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**NATURAL RESOURCES DEVELOPMENT
CORPORATION LIMITED**



NRDCL BUSINESS CODE OF CONDUCT.

Table of Contents

1. Principle of Business Integrity	2
2. Commitments	2
3. Risk assessment of posts or activities vulnerable to corruption	4
4. Conflicts of Interest	4
5. Prohibition of Bribery	4
6. Prevalent Forms of Bribery	4
6.1 Gifts, Hospitality and Expenses.....	5
6.2 Facilitation Payments.....	5
6.3 Political Contributions	5
6.4 Charitable Contributions and Sponsorships	5
7. Lobbying	5
8. Accuracy in Representation	6
9. Warranties	6
10. Financial Controls	6
11. Communication and Training	6
12. Human Resource	7
13. National Wellbeing	7
14. Enquiry and Reporting Channels	8
15. Monitoring and Review	9
16. Non-disclosure of confidential information	9
17. Disciplinary Sanctions and Accountability	9

1. Principle of Business Integrity

Natural Resource Development Corporation Limited (NRDCL) is committed to developing and implementing our business code of conduct to strengthen and promote integrity. Our company embraces honesty, transparency and legitimacy in all transactions and actions and strive for the highest level of ethical standards, morality and integrity within the organization. Integrity is one of the fundamental values of the NRDCL and every employee, officer and the management must act towards achieving high levels of integrity at all times.

We believe that an individual who has integrity lives his/her values in relationship with coworkers, customers and stakeholders and draw others attention to them because they are trustworthy and dependable; whereas, an individual's dishonesty could jeopardize the prestige of our Company. Thus, our business code of conduct is developed to enhance and ensure the practice of high levels of integrity, transparency and honesty by every individual at every level in the company. Towards this, all employees of NRDCL will commit to abide by the following key principles and core values:

- Transparency and accountability: Be disciplined, transparent and accountable for our decision, behavior, attitude and result.
- Integrity and honesty: Be fair, honest and ethical in what we seek to do and how we deliver as an organization.
- Productivity and efficiency: Strive for high-level of productivity and efficiency.
- Innovation and creativity: Be creative and innovative in improving the services and technologies to realize our strategic goals(vision, mission and objectives)
- Commitment and teamwork: Be personally committed and take part in working as a team with common values and goals.
- Respect and fairness: Hold others in high- esteem. All job and people are important. Do not take advantage of people. View people as an end in themselves, not a means to an end. Behave in accord with our high standards of respect and fairness.
- Health and safety: Be conscientious in promoting the health and safety of our people, community and environment.
- Use good judgment and high ethical standards in all business dealings.
- Abide by applicable laws, rules and regulations of the Kingdom of Bhutan.
- Promptly address any actual or potential violation of the Code.

2. Commitments

NRDCL commits to conduct its activities and business in accordance with high moral standards, integrity and fairness. We have signed the Corporate Integrity Pledge with Anti-Corruption Commission of Bhutan, and are committed to taking a zero tolerance approach to corruption and establishing a reputation of having high integrity, reliability and trust-worthiness for the company.

At the top-most level in the company, the Board of Directors and senior management will demonstrate our strong and active commitment to ensure implementation of the business code of conduct, in both letter and spirit. The CEO will take personal ownership and ensure its effectiveness.

We pledge:

- 1.1. To our customers: To strive for high-level of service delivery and efficiency, and to be fair and honest in our dealings.
- 1.2. To our employees: To provide a conducive and safe working environment, provide professional development, and to treat all with equity, respect and fairness.
- 1.3. To our shareholders: To increase value for the shareholder through improved performance and efficiency, and fulfil the important mandates that the company has been entrusted with.
- 1.4. To our environment: To care for and sustainably manage our natural resources for long term sustainability and for the benefit of our future generations.

All the employees of NRDCL will bear the duty and responsibility to read the Code, understand what it means and apply the principles set forth in light of its intent.

The principle of business integrity are the building blocks for our Policies and Procedures and thus, guide our actions. They provide a common framework for how we interact with our colleagues, conduct business with our partners and suppliers, and serve our customers. In implementing the general principles of business integrity, NRDCL shall:

- a) Practice Good Governance holistically and carry out our obligations with integrity, honesty and responsibility.
- b) Abide by the general laws and regulations of Bhutan, and in particular, laws and regulations regarding corruption.
- c) Avoid working with businesses, which are suspected to be involved in unlawful activities, in particular fraud, corruption, and use of illegal workers, exploitation and pollution of environment.

- d) Develop and maintain policies, controls and procedures to identify, manage and monitor actual, perceived or potential conflicts of interest, which may pose corruption risks and should make the employees declare conflict of interest.

- e) Adhere to the Companies Act of Bhutan 2016, Corporate Governance Code of DHI and other statutory requirements

3. Risk assessment of posts or activities vulnerable to corruption

Natural Resource Development Corporation Limited like any other business organization is vulnerable to many forms of risks. It is exposed to operational risk, financial risk, compliance risk; strategic risk and data risks. The company practices risk profiling, maintains risk registers, and implements the mitigation measures. Besides the above risks, NRDCL is also vulnerable to different forms of corruption risks such as bribery, kickbacks, money laundering, embezzlement; abuse of power, favoritism, and nepotism. It is also exposed to making false claims, misuse of company assets, trading in influence, possession of unexplained wealth and others. The company will carry out corruption risk assessment annually and profile the risks based on the magnitude (significance), likelihood and institute measures to mitigate high corruption risks to promote justice and harmony in the company.

4. Conflicts of Interest

Conflicts of interest may be detrimental to the company and its personnel alike and must always be declared. Natural Resource Development Corporation Limited requires our board of directors and employees to declare any conflict of interest between their personal interests and professional duties as soon as conflict becomes apparent for consideration and appropriate action by the management. Employee must declare their conflicts to their immediate supervisor or the head of HR. Top management and board of directors must declare conflict of interests to the chairman of the Board. COI declaration form is attached as annexure 1.

5. Prohibition of Bribery

Natural Resource Development Corporation Limited prohibits bribery in all business transaction that are carried out directly or through third parties, including but not limited to our agents, representatives, consultants, suppliers, contractors or any other intermediary under our effective control.

6. Prevalent Forms of Bribery

Following are the main risk areas which have been recognized as activities leading to corruption;

6.1 Gifts, Hospitality and Expenses

Natural Resource Development Corporation Limited does not allow the giving of lavish gifts, hospitality, travel, entertainment or other items to win or retain business. Likewise, our personnel of all levels must not accept such items, or any other means by which external parties may seek improper effect on the outcome of a business decision or secure an improper advantage. The gifts rules will be strictly complied. Gift disclosure form is attached as annexure 2.

6.2 Facilitation Payments

Natural Resource Development Corporation Limited does not allow the use of facilitation payments to expedite the processing of routine actions by other parties with relation to operations, in accordance with ACAB 2011. In the event that we are asked to make such a payment by any public official, we will refuse to do so and report the incident to the Anti-Corruption Commission.

6.3 Political Contributions

Natural Resource Development Corporation Limited does not allow direct or indirect contributions to political parties, organizations or individuals engaged with politics, as a subterfuge for bribery to obtain any advantage in business transactions. All payments to political parties shall be recorded and will be made to party's official bank account. NRDCL commits to be transparent should we make political contributions.

6.4 Charitable Contributions and Sponsorships

Natural Resource Development Corporation Limited does not allow the use of charitable contributions and sponsorships as a subterfuge for bribery to obtain advantage in business transactions. All charitable contributions and sponsorships shall be made ethically and transparently and charitable contributions of the company are subject to the Corporate Social Responsibility (CSR) charitable contribution budget limit as per the DHI guideline on Corporate Governance.

7. Lobbying

Closely related to making political donations, lobbying occurs where parties representing a specific company or interest approach people in the Government and request that their concerns and expectations be included in the formation of Government policy and decisions. Lobbying is legal in many countries, and indeed forms a natural part of the democratic process, but as with political donations this should be done openly and transparently and without use of incentives to create obligation or exert undue influence.

Natural Resource Development Corporation Limited will only lobby political parties or politicians openly and transparently, in representing the legitimate interests of itself and its stakeholders. Lobbying will not be done using methods intended to create obligation or exert undue influence. The Management and the Board will ensure that such activities carried out will serve the interest of the larger public and stakeholder's interest.

8. Accuracy in Representation

Natural Resource Development Corporation Limited will be truthful and accurate regarding our capabilities, goods and services when quoting or bidding for work. We will ensure that our invoices accurately represent the goods and services delivered, and the items are to the required specification.

9. Warranties

Natural Resource Development Corporation Limited provides natural resource products and related services to the customers. As these products are mostly extracted from nature and are perishable in nature, it would not be possible to provide the regular warranties for goods and services. Nevertheless, NRDCL commits to provide the best quality possible under the given situation and ensure value for money for the goods and services provided.

10. Financial Controls

Companies which are not in control of their finances are prone to fraud and corruptions. NRDCL ensures our finances are managed well, funds are not being misused for bribery and that the appropriate taxes are being paid to support the important work of the Government. NRDCL manages our finances in a legal and compliant manner, in line with Bhutan Accounting Standards and other measures that best suits the company. This includes our commitment to:

- a) Develop and maintain a system of financial controls comprising accurate and transparent reporting mechanisms.
- b) Properly and fairly document all financial transactions in appropriate records to ensure that they cannot be used for the purpose of engaging inappropriate activities.
- c) Ensure that there are no ‘off the books’ transactions conducted, and that all financial dealings are recorded accurately and completely.
- d) Ensure that accurate and complete records are submitted to the tax authorities, and all due taxes are paid in a timely manner.
- e) Subject the system of controls to regular audits, both internal and external.
- f) The procurement process will be guided by the Procurement Manual of NRDCL.

11. Communication and Training

For an effective program, it is essential that the company’s directors, employees, agents, suppliers and other parties it works with know and understand its position regarding the areas covered by its tailored code. Communication to its major stakeholders both internally and externally should be done on a regular basis to ensure that all parties understand what to expect of the company and

how to act in accordance with the tailored code. Periodic training may be required for its own staff who have identified to be in positions prone to corruption during the risk assessment.

Natural Resource Development Corporation Limited will develop and maintain an effective communication of our Programme for strengthening integrity. We will include our personnel of all levels, and external parties such as suppliers, customers, agents, business partners and other relevant entities we interact with. We will provide effective training on the requirements of our Code of Business Conduct for key staff at all levels of our operation and with our agents, contractors and suppliers where appropriate.

12. Human Resource

Corruption is a matter of human behavior. Embedding the requirements of the tailored code in the HR practices of the company is where the main effectiveness of the Programme is established. The company should consider its HR practices, identify where integrity can be identified and supported, and build the right policies and procedures to ensure that integrity is rewarded and corruption is heavily penalized. Creating a good working environment also increases productivity, aids recruitment and helps ensure that the company retains good quality staff. Natural Resource Development Corporation Limited will:

- a. Reflect our Programme in our human resource practices, so that integrity is encouraged and corrupt behavior in any form is not tolerated.
- b. Make compliance with our Programme mandatory for all directors and employees and apply appropriate sanctions for violation of the Programme.
- c. Make clear that no employee will be subjected to demotion, penalty, or any other negative consequence for refusing to pay bribes, even if the refusal may result in the business incurring a loss.
- d. Safeguard the welfare of our employees, by providing a satisfactory working environment, fair treatment and due assistance for career development.
- e. Ensure that appropriate checks on the integrity of the candidate for recruitment, promotion or posting are maintained.
- f. Use our performance review process to evaluate employees and reward them on what they achieve and how they achieve them.

13. National Wellbeing

As the economy of the Bhutan develops, the business sector will play an increasingly important role in maintaining the Gross National Happiness Index. Each company will have its part to play

in enhancing the state of national well-being. The company should therefore include a statement regarding its way of doing business to support this objective.

Natural Resource Development Corporation Limited will:

- a. Use local resources, workers and subcontractors wherever possible.
- b. The availability of business will be made transparent and will be announced through various Medias to ensure that everyone gets an equal opportunity to participate.
- c. Safeguard the environment, avoid unnecessary wastage and prevent pollution arising from our activities wherever possible.
- d. Conduct tree plantation programme occasionally for the wellbeing of the environment.
- e. Cooperate with the national law enforcement authorities on matters relating to the investigation and prosecution of offences under the national laws of Bhutan.

14. Enquiry and Reporting Channels

It is often the case that the lower and middle ranking staffs of the company know of potentially destructive practices, which are occurring long before the senior management find out about it. If these behaviors go unchecked, the company may suffer severely due to leakages, loss of moral, or even damage resulting from a public disclosure, investigation and prosecution. It is therefore vitally important that the company establishes and maintains confidential reporting channels so that employees can flag items of concern without putting their position with their colleagues and superiors in jeopardy. Such reporting channels may be by telephone, online form, email, letter or some other means. The management should ensure that such reports are kept highly confidential, with an established procedure for the review, investigation, reporting and action, and a whistle blower protection policy is in place and enforced.

Natural Resource Development Corporation Limited will develop and maintain accessible, secure and confidential channels for all staffs and external parties to raise concerns, seek advice, or report violations (“whistle-blowing”) without risk of reprisal. We will encourage our staff to report through these channels or other confidential means if they know of instances of behaviour affecting the company, which is inconsistent with this Code or is in some way unlawful, improper or unethical. All reports made on reasonable grounds and in good faith will be investigated, with appropriate remedial action taken in a timely manner. The identity of the whistle blower will be protected and we will ensure no prejudice is caused and the career is protected of the person making the report.

15. Monitoring and Review

In order to keep the Programme up-to-date and robust, the company should conduct regular reviews and identify improvements to be made.

- a. NRDCL will remain dynamic in its business conduct and will consider changing its business practices periodically to remain, ethical, responsible and innovative to support GNH.
- b. The management will monitor and review the Business Code of Conduct annually and implement improvements as required to maintain the strength of the system, taking into account relevant developments in national, international and industry laws and standards.

16. Non-disclosure of confidential information

In order to maintain confidentiality of the confidential and proprietary information of the company, employees should take all necessary precautions against disclosure of such information to third parties and due approval should be taken in disclosing such information to any third parties. The confidential and proprietary information of the company will consist of but will not be necessarily limited to:

- Technical information: methods, process, systems, financial, techniques, inventions, machines, computer programs,
- Business information: Customer list, pricing data, sources of supply, financial data and marketing, or merchandising systems or plan.
- HR information
- Meetings information of Board and Management, □ Legal information.

17. Disciplinary Sanctions and Accountability

No programme will be effective without the use of disciplinary sanctions, which can be applied in the event of an incident having proved to occur. NRDCL makes clear to all parties the measures it is prepared to take against its personnel of all levels found to have violated the code, whether intentionally or not. The sanctions should be sufficiently varied to allow for minor infringements to be dealt with humanely, but in the case of major misconduct, for the person to be subject to the severe penalties necessary to ensure the problem is dealt with thoroughly and to prevent reoccurrence.

Natural Resource Development Corporation Limited will establish suitable procedures to ensure the enforcement of the Code. Disciplinary actions for violations of the Code and other forms of illegal or unethical behavior include:

- i. Withhold annual increments
- ii. Termination of employment;
- iii. Compulsory retirement;
- iv. Suspension;
- v. Withholding of promotion for minimum one year
- vi. Withhold HRD events for minimum one year
- vii. Demotions;
- viii. Re-assignment of duties;
- ix. A reprimand; or
- x. Legal action in Court of Law.

Natural Resource Development Corporation Limited empowers and holds responsible the Senior Management to ensure the respective business operations under their control are conducted in line with the Code.