



CORPORATE SOCIAL RESPONSIBILITY

Guideline for Undertaking Corporate Social Responsibilities by DHI
Portfolio Companies- 2016

Second Edition

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TABLE OF CONTENTS

1. INTRODUCTION.....	2
2. CSR GUIDELINE APPLICABILITY.....	2
3. CATEGORIES OF CSR ACTIVITIES.....	3
4. CONDITIONS FOR CSR CONTRIBUTIONS.....	4
5. FUND MOBILIZATION FOR CSR CONTRIBUTION.....	5
6. APPLICATION PROCESS TO AVAIL THE CSR CHARITABLE CONTRIBUTION FUNDING.....	5
7. CSR MONITORING AND REPORTING REQUIREMENTS.....	6
APPENDIX I CSR FUND APPLICATION FORM.....	7

1. INTRODUCTION

Corporate Social Responsibility (CSR) represents the obligations of business to align its actions with the objectives and values of society as a whole. It considers the surrounding environment and the communities within and outside of its business premises. In recent times, a commitment to CSR has become an important part for doing businesses. More importantly, as the commercial arm of the government, DHI acknowledges its responsibility to deliver and set precedence for sustainable CSR guided by the country's development philosophy of Gross National Happiness (GNH).

DHI introduced the first guideline on CSR in 2013. The CSR Guideline is revised to incorporate the improved practices of funding CSR that have been adopted since the issuance of last Guideline. Moreover, the Parliament passed the new *Companies Act of Kingdom of Bhutan 2016* which requires all companies to maintain **Corporate Social Responsibility Fund**. The respective Company Board is expected to administer the CSR fund in line with the regulations issued by the Regulatory Authority. Until such time the Authority issues clear regulatory guidelines of the use of CSR fund, this Guideline shall serve as the guiding CSR framework for DHI and its companies.

As CSR evolves across the nation, DHI commits to lead by measuring and reporting on non-financial indicators to allow DHI and its portfolio companies to be better stewards of the environment and responsible members of the communities and society in which they operate.

In addition to creating added value through their core business activities, CSR requires that companies take additional efforts to create shared value to the society at large. For DHI and its portfolio companies, this will translate most importantly to the consideration of social and environmental issues while making decisions, and to maintain transparency in accepting and reporting the environmental and social impacts of its actions to all stakeholders. An important aspect to note however for DHI and its portfolio companies is that the dividends provided to the Ministry of Finance will ultimately enable the Government to support social causes on a much larger scale.

2. CSR GUIDELINE APPLICABILITY

This Guideline on CSR has been developed for DHI and its Owned and Controlled Companies (DOCs & DCCs). DOCs and DCCs shall use the CSR guiding framework in this document to guide their CSR activities. Other DHI subsidiary companies are encouraged to utilize the guidelines provided within the document in forming their own CSR framework.

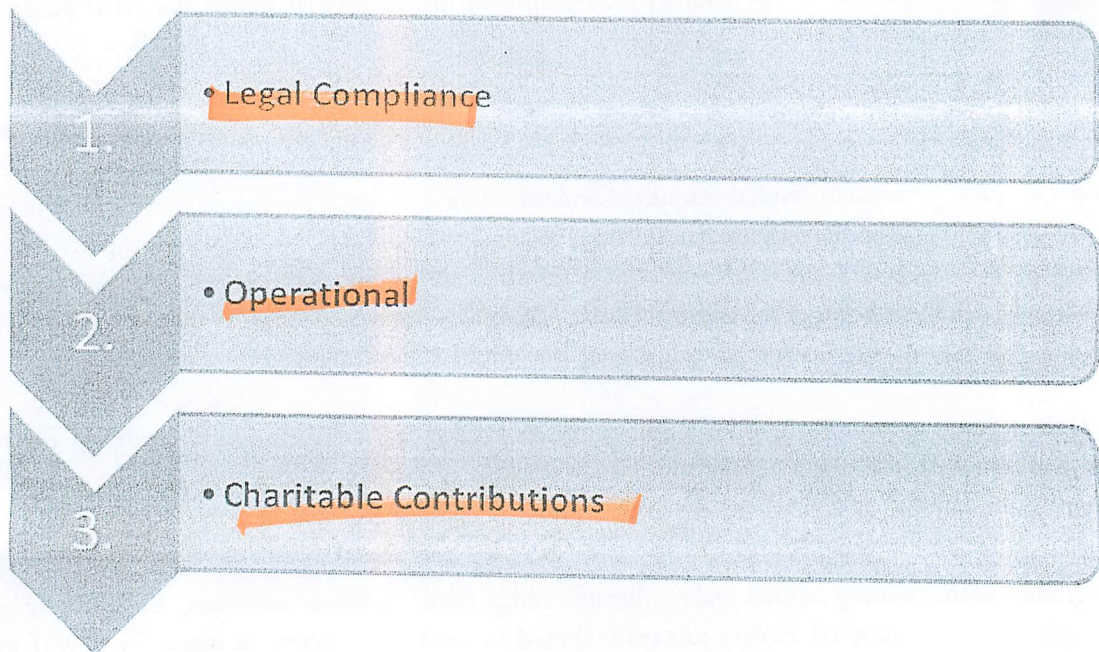
CSR activities is categorised into three groups- Legal Compliance, Operational and Charitable Contributions (see Section 3). The focus of this Guideline is to provide framework for administering funding of CSR activities under Charitable Contributions.



3. CATEGORIES OF CSR ACTIVITIES

CSR activities within the companies shall be divided primarily into three basic categories that determine the nature of the activities in relation to the core business activities of the company.

Categories of Corporate Social Responsibility:



3.1. CSR-LegalCompliance

Company may be required to carry out CSR activities as part of social and environmental standards that are imposed by law. All CSR activities that are either social or environmental legal requirements are classified as CSR–Legal Compliance activities. Activities in this category include for example land reclamation and tree planting for industrial companies. Some companies may also enter into specific agreements with the government to meet certain social and environmental goals. Activities that are part of compliance with such relevant laws and regulations may be considered a part of the company’s CSR.

3.2. CSR – Operational

Companies may carry out activities that do not necessarily fall within the core business activities of the company, but in the long-run generate a return on investment for the company. Activities may include, for instance, initiatives to reduce consumption of energy and water, reduce waste, or manage ecosystem services such as watersheds for the long-term benefit of the company, etc. Any of these activities may require initial financial investment but will generate return on investment in the longer term shall be considered as CSR Operational.

The budget for the above two CSR categories shall not be considered as CSR contributions.

3.3. CSR –Charitable Contributions

Companies may provide funding to support proposals received for charitable/philanthropic activities. This Guideline is primarily prepared to provide systematic framework for funding of CSR activities under Charitable Contributions. CSR under Charitable Contributions may include the following activities:

- Supporting philanthropic or social initiatives by government agencies, NGOs and communities.
- Supporting restoration and renovation of religious sites (lhakhangs, monasteries, temples, etc.).
- Sponsoring cultural or sporting events.
- Supporting schools, students, events, workshops, conferences, etc.
- Contributing for natural disaster relief activities or medical emergencies.
- Contributing for events or celebrations of national significance.

In addition to monetary contributions, non-monetary contributions such as in-kind donations, discounted or free services, etc. may also be carried out by the company.

4. CONDITIONS FOR CSR CONTRIBUTIONS

Company management must put in place process for identifying and screening the requests for CSR funding. At a minimum, any CSR initiative must satisfy the following conditions:

- i. The project is deemed feasible and can be realistically achieved
- ii. The project will have a high impact on key stakeholders
- iii. The project proposal is sufficiently developed, including a budget and timeline.
- iv. The proposing individual/organization has submitted evidence of credibility and reputation.

DHI and its portfolio companies will not support certain types of activities. Following is the list of activities or causes that will not be eligible for CSR funding.

- i. CSR fund shall not be directed towards **political parties or political causes.**
- ii. Shall not fund activities that appear to support the vested interests of the company's

- management, Board or individual employees.
- iii. Employees and their families may not be the direct beneficiaries of the company's CSR funding.
 - iv. Shall not support CSR activities that may create dependency or long-term obligation. CSR activities must have a clear end result with no expectation of recurring funding beyond the initial agreement.
 - v. CSR funding shall not duplicate projects or activities undertaken by the government.
 - vi. CSR funds shall not be used to support normal commercial activities of any individual or organization.

5. FUND MOBILIZATION FOR CSR CONTRIBUTION

The CSR budget allocation for the companies may be discussed in forums such as Chairmen's Forum and CEOs RTM. Individual companies shall allocate separate budget for CSR in the annual budget. The Board of the company may set the threshold for the annual CSR budget. The budget shall be specifically for cash donations, and shall not include in-kind contributions, discounted services, or volunteering services.

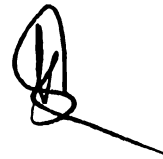
To create larger impact and where the contribution required is substantial, companies under the umbrella of DHI shall contribute the fund as a group. Group contribution may be necessary to support towards events of national significance such as natural disaster relief and other state emergencies. For this, DHI shall coordinate the mobilisation of the fund. DHI shall work out the share of contribution of individual companies based on criteria such as profitability, net worth etc. of the company and DHI's equity holding pattern in case of linked companies.

6. APPLICATION PROCESS TO AVAIL THE CSR CHARITABLE CONTRIBUTION FUNDING

- i. Application for CSR funding should be submitted to the company as per the standard CSR Fund Application Form (see Appendix 1).
- ii. The CEO or the Chairman of the Board shall review the proposal and sanction the amounts that are within the limit prescribed in the Delegation of Power of the CEO and the Chairman. For those projects/proposals that are above the amounts delegated to the CEO or Chairman, the management shall submit to the Board for approval.
- iii. For the joint funding support, DHI shall coordinate with the respective companies to determine the contribution of each participating companies.
- iv. DHI and companies under the umbrella of DHI shall seek the endorsement of the amount for the joint contribution from their respective Boards.

7. CSR MONITORING AND REPORTING REQUIREMENTS

- i. It is the responsibility of the entity receiving funding to properly monitor and report the CSR activities undertaken using the company's funds. This information will be used to document CSR activities in the company's Annual Report. There will be a designated company official to coordinate with organizations receiving funding to ensure that this information is received in a timely manner.
- ii. Companies should also use proper media-publicity channels to report on the major CSR Charitable contributions they have made. Not only does this help the company build their brand image but also encourages transparency.
- iii. The Annual Report shall include a specific section on CSR outlining all the CSR initiatives undertaken by the company along with the outcomes. The report shall also be inclusive of any initiatives in-kind and subsidies provided by the company.



APPENDIX I CSR FUND APPLICATION FORM

[INSERT NAME OF COMPANY]

[Address Line 1]
[Address Line 2]
[Phone:] [Fax:]
[Email:]

APPLICATION FOR SUPPORT

I. Request

1. Name of Applicant/Organization:

2. Contact Person:

Address:

Telephone Number:

E-mail:

3. Total Amount Requested:

4. If you are applying on behalf of an organization, in the space provided below explain the mission of the organization and describe its most significant activities.

5. Please describe past experiences/initiatives carried out that may be similar to the nature of this proposal.

6. Have you received or anticipate receiving funding for this project/program from DHI or DHI portfolio companies in the past or in the near future? If yes, please list the company:



I. Project Information

1. Title of project/program:

2. Project/Program Summary:

3. Which beneficiaries (will your project support? How many people will benefit from your project and how?

4. Project/Program Schedule (you may provide date of commencement and intended date of completion of the project or program, however, if possible, a detailed project schedule with specific task timeframe is preferred)

5. Project/Program Line Item Budget Required (if possible, please provide specific breakdown of how the funds are going to be used)



I affirm that the information provided herewith is accurate to the best of my knowledge, and should be considered for a charitable contribution, the funds will be applied solely for the support of the specified project.

REQUIRED SIGNATURES

_____ Name of Applicant _____ print name

Date: _____

FOR CONSIDERATION, PLEASE SUBMIT:

- Cover Letter addressed to the CEO/Chairman of [Insert Company Name]
- Duly completed CSR Fund Application Form
- (Optional) A detailed proposal of the program/project for which you are applying