbeing

The Bank shall always:

- 10.1. put the national interest before those of the Bank's;
- 10.2. give priority to the Bhutanese in terms of employment in the Bank;
- 10.3. abide by the laws of the land and cooperate with the law enforcement agencies in any manner required; and
- 10.4. safeguard the environment and ensure there is little or minimum pollution to the environment as a result of the Bank's business.

11. Reporting and Redressal

- 11.1. An employee experiencing or in knowledge of any of the abovementioned forms of bribery must report to the Management through the Supervisor immediately.
- 11.2. A client/customer experiencing or in knowledge of any form of the abovementioned forms of bribery has the duty to report to the Management immediately.
- 11.3. Such reporting can be also done confidentially through suggestion box, emails, and any other means made available from time to time.



- 11.4. The Risk and Compliance Division shall carry out an assessment of vulnerability of various functions and employees to corruption and bribery and report to periodically to the Management and Board Risk Management Committee quarterly.

12. Penalty

- 12.1. An employee found guilty of breaching any of the provisions herein shall be liable for penalty ranging from reprimand to termination depending upon the degree and circumstances leading to the offence as per provisions of the BOBSR.
- 12.2. A client/customer found guilty of breaching any of the provisions herein shall be liable to be blacklisted.

13. Declaration of Assets and Liabilities

- 13.1. The Bank shall ensure that all its employees declare their assets and liabilities as per the Assets Declaration Rules of the Anti-Corruption Commission.

14. Declaration of Gifts and Hospitality

- 14.1. The Bank shall be guided by the extant Gifts Administration Rule of the Anti-Corruption Commission.

15. Confidential Information

- 15.1. Employee of the Bank must not disclose any information of confidential nature which they have gained as part of their roles and responsibilities unless required by the law of the country, both while in service and afterwards;
- 15.2. Employees must exercise caution and reason when faced with such situations and avoid both asking for and sharing such information.



16. Immunity

- 16.1. An employee reporting such an incidence shall be protected from being targeted unfairly or being victimized in any manner.

17. Disciplinary Sanctions

- 17.1. The Bank shall impose on its employees for breaching this policy the following sanctions depending upon the nature and circumstances as determined by the Management as per the chapter on Administrative Discipline Rules and Regulations in the extant BOBSR:
- 17.1.1. Termination of employment;
 - 17.1.2. Compulsory retirement;
 - 17.1.3. Demotion;
 - 17.1.4. Withholding of promotion;
 - 17.1.5. Withholding of the annual increment;
 - 17.1.6. Reprimand; and
 - 17.1.7. Re-assignment of duties.

18. Accountability

- 18.1. The general accountability shall be with the CEO of the Bank;
- 18.2. The supervisory accountability shall be with each supervisor concerned; and
- 18.3. The specific accountability shall be with each employee.
- 18.4. At the lower levels, the Heads of Divisions and Branch Managers shall be responsible to ensure business is conducted based on this policy at all times.

