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## **GBCL CREDIT POLICY**

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**GREEN BHUTAN CORPORATION LIMITED**  
**Changzamtog, Thimphu**

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## **Chairman's Foreword**

Dear colleagues, partners, and stakeholders,

With immense pleasure and a profound sense of responsibility, I introduce the "Credit Policy" of Green Bhutan Corporation Limited. As the Chairperson of our esteemed organization, I am honoured to present this critical framework that will serve as a keystone in our journey towards sustainable growth and prosperity.

At Green Bhutan Corporation Limited, our vision extends far beyond mere financial success. We are committed to making a meaningful contribution to the well-being of the people of our beloved nation, Bhutan while promoting responsible business practices and preserving our unique environment and rich biodiversity. As we pursue this vision, we recognize the pivotal role that a well-structured and thoughtfully designed Credit Policy plays in achieving our goals.

This document signifies a culmination of collaborative efforts and the collective wisdom of our dedicated team. It outlines the principles and guidelines that will govern our approach to extending credit to our valued customers, partners, and stakeholders. Our Credit Policy underscores the importance of fairness, transparency, and responsible lending practices, which are essential to our corporate philosophy.

As we introduce this Credit Policy, we remain committed to continuous improvement and adaptability. It is not a static document but a living framework that will evolve in response to the ever-changing dynamics of the business world. We will evolve and refine our strategies as needed, always with a focus on serving the best interests of our stakeholders and our nation.

I would like to extend my heartfelt appreciation to the Green Bhutan Corporation Limited team, whose unwavering dedication and tireless efforts have made this document a reality. I am confident that, with this Credit Policy as our guide, we will continue to make a positive impact on our environment, our community, and the Bhutanese economy.

In conclusion, I encourage all stakeholders, both within and outside our organization, to familiarize themselves with this Credit Policy. Let it serve as a testament to our commitment to responsible business practices and our determination to build a sustainable and prosperous future for Bhutan.

Thank you for your continued trust and support as we embark on this exciting journey together.

With warm regards,



(Dorji Dhradhul)

**Chairperson**

Green Bhutan Corporation Limited

## **1. Introduction**

Green Bhutan Corporation Limited (GBCL) is a state-owned enterprise under the Companies Act of the Kingdom of Bhutan 2016, which was established in 2017, mainly to develop clean and green landscapes with climate-smart interventions contributing to a healthier natural environment and socio-economic development.

Though GBCL is mandated with business and social responsibilities, it does have a business on plantations, landscaping and greening, developing establishing and running recreational parks, and supplying saplings (trees, Horti, flowers, etc.).

Trade/service credit is a powerful selling service, and is a fundamental foundation upon which all business relationships are built, especially in today's rapid development and fast-changing world. One of the ways of improving our customer relationship and service efficiency is by rendering credit facilities as without customers, there can be no business at all.

In order that credit sale and therefore a collection of receivables is done objectively and effectively, a written policy should be adopted to control the risk it assumes when it extends credit. In the absence of a credit and collection manual, credit decisions are likely to be biased and subjective. Secondly, there would not be a systematic and uniform procedure for the realization of Accounts Receivable. Therefore, having written credit for the company is very important. Hence, this policy is developed.

## **2. Objectives**

The primary objective of the Credit Policy is to clearly define the company's credit and collection policies and procedures that are in sync with the company's overall objectives to accomplish its vision and mission.

The specific objectives of the policy are to;

- Formalize the credit facilities that Green Bhutan Corporation Limited provides to its customers
- Ensure consistent credit decisions so that all customers are treated fairly with quality service
- Establish a uniform system of realizing Accounts Receivable with standard procedures
- Ensure timely collection of Accounts Receivable and mitigate the risk of default

All credits must be made in accordance with the provisions of the Public Finance Act of Bhutan 2007 (amended 2012)

## **3. Code of Conduct**

- The Credit Officer (CO) shall always behave dutifully toward customers.
- When meeting/ telephonic calls or in any discussions with clients, CO should start by greeting and saying his/her own name (showing identification as appropriate) followed by the name of the Office or Region.
- The Credit Officer should keep the appointments that she/he has made. If for any reason s/he should not be able to do so then the customer(s) in question must be notified in good time.

- CO should maintain a professional distance in his/her dealings with customers. She/he should always bear in mind the fact that if problems arise, she/he will have to scrutinize the borrowers' activities and may have to initiate legal proceedings. This is a particularly important consideration in cases where the applicant is known to the Credit staff - and indeed, if the case is essential that the application be handled by a different Credit Officer.
- All information regarding the customer is to be treated in strict confidence. Confidentiality includes taking care not to store files in places that are easily accessible to the public.
- Orderly file management makes it possible to get more work done in the same amount of time, which ultimately has a positive impact on operations.
- Any violation of this Credit Policy shall be subjected to disciplinary action as prescribed in the Service Rules and Regulations of Green Bhutan Corporation Limited.
- If problems occur, and possible errors have been made, they should not be covered up.

#### **4. Commencement**

This Credit Policy of the Green Bhutan Corporation Limited shall come into effect from and shall supersede all previous credit policies, regulations and guidelines pertaining to Credit.

It shall however be a living document, routinely updated in response to the changing economy, market conditions, and the competitive business environment.

#### **5. Credit Eligibility**

The following category of customers are eligible for the credit facility;

- a) Bhutanese individual who is reliable and with a high net worth
- b) Authorized Retailers of existing and future
- c) Private and Public Companies
- d) Sole proprietorship and Partnership firms with good business track record
- e) Government and Government Autonomous agencies
- f) Any other CDB/Trade certified firms
- g) Registered dealer, stockiest or institutional clients

#### **6. Credit Officer (CO)**

The CO for GBCL shall comprise of the following:

- The General Manager, Operation Department
- The Regional Manager of the Respective Regions
- The aforementioned Credit Officers shall act as a link between the clients and the Corporation and be responsible for initial contact with the client.
- The Credit Officers shall conduct all required due diligence/ preliminary appraisal of the potential client and approve credit within his/her approval limits only

#### **7. Credit Authorities**

### **7.1 Board of Directors (BoD)**

The Board of Directors have the overall responsibility for the credit policy including the endorsement of the subsequent revisions. Other specific responsibilities shall include the following:

- Endorsing significant revisions to credit policy.
- Approving credit management structure including the level of delegation.
- Approving write-offs, in excess of the limits delegated to the Credit Committee (CC) chaired by the CEO.
- Approving all credits in excess of the limits delegated to the CEO.
- Approving provisions for non-performing credits based on a presentation by the management to the Board and in line with existing fiscal norms.

### **7.2 Chief Executive Officer (CEO)**

The CEO is responsible for reviewing and recommending all credit items which are to be submitted to the Board of Directors and;

- Approve all credits, which are within her/his approval limit.
- Review credit-related systems and their implementation.
- Monitoring portfolio risk and managing decisions to improve the credit process.
- Reviewing and recommending write-offs to the Board based on the presentation of the Internal Audit Unit (IAU), Administration and Finance Department (AFD).
- Ensuring implementation of all credit policies and procedures.

### **7.3 Corporate Credit Committee (CCC).**

The Corporate Credit Committee shall be the highest advisory body on all matters related to credit. The CEO chairs it or a member appointed by him/her. Members of the CCC include the CEO/Appointee and heads of all the sections.

The Committee shall meet once every quarter or whenever necessary based on need.

The quorum of the CCC shall be one-third of the total strength with the decision of the committee taken by majority vote in favour of any resolution with the Chair of CCC casting a second vote in case of equality of votes.

All extensions of credit approval limits must be recommended by a majority of at least three authorized members of the CCC which must include the CEO/Appointee, and the Internal Audit.

Other responsibilities of the CCC shall include reviewing for referral to the CEO, all credit and credit-related issues as follows:

- Credit-related systems and procedural issues.
- Issues affecting credit process efficiency and/or effectiveness.
- Review suggestions/feedback to the Credit Policy as may be submitted by any staff/unit/customers.

### **7.4 General Manager**

The General Manager of the Operation Department shall be responsible for planning, organizing, leading and controlling the credit function of the Corporation. His/her responsibility shall include:

- Day-to-day management of the credit and credit staff.
- Monitor the credit sales and credit recovery on a frequent basis to avoid disputes, bad debts and long-over dues.
- Ensure timely recovery of credits through proper directives and monitoring system.
- Ensure that the credit extended is within the given authority.

- Update the Management on a fortnightly basis on the status of the credit and credit recoveries.
- Delinquency management for defaulting customers even after repeated reminders.

#### **7.5 Regional Manager (RM)**

The Regional Manager will be responsible for the supervision of Green Bhutan Corporation Limited credit administration and the overall performance of the portfolio at the respective region. This shall include:

- Ensuring policies and procedures are adhered to at the Offices including conducting field studies, credit application and appraisal process
- Delinquency management
- Identifying problematic credits proactively and finding ways of mitigating the risks.
- Update the Management through the GM, Operation Department on a fortnightly basis on the status of the credit and credit recoveries in the region.

### **8. Credit limit and sanctioning authority**

Credit facility to the above list of eligible customers shall be extended as per the following limits fixed for various business units after seeking approval from the concerned authority.

#### **8.1. Credit limit and sanctioning Authority**

Sl. No.	Credit Amount	Sanctioning Authority	Ceiling Amount
1.	Up to Nu. 200,000	Regional Manager	Maximum credit limit is Nu. 600,000
2.	Nu. 200,000/- < Nu. 800,000	General Manager	Maximum credit limit is Nu. 1,000,000
3.	Nu. 1,000,000/- <10,000,000	CEO	Maximum credit limit is 15,000,000

#### **8.2 Credit Term**

Sl. No.	Credit Term	
1.	30 days (plus 10 days grace period)	Credit terms shall be calculated from the date of billing

- Extension of credit amount and credit period beyond credit and credit term will be authorized by the CEO.
- In case the applicant produces a bank guarantee the credit term shall be extended up to a maximum of 12 months.
- In case the customer makes some down payment, the credit term shall be as follows;

<b>Down Payment</b>	<b>Credit term</b>
30% of sale value	40 days
40% of sale value	50 days
Above 50% of sale value	60 days

## 9. Roles and Responsibilities of the Credit Authorities:

The following shall be the duties, rights, roles and responsibilities of the Credit Officers of GBCL:

### 9.1 General Manager

- Reports to the CEO.
- Plans, organizes, leads and controls the credit function of the Corporation.
- Responsible for the day-to-day management and training of the credit staff including the Regional Managers and other credit staff.
- Responsible for routine updates of the GBCL Credit Policy in response to the general economic situation and the financial requirements of the Company with proper rationality and justifications for approval by the GBCL Board and Management.
- Monitor the credit sales and credit recovery on a frequent basis to avoid disputes, bad debts and long-over dues.
- Recommend write-offs for any bad credit that is more than 5 years old.
- Ensure timely recovery of credits through proper directives and monitoring system.
- Stop credit to customers (both new and old) if they are found to be **not creditworthy** based on creditworthiness evaluation reports.
- Ensure that the credit sales extended by the Credit Officers are within their given authority, with any breach brought to their notice for proper and immediate explanation submission.
- Recommend credit limits for potential clients to the CCC.
- Update the management on a fortnightly basis on the progress and status of the credit sales and credit recoveries.
- Decide on lawsuits for customers failing to pay even after repeated reminders by forwarding the details to the Legal Unit for legal action.

### 9.2 Regional Manager (RM)

- Only upon total recovery of the credit outstanding against their names.
- Ensure high standards of invoice accuracy, and handle invoice disputes, deductions and any matters pertaining to billing.
- Coordinate credit collection and review the daily aging report and propose write-offs where applicable.

### 9.3 Supervisors

- Reports to the Regional Manager.
- Authorizes credit terms with the approval of the Regional Manager/ Regional Credit Committee.
- Responsible for evaluating new customers' creditworthiness and re-evaluating the creditworthiness of existing customers before extending any credit. The 'know your customers' (KYC) norms should be duly followed.
- Has the right to accept or reject the credit facility based on rational and proper justifications
- Has the right to restrict/stop the credit sale to customers based on the experience and payment history



- Ensure equal opportunity to all the customers with no single customer giving preference to the entire stock of goods/services.
- Responsible for follow-up and ensuring that credits are recovered within the due dates without waiting for the due date to expire.
- Update/Report to the Regional Manager on a regular basis on the progress and status of the credit sales and credit recoveries.
- Ensure proper accounts for credit sales and credit recovery.
- Ensure not to give excessive credit to any particular customer(s) without evaluating their creditworthiness.
- Responsible and accountable for any credit outstanding and therefore due care must be taken while extending credit facilities to the clients.
- Ensure and obtain credit confirmation from the customers on a quarterly basis and submit to the Regional Manager.
- Ensure and extend credits within the prescribed ceiling and authority only.
- Ensure high standards of invoice accuracy, and handle invoice disputes, deductions and any matters pertaining to billing.
- Review the daily ageing report for the Regional Manager.

#### **9.4 Credit Monitoring Officer (CMO)**

The General Manager will act as a Credit Monitoring Officer until there is a designated CMO.

Reports to the CEO/CCC.

- Contacts the Regional Manager based on credit reports to maintain credit sales and recovery records for submission to the CEO/CCC on a fortnightly basis.
- Monitor the credit sales and credit recovery on a frequent basis to avoid disputes, bad debts and long-over dues.
- Ensure timely recovery of credits through proper directives and monitoring system.
- Ensure that the credit sales extended by the credit officers are within their given authority with any breach brought to their notice for proper and immediate correction and explanation submission.

Implement as directed by the CEO/CCC any activities related to Credit management of GBCL.

#### **10. Credit Procedures:**

A form should be used for recording the credit by the concerned Regional Manager then report monthly to the GM.

Credit Officers are advised to strictly adhere to the following credit procedures while managing credit sales and related activities.

#### **11. Credit period & recovery**

Customers shall be given a period of 30 days (plus 10 days only upon approval of the RCC/CCC) from the date of the invoice to liquidate their dues. The credit officers shall remind and follow up with the customer well in time before the actual credit period

expires. A repeated, persistent, persuasive and constant follow-up should be made as follows:

- Telephonic reminder to the customer every week starting from the first week of the invoice date.
- Written notice reminding the customer to clear the dues within the credit period from the date of invoice.
- Written notice on the 30<sup>th</sup> day reminding the customer that a penalty shall be levied on the outstanding credit amount.

### **12. Credit Confirmation**

The Credit Officers should obtain credit confirmation from all the customers on a quarterly basis with proper documentation and authentication and submit to GM for onward submission to the Finance Section of the GBCL.

The credit confirmation should not be obtained in advance for future dates. It should be signed by customers on a legal stamp and counter-signed by the Credit Officer.

It is advisable for credit officers to obtain confirmation in the presence of at least one witness to authenticate it.

### **13. Penalty**

- A penalty of 2% per month shall be levied on the outstanding credit amount from the date of taking the credit and on the issuance of documents whether a bill or letter.
- Penalty shall be waived off in case of default due to force majeure, the onus for which shall fall on the defaulting customer to prove and submit to GBCL.

### **14. Litigation with customer**

In case of any defaulting customers, the Credit Officer should notify the customer that a case shall be filed in the court of law (Royal Court of Justice based in Thimphu) for recovery/collection of dues including fees for such action added to the customer's account. The details of defaulting customers along with reminders should be sent to head office for litigation.

### **15. Responsibility & Accountability**

Given the full and enormous authority to the Credit Officers to support its sales effort, while maintaining the highest quality of accounts receivable within the Corporation's capacity for risk, the concerned credit officers shall be held "**personally accountable and liable**" for any credit disputes, bad debts and long over dues.

Any credit executed not in conformity with this rule shall be treated as unauthorized and hence shall be revoked by the GBCL Management.

Credit Officers shall be issued a “No Objection Certificate” by the GM, of GBCL for processing their promotions, training and other benefits under the Corporations Service Rule only upon clearing all the dues with GBCL.

#### **16. Write Off (Doubtful & Bad Debt)**

- Credit dues that are more than 90 days shall be written off (as per the provision of the Company’s Service Rules in vogue).
- Regional Managers shall propose for write-offs through the RCC for all credit debts older than five years to the General Manager, for further deliberation in the CCC.
- The write-offs thus proposed shall be deliberated by the CCC and forwarded to the Board of Directors for any debts in excess of the limits delegated to the Credit Committee (CC) chaired by the CEO.

However, this does not mean that the credit officers shall cease to pursue recovery from the customers.

#### **17. Conclusion**

This Credit Policy shall be dynamic to provide GBCL sales personnel more freedom to enhance business through better customer service and customer relationships but at the same time make all credit officers personally and professionally responsible.

This policy will help to enable a clear, streamlined and transparent system of extending credit service and also aims to streamline the credit sales, recoveries and procedures in the hope of enhancing GBCL business and building better relationships with its ever-expanding customers.