

38th Foundation day message

Today is the birth anniversary of His Royal Highness The Gyalsey Jigme Namgyel Wangchuck. On this most auspicious occasion, let's offer our sincere prayers and best wishes to His Royal Highness for good health and happiness, and a long life.

Let's also offer our sincere prayers and gratitude to our Monarchs for our blessings. It was His Majesty the King Jigme Dorji Wangchuck who visioned the establishment of Penden Cement. It was His Majesty the King Jigme Singye Wangchuck under whose command the Company was constituted to bring economic growth, self reliance and prosperity to the Bhutanese people. It's now under the reign of His Majesty the Druk Gyalpo Jigme Khesar Namgyel Wangchuck that the Company is shaping its future for sustainable growth.

On this special day, we are also accompanied by Dasho Sonam Tobgay Dorji, Vice Chairman cum Managing Director of Lhaki Cement, Aum Tashi Pem and other distinguished guests. We thank you for your kind presence with us today on this special occasion.

Coinciding with the Birth Anniversary of His Royal Highness The Gyalsey Jigme Namgyel Wangchuck and the 38th foundation day of Penden Cement Authority Limited, we will be launching Penden's theme song, Penden's caller back ringtone, the 2nd Penden newsletter, the 10 years strategic roadmap document, and the Penden eCare programme. We're also distributing the foundation day gifts to our employees and agents/stockiests in recognition of their hard work and contributions made towards the growth of this company. The foundation gift is not very attractive but we hope you will find it significant. We are also recognizing those employees who have made special contributions to the company and the society at large. These are the employees who have gone out of their ways to contribute proving that *a leader need not have a title*. It must not be understood that other employees have not contributed but there are special human beings amongst all of us that deserve to be recognized separately.

On this day, let's take some time to recap on the history of the Company, and thank all our predecessors:

1965: Prospecting of Limestone was initiated through the Geological Survey of India.

1974: Penden Cement Authority Ltd. was constituted.

1981: Commercial operation of 300 TPD plant commenced.

1982: HRH Ashi Kesang Wangmo Wangchuck inaugurated Penden Cement Plant.

1989: PCAL was incorporated under the Companies Act of the Kingdom of Bhutan.

1993: Optimized plant capacity to 400 TPD with the reduction in air pollution under DANIDA's funding.

1996: Plant capacity augmented to 800 TPD.

1999: Launched Portland Slag Cement (PSC). BIS Product Certification was awarded for OPC-43, OPC-33 grades, and PSC.

2002: Plant capacity augmented to 1000 TPD of clinker production.

2003: PCAL obtained ISO 9001: 2000 certification.

2004: Cement production augmented to 1650 TPD with the launching of PPC in market
2006: Completed 25 years of commercial production and celebrated the Silver Jubilee of the company.
2007: Recognized as the first firm in obtaining “Private Forest Ownership Certificate” in the district towards protection and conservation of the environment.
2010: Introduced enterprise resource planning for business process integration through an online system.
2017: Adopted and implemented all phases of Bhutanese Financial Reporting Standards (BFRS).
2018: PCAL upgraded to ISO 9001:2015 Quality Management Systems. Start of restoration of Uttare Mines and Beema Bamboo plantation. PPC Plus, Penden Premium brand cement was launched in the domestic market.

Given the current challenges faced by the Company, our performance in 2019 is indeed most satisfying. 2019 was also a great year for the team to work on many reforms as we pave our way forward. A notable few are the 10 years’ strategic roadmap, enterprise risk management, performance management system, investment plan, amendments to the service rules, reforms in procurement policies, introduction of technical and safety audits, strengthening of the internal auditing team, establishment of EHSU, introduction of EHS policy and initiation of the predictive maintenance cell to pursue advanced maintenance of the plant. We’ve also introduced many SoPs to improve our system and processes. We’ve also approved the up-gradation of the ERP Axpert system that will be web based, with widget and mobile access besides other decision making tools. This is expected to bring about much needed transparency and efficiency in our business processes. In all these policy reforms, many of you have participated and contributed. For example in the amendments to the service rules which are still under progress, more than 350 employees would have participated in the discussions with the committees. Since 2018, PCAL has adopted the zero corruption policy, which is also one of our key performance indicators. Our belief is that business must be conducted with the highest integrity to sustain in the long term. In the cement plant, we have carried out several rectifications and modernizations to improve plant availability and efficiency. We’re also carrying out intensive explorations of new captive mines for limestone. Most important achievement for 2019 was the approval of the employees’ benefits to our muster roll employees. Now, they enjoy equal benefits in the Company.

A major highlight of 2019 is the implementation of the 300 CUM/day Autoclaved Aerated Concrete (AAC) blocks project, which is scheduled to be commissioned in July 2020. *Penden AAC Eco-blocks* is sand based that is environment-friendly and has several technical and financial benefits as compared to the conventional or the red bricks. Further, the plant is fully automated to ensure the highest quality products. Another major highlight is the Beema bamboo plantation at the Uttare Mines. After the closure of the Uttare Mines in 2016, we have planted Beema bamboo in 2019 for the reclamation of the mines. Beema bamboo has versatile applications such as energy generation or fuel substitute, environmental cleaning, removing of carbon, product manufacturing, and many other applications. Several other diversifications are also being initiated. In 2019, we have recruited directors to head the departments and other qualified employees. Thus, paving a new way forward for the Company as we confront many of the challenges and pursue the opportunities. We’re even more confident to grow bigger and stronger in the years ahead. Therefore, we’re hopeful in 2020. Altogether, it's an exciting time in the history of the Company.

As an ISO 9001:2015 certified company, PCAL has been manufacturing cement for almost four decades and has served its valued customers immaterial of the evolving business environment. Therefore, on behalf of the Shareholders, Board, management and employees, I must thank all our valued customers, our agents and stockiests, and other stakeholders and partners who have supported Penden and became part of the larger family. We look forward to your continued trust and support for eons on.

We must thank our Shareholders and Board for the unprecedented support and guidance. I must also wholeheartedly thank all the employees of PCAL, my colleagues, who have worked very hard day and night and sacrificed their comfort even on weekends and holidays to improve our system and processes. You are the Company's biggest resources and strengths. Since inception, you have worked day and night to build a strong brand reputation "Penden". This brand must live forever.

We always think we are the only ones to work very hard. Today, we must thank all our family members for their love, tolerance and patience in supporting us. Without them, we would have failed miserably.

On this 38th Foundation day, let's also thank the Company which has given us so much. Even though we are paid to do our job, we seldom forget this. We must remember that if not for us, someone would be in our place. As I have always shared with you, let me say again today "Do not serve your CEO nor your supervisors but serve your company well. Your CEO and your supervisors may change but your company is here for a long time. Serving the company means serving the Nation, and serving yourself." Even if some of us do not understand the corporate vision of the company, our collective vision should be that our great-grandchildren's children must work in this company, in Penden Cement Authority. Further, our identity hereafter must not be our position, CEO, director, GM, head, lead, technician, office secretary, faceworker or sweeper, regular, ESP/GSP or muster roll, but our identity must be how well, how passionately we serve this Company.

For 2019 performance achievement, I would like to announce the tentative bonus payout of 2 months basic salary at the Company level. However, the payout at the department/div/unit and individual level would be determined based on respective performances.

Besides business, I am very proud of my colleagues for their support and cooperation in making the weekly plant care and maintenance, cleaning, landscaping, gardening, zero-waste hour, and other social activities, a collective responsibility. This has helped to maintain a safe, lively, clean and green environment not just within the Company but in Pendenling (Gomtu) community. Such activities have also enabled a stronger bond amongst the employees besides helping to be fit and healthy. I am proud of my colleagues at PCAL. Today, we would also launch the *Penden eCare*, which is a programme that is aimed at making our own share of contributions towards environmental care. Our belief is that it's not enough to watch what others are doing or criticize others for failing but we must do our part; what is best possible to safeguard and protect our environment. The Peden eCare shall focus on advocating environmental care such as waste management and address immediate environmental concerns of the company and the society that we live in.

Last but not the least, our theme for 2020 is “Enhancing Productivity Through Employees’ Happiness”. In our pursuit of achieving the aspirations and goals of our Shareholders, we would also like to ensure the overall growth and happiness of our employees. Both productivity and happiness would be important in achieving long-term goals of the Company.

Collectively, let’s look forward to a year of productivity and happiness.

Happy 38th Foundation Day to all, and once again, thank you to our distinguished guests.

Thank you and Trashi Delek!

- CEO