

Meeting Bhutan's Electricity Needs

ANNUAL REPORT 2019

YEAR IN REVIEW



From CEO's Desk

It has been a privilege for me to be associated with BPC since inception in the year 2002 and an honour to contribute in the capacity of Chief Executive Officer since last year. BPC in the last 16 years has not only achieved in establishing technical excellence in power system operation, management and development but has also been a pioneer in many areas of corporate governance and human capacity development in the country. The dedicated employees with the visionary leadership of the Boards and the Management, over the years, have worked towards its mission, vision and most importantly in meeting the aspirations of the people of Bhutan and shareholders in general. I have been a part of the management of BPC since 2005 and with the experience of the operations and the business of power system management – a strategic resource for the nation, I have no qualms that together we can build “great teams” to take BPC to the next level – “the utility of the future”. I urge for everyone’s support and I stand to provide the guidance and leadership in meeting the challenges and leveraging the opportunities before us.

BPC since its formulation has undergone remarkable evolution and 2017 has been particularly insightful. Many milestones have been achieved in meeting the targets of the COMPACT (performance targets with the shareholder), completion of major investments in transmission and distribution systems and also importantly visioning and documenting the “Corporate Strategic Plan” (CSP) of BPC towards meeting the aspirations of the 10 year roadmap, “into the next decade” set forth by Druk Holding and Investment (DHI).

BPC in its core business of transmission and distribution of electricity within the country today serves 192,859 customers with a coincidental peak demand of 399.35 MW. The employees strive with dedication in maintaining the transmission and distribution assets from the core urban areas to the remotest villages in an endeavour to supply quality and reliable electricity. Considering the unique challenges of our terrain, available technology and resources, our reliability and quality of supply not only domestically but also for wheeling of power to India is comparable to most utilities in the region. The transmission

losses of 1.22% (including wheeling), distribution losses of 9.71% and the global system loss of 6.15% (excluding wheeling) with reliability indices of 0.0416 SAIFI and 0.1501 SAIDI (at transmission level) of last year is a testimony to this fact to a large extent. Having said that, we are cognisant of the opportunities in improvements of the system and we aspire working towards higher targets, global standards and beyond.

One of the challenges utilities face is with the evolution of technology and especially the disruptive technologies poised to impact the fundamental philosophy of operations of systems over the years. At BPC, we commit to stride forward not only to adapt and utilize relevant and optimal technologies for efficiency of systems and operations but also plan to work towards being a part in the development of such technologies. Today, projects such as power system automation/SCADA, Distribution Management System (DMS), Phasor Measurement Units (PMU), Smart-Grid initiatives, ERP and business intelligence software form a part of the system or are under planning and/or execution. We hope and aspire to utilize the opportunity that the technology provides in improving efficiency and reliability of systems, building human capacity and diversification of business over the years as the economy and the market demands.

BPC’s priorities over the next years would be in organizing ourselves with core emphasis on professionalism, financial prudence, corporate governance and innovation in realizing the expectations of the shareholders and importantly the aspirations of the Royal Government and the people of Bhutan.

I thank you all and look forward for your continued support and inspiration!



(Sonam Tobje)
Chief Executive Officer

COMPANY PROFILE

Bhutan Power Corporation Limited (BPC) was formed as an offshoot of the erstwhile Department of Power, the then Ministry of Trade and Industry and was launched as Public Utility Company on 1st July 2002 with an objective that the corporatization of the utility functions would lead to greater efficiency and better delivery of electricity supply services in the power sector. Later, the Ownership was transferred to Druk Holding and Investment Limited (DHI), the commercial arm of the Royal Government of Bhutan, established in 2007 upon issuance of Royal Charter in 2007 “to hold and manage the existing and future investments of the Royal Government for the long term benefit of the people of Bhutan”.



OUR VISION

The best power utility in the region committed to quality services, maximization of value, and sustainable socio-economic development in pursuit of GNH.

OUR MISSION

To transmit, distribute and supply electricity within the country, wheel electricity for export, and practice Good Corporate Governance.

OUR CULTURE & VALUE

Integrity, mutual respect for each other, professionalism, accountability, care, and “Tha Dhamtse”.

DESTINATION STATEMENT

To make BPC into a 45 billion company by 2020

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BOARD OF DIRECTORS



Dasho Ugen Chewang
Chairman

Dasho Ugen Chewang is the current Chairman of DHI and has received Masters in Business Administration in Business Management and Accounting from Syracuse University, New York, USA. He served as Auditor General for more than nine years. He serves as Non-Independent Director on BPC Board.



Sonam Tobjey
Chief Executive Officer

Mr. Sonam Tobjey became the 5th Chief Executive Officer of Bhutan Power Corporation with effect from 23rd August 2018. He received his post graduate studies from University of Canberra, Australia and received Masters of Commerce degree in Accountancy. He served as the Director, Finance, BPC before assuming the current post. He serves as Non Independent Executive Director on BPC Board.



Dasho Kunzang Dorji
Member

Dasho Kunzang Dorji is currently serving as the Zimpon Wongma, Office of the Gyalpoi Zimpon. He has worked close to 25 years as a civil servant in various government agencies and international agency. He earned his professional applied arts specialization degree from Delhi University, India and Social anthropology for his MSc at the University of Oxford, the UK. He serves as Non-Independent Director on BPC Board.



Dechen Yangden
Member

Ms. Dechen Yangden currently serves as Chief Engineer for Water and Sanitation Division under the Department of Engineering Services, MoWHS. She obtained her Masters in Urban Infrastructure Management from University of Yokohama in Japan. She has been working for the Ministry for the last 16 years and was part of various donor funded projects such as World Bank before taking up post of Chief Engineer. She serves as Non-Independent director on BPC Board.



Sherab Namgay
Member

Mr. Sherab Namgay currently serves as Associate Director of Investments at DHI. He obtained Master of Business Administration (MBA) from Curtin University, Australia. He is a Certified Balanced Scorecard Professional focused in strategy formulation and execution from Balanced Scorecard Institute, USA. He serves as Non-Independent Director on BPC Board.



Kinzang Tobgay
Member

As one of the first qualified CPAs in the country, Kinzang has been in leadership positions in various public sector companies in Bhutan for the last 13 years. He has over 17 years of experience in the corporate and financial sector in Bhutan.

Prior to his move to the private sector, Kinzang worked 7 years with Druk Holding and Investments (DHI) and resigned from DHI while holding the position of Director (Finance). He serves as Independent Director on BPC Board.



Karma P Dorji
Member

Mr. Karma P Dorji is the Director of Department of Hydropower and Power Systems, MoEA. He received his Master's of M.SC in International Development Technology from State University of California, USA. He served as a Chief Engineer, DHPS before assuming the current post. He serves as Non-Independent Director on BPC Board.

MANAGEMENT TEAM



Sonam Tobjey
Chief Executive Officer



Dechen Dema
Director
Strategy and Technology
Services



Thinley Gyeltshen
Director
Transmission Services



Sandeep Rai
Director
Distribution Services



Kinley Dem
Director
Finance and Accounts
Services



Sangay Tenzin
Director
Human Resources and
Corporate Services

DIRECTORS' REPORT



1. Introduction

On behalf of the Board of Directors of the Company, I am pleased to present this report on the performance of the Company for the period covering 1st January 2019 to 31st December 2019 to our shareholder, Druk Holding and Investments Ltd. (DHI) and other stakeholders.

2. On System Performance

The national peak demand of 387.66 MW was recorded on 1st January 2019 at 1902 hours as compared to 399.35 MW on 27th December 2018 at 1818 hours in 2018. The reduction in peak load is mainly due to less demand from on-going construction of hydropower projects. Today, BPC serves about 202,426 customers as compared to 192,852 in 2018. Despite the expansion in the consumer base, the industrial consumption still attributes about 72.3% of the domestic load. The load was met by purchasing 2,419.422 Million Units (MU) of energy from Druk Green Power Corporation Limited (DGPC) and 20.246 MU through internal embedded generations from mini/micro hydels. For the previous year 2,461.551 MU was purchased.

A total of 2,280.63 MU of energy was sold during the year as compared to 2,328.44 MU in the previous year reflecting a decrease of about 2.05 % compared to previous year. This was mainly due to shutdown of one of the High Voltage Industries. The energy wheeled for export to India increased to 6,172.44 MU from 4,437.92 MU in the previous year. The increase came from commissioning of the 720 MW Mangduechu Hydro Power Plant in June/July 2019.

BPC has been maintaining its Transmission and Distribution (T&D) losses at limits comparable within the region. During the year, of the total energy of 8,612.16 MU injected into the system, 8,452.78 MU was utilized translating the global energy loss to 1.85 % as compared to 2.21% in the previous year. The domestic T&D loss (excluding wheeling) in 2019 was 6.53 % as compared to 6.15% in 2018, which is a marginal increase due to expansion of the network system.

3. The State of the Company's Affairs

3.1 Financial Position

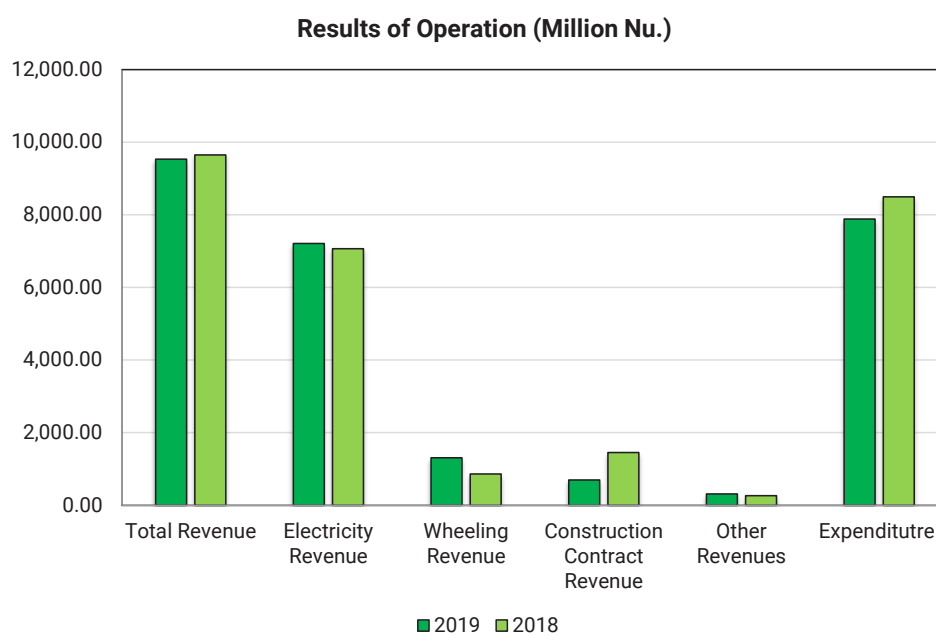
The total asset value of the Company stands at Nu. 35,248.82 million, an increase of Nu 5,192.03 million from 2018. There is an increase in the net worth of the Company from Nu. 13,076.56 million in previous year to Nu. 14,637.65 million in 2019. The gross asset added during the year is Nu. 8,885.11 million as compared to Nu. 3,583.70 million in 2018. The increase was mainly on account of transfer of Associated Transmission Systems asset pertaining to Mangdechu Hydro Power Project. The assets were transferred in the debt equity ratio of 70:30.



3.2 Results of Operation

The Company earned total revenue of Nu 9,532.54 million as compared to Nu. 9,648.26 million in 2018. The total earnings decreased marginally as compared to 2018 due to decrease in income from construction contracts having completed most of the Transmission works related to Mega Hydro Power Projects. The Income from construction contract decreased substantially by 52 % from Nu. 1,452.71 million in 2018 to Nu. 701.13 million in 2019. However, income from sale of electricity and other sources have increased. The electricity revenue grew by 2% from Nu. 7,066.13 million in 2018 to Nu. 7,209.76 million in 2019. The increase is attributable to the increase in the consumption from Low Voltage customers. The revenue from wheeling increased by 51% from Nu. 865.39 million in 2018 to Nu. 1,306.49 million in 2019 with the additional generation from Mangdechhu and revision of wheeling tariff from 1st October 2019. Income from other sources increased by 19 % from Nu. 264.02 million in 2018 to Nu. 315.17 million in 2019.

The total expenditure for the year is Nu. 7,881.12 million as compared to Nu. 8,495.22 million for the previous year. The expenditure has mainly decreased from the construction expenditure during the year. Expenditure on other accounts has not seen substantial increase as well.

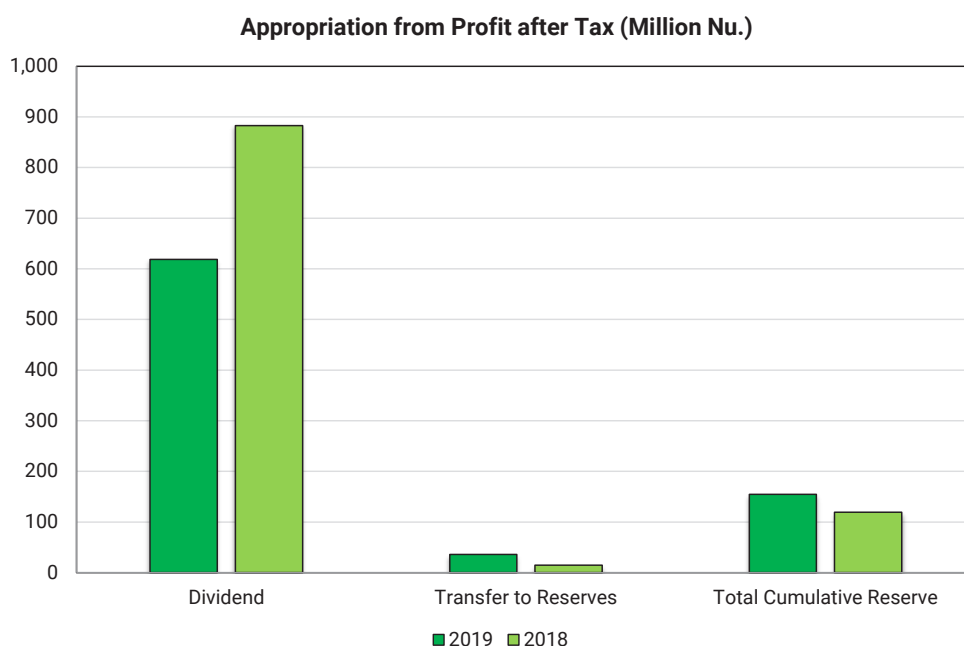


The Profit earned for the year before providing income tax is Nu. 1,651.42 million as compared to Nu. 1,153.04 million in the previous year; an increase by 43.22.%. The tax assessed provisionally is Nu. 323.48 million and a deferred tax of Nu.143.92 million. The income tax and deferred tax for the previous year was Nu. 320.84 million and Nu. 69.89 million respectively. The net profit earned is Nu. 1,184.02 million as compared to Nu. 762.31 million in 2018. The basic as well as diluted earnings per share for the year is Nu. 143.86 compared to Nu 92.68 in the previous year.

The profit for the year increased due to increase in the wheeling revenue as compared to previous year although the earnings was far less than projected for the year on account of delayed commissioning of Mangdechhu HEP. On the expenditure side, BPC spent less on purchase of power and were able to contain other expenditures. The loss on foreign currency fluctuation on borrowings in 2019 decreased substantially to Nu.62.36 million from Nu.208.94 million in the year 2018.

4. Transfer to Reserves

An amount of Nu. 35.54 million, which is equivalent to 0.4% of the net asset value added during the year. This will be set aside to the Company's Asset Replacement Reserve within the asset risk mitigation policy of the Company. With the addition, the cumulative amount under this reserve will be Nu. 154.66 million.



5. Recommendation for payment of Dividend

During the year, the Board is recommending dividend of 6.04% of the Paid-Up Share Capital, which amounts to Nu.618,212,180. In the previous year, dividend of 10.73% of Paid-Up Share Capital amounting to Nu. 882,555,161 was paid.

6. Explanation or information on every reservation, qualification or adverse remarks contained in the auditor's report

The auditors have issued an unqualified Audit report for the year 2019. I am also happy to report that the Company has been consistently receiving unqualified Audit Report over the years. This is reflective of having instituted robust internal checks and controls, and more importantly BPC has adhered to its CORE values.

7. Corporate Governance

The company continues to accord high priority in the field of corporate governance and enable improvements in operational efficiency, service delivery to customers, and maximizing the shareholders' value. The Corporate Governance Code 2013 issued by DHI which is aligned with OECD principles are guiding principles on the basis of which the corporate governance in DHI companies are founded. Amongst others, the code emphasizes the importance of the Board and the role played by it in guiding the Company. The Company has complied with the CG Code issued by DHI and to the provisions of the Companies Act of Bhutan 2016. The Company convenes regular Board meetings and Board Sub Committee meetings. During the year, we convened 12 Board meetings, 32 Sub- Board Committee meetings. There are four Sub- Board Committees to assist the Board in making sound and timely decisions by ensuring proper scrutiny of the technical and commercial matters by the Sub-Committees. The Sub-committees are Board Tender and Technical Committee, Board Audit and Risk Committee, Board Human Resource Committee and Board Strategy Committee.

8. Corporate Social Responsibility

The Company's approach to Corporate Social Responsibility (CSR) is guided by the Corporate Social Responsibility framework of 2013 issued by DHI. The CSR primarily represents the Company's obligation to conduct its business operations in a socially responsible manner. As an important utility company for the nation, we continue to uphold our economic, legal, environmental, social, and philanthropic responsibility to the society at large. Apart from intangible support, BPC during the year has spent Nu. 2,189,215.76 as CSR contributions.

9. System Expansion Highlights

We would now like to highlight the activities pertaining to System Expansion:

9.1 Power System Expansion Programs for Transmission Network

All works related to construction of three 400 kV transmission lines to evacuate power from the Mega Hydro Project Plants under construction was successfully completed during the year. However, the construction of Quad D/C transmission line from Indo – Bhutan Border in Sarpang to Alipurduar by POWERGRID was delayed for want of forestry clearances in the Indian State of Assam and the power from Mangdechhu Hydropower Plant (MHP) commissioned in June 2019, is being evacuated through Puna-II and Puna-I Transmission line to Alipurduar via Lhamoizingkha. The Indian portion 400 kV quad moose Jigmeling-Alipurduar Transmission line for evacuation of Mangdechhu power is expected to be completed within 2020.

The construction of following transmission expansion networks to enhance internal transmission capacity were completed, tested and commissioned during the year:

- i. 132 kV transmission lines from Kanglung to Phuntshothang and Motanga to Nganglam;
- ii. 132 kV Motanga substation and bay extension at Kanglung and Nganglam substation;
- iii. The 132-kV transmission line from Motanga substation to M/s Druk Metallurgy Limited in Motanga;
- iv. The 132 kV substation at Corlung for Kholongchhu Hydropower Project Authority;
- v. The 132 kV transmission line from Mangdechhu to Yurmoo;
- vi. 66 kV transmission line from Thimphu to Gasa Dzongkhag and 66 kV bay extension work at Pangrizampa substation;
- vii. The 66 kV transmission line from Jemina to Changidaphu and 66 kV Changidphu substation; and
- viii. The construction of 220 kV substation at Dagapela, Dagana.

Future investments in the transmission network expansion has been identified and included in the Five-Year Investment and Financing Plan. Before making any investments, a robust and rigorous internal mechanism has been instituted for carrying out a detailed engineering and techno-economic viability studies. Construction of infrastructures to supply power at various identified Industrial Park have been planned and shall be taken up with the firming of the layout plan of the industries.

9.2 Power System Expansion Programs for Distribution network

With the electricity coverage of 99.99%, the main distribution network system trunk line is already in place. While the major network expansion works are now mostly required to be taken up in urban areas, BPC is also carrying out OFF-GRID to ON-GRID works through the balance fund of Rural Electrification Project (Phase 2) under JICA funding. Through this project, 1,429 households that are currently using Solar Home System shall have access to grid electricity. Towards this, BPC has awarded the contracts for the electrification works in September 2019 for 14 packages under various Dzongkhags and the works are expected to be completed by December 2020.

In order to provide a roadmap for distribution network expansion works, “Distribution System Master Plan for next 10 years” for each Dzongkhag is being prepared. During the year, the master plan for ten Dzongkhags have been completed, and the balance will be completed in 2020. All investments in the distribution network expansion shall now be based on this master plan.

Besides the line extension works, major works carried out during the year in distribution were the construction of 33/11kV, 2 x 2.5MVA Substation at Denchi in Pemagatshel and 33/11kV, 2x5MVA unitized substation at JDWNRH, Thimphu.

9.3 System Improvement Works

Recognizing the essential role of electricity in our lives and its valuable contribution to the economy, the company continues to pursue improvements in reliability of supply and reduction of losses to meet the growing power demand. System augmentation and improvement works such as substation up-gradation, replacement/reconductoring of lines, replacing bare conductors with Aerial Bundled Conductors, retrofitting of old and obsolete equipment with smart and cost-effective state-of-art technologies are carried out on a regular basis.

Moving towards managing the network smartly and gearing towards the Smart Grid implementation, the Distribution Management System (DMS) in Thimphu is nearing completion with the setting up of both main and backup control centers, building up of tele-communication network infrastructure, connecting all 484 distribution substations in the capital to the control center, successfully testing of the Outage Management System (OMS). Once completed and commissioned by 2020, the DMS shall have

access to real-time data and provide all information in an integrated manner for remote operation of the entire distribution network of Thimphu. DMS shall enable greater network reliability, preventive outage management, improved operational efficiency translating to reduced operation costs, increased safety and better asset utilization.

10. Corporate strategic plan (CSP)

BPC adopted the revised Corporate Strategic Plan (CSP) - 2019-2030 and has aligned itself with the DHI Road Map. In accordance with the revised CSP, the Company is focusing and aligning its core business activities towards operationalizing and accomplishing the destination statement of contributing Nu. 5,700 million as annual dividend to DHI in 2030. At the same time, we will be guided by the company mission to provide affordable, adequate, reliable and quality electricity services to customers, and the vision to be innovative and efficient power utility, driving the socio-economic transformation in Bhutan. Important thematic areas are Customer Service Excellence, Operational and Resource Optimization Excellence, Innovation and Technology Excellence, and Business Growth Excellence. The COMPACT and Team Appraisal system for the year 2020 therefore incorporates the activities contained in CSP.

11. Organizational Development Exercise

BPC has undergone a significant evolution over the years, not only in terms of business processes and volume, technology adoption, customers and the employee but also in terms of its overall mandates, and more importantly on the expectations of the stakeholders and public at large. It has become strategically imperative to position BPC in meeting stakeholders' expectations, to evolve as a service utility of the future and to leverage the opportunities the fourth industrial revolution provides. Hence, an organizational development of BPC was timely and taken up in 2019.

BPC had to thus implement major changes in the organogram compared to one which was built and evolved since incorporation. The existing Services and Departments were consolidated to five Services namely Transmission Services, Distribution Services, Finance and Accounts Services, Human Resources and Corporate Services and Strategy & Technology Services. Additionally, to bring about efficiency and eliminate redundancy in the system, the concept of regional offices headed by regional directors have been rescinded.

11.1 Technology

The most important challenge as well as opportunity for BPC lies in its dynamism to be in tandem with the ever-evolving technological advancements in utilities and find a place in the knowledge-based economy. We must relentlessly endeavor to excel in our services beyond customers' expectations and optimize our resources by adopting the most efficient and relevant of technologies, and keep pace with the way utilities around the world are evolving. Towards this end, Strategy & Technology Services has been established within the management structure during the year. The Strategy & Technology Services will take stock of the current technology and provide a clear future pathway on technology adoption, be it seamless customer interface, smart grid ensuring supply reliability and reduction in power losses, reducing human labor through smart technologies, and automating monitors with relevant parameters to drive a performance driven culture. It is envisaged that technology adoption will not only be considered for efficiency improvements in the processes, systems operation, and management, but also as an impetus towards building human resource capabilities to develop new technologies with the help of R&D, ultimately contributing to Business Growth Excellence.

The Smart Grid Master Plan 2019-2030 providing a road map for deployment of specific smart grid programs to achieve a smart grid security platform that is highly trusted, scalable and interoperable is already put in place. The implementation of the plans has been initiated.

12. Human Resources & Administration

After a detailed OD exercise, BPC has restructured its organization to meet the expectations of BPC CSP 2019-2030. Competitiveness of a firm is no longer determined simply by the availability of physical resources. Human Resources (HR) with relevant skills and knowledge are instrumental to attain competitive advantage and more so in a globalized market economy where BPC must look beyond borders to expand its business operations. The new organization structure is geared to implement the CSP and take the Company forward. Recognizing that knowledge, skill and ability of our employees are essential to remain competitive, HR capacity development initiatives are given high priority focusing on building core competencies to achieve Human Resource Excellence. In order to remain relevant and competitive, employees are provided specialized training/workshops/field visits on changing technologies and, emerging disciplines and market demands on a continuous basis. With all these initiatives, we expect to have an improved employee attitude and the highest standard of professional services to the customers, and accomplish a customer centric organization culture.

On the long-term capacity development program, one full scholarship to pursue Masters in Electrical Engineering (Major in Distribution System Planning) and one partial scholarship to pursue Master's Program with Major in Electrical Power & Energy Engineering were approved during the year.

Similarly, on the short-term capacity development program, BPC trained 930 employees in-Country constituting 6,190 training man-days and 401 trained ex-Country constituting 2,930 training man-days. Capacity building programs are being encouraged in BPC to attain expertise in one's field. Since its inception in 2002, BPC has always considered capacity development program for its employees as one of the important and continuous activity.

Despite all the efforts and best reward system in place, employee retention is the biggest challenge and a major concern for BPC management. In year 2019, 63 employees separated from BPC, out of which, 29 employees resigned voluntarily, 3 employees had the privilege to avail the BPC Voluntarily Resignation Scheme and 19 superannuated. Nonetheless BPC shall always strive to inculcate appropriate retention policies and strategies and embrace best practice to retain its employees.

13. Challenges

The Company's primary mandate of providing uninterrupted and reliable power supply and value-added services to its customers in the midst of significant expansion in the infrastructure network system and the difficult geographical terrain continues to pose challenges. While, the Company is able to resolve most of the operational challenges, we are still confronted with some of the inherent challenges that most utilities encounter. The pertinent ones are request for shifting and relocating of the existing lines at all voltage levels, right of way and clearance issue for new power infrastructures and their constructions, and disruption in supply in the grid network of power system due to natural calamities. Nevertheless, the Company continues to rise up to these challenges, and we are optimistic that with the support and cooperation from all the stakeholders, some of these challenges are being resolved and shall in no way hinder the Company's effort to provide reliable supply and better customer care services.

14. Way forward

The Company will be guided by the ten-year Corporate Strategic Plan in moving forward to take the Company to the next level - a Company known for its performance driven culture that is customer-centric, tech-savvy and innovative. The Company will also rely and seek strategic guidance and direction from the Board, the Shareholders and relevant Government Agencies. With a concerted effort by the Board and management of the Company, and support of our shareholder, we are optimistic to overcome all challenges, improve productivity, achieve efficiency in operations, maximize shareholder value, and provide the best service to our customers.

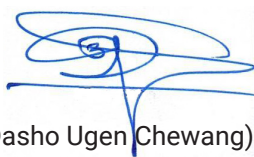
Acknowledgement

On behalf of the Board, I would like to extend and acknowledge sincere gratitude to the Druk Holding & Investments for their continued guidance and support rendered during the year, to the Royal Government of Bhutan, the various Ministries, and Regulatory Authorities for their policy guidance and support, to the donor agencies for providing funding and technical support towards Rural Electrification works and to our customers and stake holders for supporting BPC.

The Board would also like to place on record sincere gratitude and acknowledge the valuable contributions made by Mr. Sherab Namgay, Associate Director, DHI, Board of Director who would be retiring from this AGM. Last but not the least, the Board would like to sincerely acknowledge, appreciate, commend and value the contributions made by all employees for bringing the Company to what it is today.

Tashi Delek!

For and on behalf of the BPC Board



(Dasho Ugen Chewang)
Chairman

A low-angle, upward-looking photograph of a tall, lattice-structured metal tower, likely a power transmission tower. Three workers in safety gear, including helmets and harnesses, are visible on the tower's structure. One worker is positioned higher up, while two others are lower down, one of whom is holding a large, cylindrical object. The background is a clear blue sky. The entire image is overlaid with a semi-transparent green filter. The text "CORPORATE GOVERNANCE REPORT" is superimposed on the right side of the image.

CORPORATE **GOVERNANCE REPORT**

The Board of Directors of BPC is committed towards ensuring that good corporate governance practices are implemented and maintained throughout the Company as a fundamental part of discharging its duties to enhance shareholder's values consistent with the principles and recommendations for best practices as set out in the Corporate Governance code.

The Board is pleased to set out statement below which describes the manner in which it has applied the principle of the code during the year 2018.

A. The Board

i. Board Charter

The Board charter sets out the principles for the operations of the Board of directors, roles and responsibilities, describes the functions and powers of the board to ensure all the Board members are aware of their duties and responsibilities. The Board charter is in line with the Corporate Governance code of DHI.

ii. Composition of the Board

Currently, the Board constitutes of seven (7) members, comprising of one Chief Executive officer, one Independent Director and five Non-Independent Director. This composition ensures that there are majority of independent directors at all times as per the Corporate Governance Code Clause 2.4.2.ii.

The Board also ensures there is diversity and balance of skills, competence, knowledge and experience to enhance objective decision making as published in the code.

Table 1: Board Member, 2018

The details of the Board of Directors and the date of appointment

Sl no.	Name	Designation	Appointment Date	Description	Board of Director in other company	Status
1	Dasho Ugen Chewang	Chairman DHI	8 March, 2017	Chairman	BOB	Non-Independent
2	Mr. Karma P Dorji	Chief Engineer Dept. of Hydropower & Power System	5 June, 2018	Board of Director		Non-independent
3	Dasho Kunzang Dorji	Zimpon Wongma Office of the Gyalpoi Zimpon	5 June, 2018	Board of Director		Non-independent
4	Ms. Dechen Wangmo	Director Corporate Affairs Department, DGPC	5 March, 2019	Board of Director		Non-independent
5	Mr. Sherab Namgay	Associate Director, Dept. of Investments, DHI	5 June, 2018	Board of Director		Non-independent
6	Mr. Kinzang Tobgay	Managing Partner, Bhutan Consultancy Services	5 June, 2018	Board of Director		Independent
7	Mr. Sonam Tobjey	Chief Executive Officer	23 August 2018	Member Secretary	RICBL WCCL	Executive Director

Table 2: Board Members retired as on March 2019

Sl no.	Name	Designation	Appointment Date	Retired on	Description
1	Ms. Dechen Yangden	Chief Engineer Department of Engineering Services, MoWHS	5 March, 2018	5 March, 2019	Member

iii. Board Responsibilities

The Board's responsibilities are in line with the Corporate Governance code Clause 2.4.1 as follows:

The Board is led by an effective and experienced Board comprising of members who exercises leadership, enterprise, integrity and provides sound judgment in transparent, accountable and responsible manner. The Board members leads and acts in the best interest of the company and shareholders including practicing high level of good governance. All Board members are expected to protect the company's investment and increase profitability as well as uphold the core values of company with due regard to fiduciary duties.

The Board has the responsibilities in guiding on the company's strategic plans, setting company's values and standards, ensuring appropriate risk management and internal control system is in place and implemented.

The Board collectively ensures obligations to shareholders are understood and met and senior positions in the company are filled by the right person.

iv. Responsibilities of Chairman

The role of a Chairman is to guide and lead the work of the Board. The Chairman of the board shall also not chair any other Board committees.

The responsibilities of the Chairman, amongst others, are as follows:

- Lead the Board to promote high standards of governance and to ensure Board effectiveness and smooth functioning on all aspects of its role in a rims and objective manner.
- Ensure effective accountability and governance of the company, consistent with relevant legislation
- Set the agenda and preside over board meetings to ensure that adequate time is available for discussion of all agenda items, in particular, on the strategic issues
- Conduct effective Board meetings and encourage a culture of openness, active participation and constructive debate.
- Ensure accurate record of Board meetings are taken and verifying that Board decisions are implemented
- Ensure that the directors receive complete, adequate and timely information to enable quality and informed decision-making
- Encourage constructive relations within the Board and between the Board and Management to ensure the company is managed effectively
- Participate in the selection and appointment of new board directors and the CEO in close collaboration with the shareholder (s)
- Approve leave, ex-country travel and training of CEO
- Meet shareholder expectations by leading and ensuring effective annual Board and CEO evaluation processes and

- k. Develop and maintain sound relations and communications with shareholders and stakeholders. This may include representing the company's interest in meetings with ministries, foreign company representatives and with other organizations within the country.

v. Responsibilities of Chief Executive Officer

The responsibilities of the Chief Executive Officer, amongst others, are as follows:

- a. Managing the company in accordance with the strategy and performance targets. Policies and directives approved by the Board
- b. Recommending long term vision and strategy for the company to the Board
- c. Leading the Management team in managing day to day operations of the organization, its people and resources
- d. Implementing all Board approved plans, policies and performance targets
- e. Ensuring the authorities delegated from the Board are exercised in a competent manner and within the intent of such delegation and referring all matters outside his delegation to the Board for approval,
- f. Acting as the company's interface with its operating environment and the business community
- g. Protecting and enhancing the image and reputation of the company
- h. Ensuring compliance with legal and regulatory obligation
- i. Promoting leadership development and proper succession planning for key positions in the company
- j. Ensuring ethical standards as established by Board are complied with
- k. Keeping the Board apprised of all matters of significance
- l. Keeping the Board Chairman apprised of all matters of significance that occur between the Board meetings
- m. Providing the Board with accurate, relevant, timely and complete information and
- n. Other responsibilities as designated by the Board from time to time

vi. Board Meetings

In 2019, 12 Board meetings were held. The dates of the meeting and attendance of the Directors are set below:

a) Dates of Board Meetings held in 2019:

Sl. No	Date	Board Meeting No.
1	13 th February, 2019	119 th Board Meeting
2	27 th February, 2019	120 th Board Meeting
3	5 th March, 2019	121 st Board Meeting
4	7 th May, 2019	122 nd Board Meeting
5	8 th May, 2019	123 rd Board Meeting
6	21 st June, 2019	124 th Board Meeting
7	22 nd June, 2019	125 th Board Meeting
8	9 th August, 2019	126 th Board Meeting
9	5 th October, 2019	127 th Board Meeting
10	22 nd October, 2019	128 th Board Meeting
11	19 th December, 2019	129 th Board Meeting
12	20 th December, 2019	130 th Board Meeting

b) Attendance of ex- Board Director from 13th February till 27th February 2019:

Name of the Board Members	Attendance
Ms. Dechen Yangden	1/2

c) Attendance of current Board Directors from 13th February till 20th December 2019:

Name of the Board Members	Attendance
Dasho Ugen Chhewang	12/12
Ms. Dechen Wangmo	9/10
Mr. Kunzang Dorji	9/12
Mr. sherab namgay	9/12
Mr. Kinzang Tobgay	10/12
Mr. Karma P Dorji	11/12
Mr. Sonam Tobjey	12/12

The Directors receive notices of meeting, typically at least two working days prior to the date of the meeting along with the agenda complete with full set of board papers to provide sufficient details of matters to be deliberated during the meeting.

The Company Secretary ensures to duly record and properly keep all the minutes of the Board meetings together with the decisions made by way of circular passed resolutions.

B. Board Committees

The Board may from time to time establish Board Committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board has delegated certain functions to the following Board Committees to assist in the execution of its responsibilities:

- Board Audit and Risk Committee
- Board Tender and Technical Committee
- Board HR Committee

The Board appoints the members and Chairperson of each Committee. Each Board Committee operates under clearly defined terms of reference approved by the Board.

a. Board Audit and Risk Committee

The Audit and Risk Committee of the company comprises the following members, with one independent and 3 non- independent Directors, with the Chairman identified by the Board.

i. Attendance of Committee Members in 2019

Name of Committee Members	Designation	Attendance
Mr. Kinzang Tobgay	Managing Partner, Bhutan Consultancy Services	10/10
Mr. Karma P. Dorji	Director, DHPS, MoEA	10/10
Mr. Sherab Namgay	Director, CPD, DHI	7/10
Mr. Sangay Tenzin	Chief Internal Auditor, BPC	7/10 Retired as Member Secretary from 37 th Board Meeting held on 16 October, 2019.
Mr. Subash Rai	Offtg. Chief Internal Auditor & Member Secretary	2/2 Represented as Member Secretary from 38 th BARC held on 15 November 2019

ii. Dates of the Meeting.

In 2019, 10 Board Audit and Risk Committee meetings were held. The dates of the meeting held are set below:

Sl. No	Date	Board Meetings No.
1	23 January, 2019	30th BARC Meeting
2	26 February, 2019	31 st BARC Meeting
3	1 March, 2019	32 nd BARC Meeting
4	26 April, 2019	33 rd BARC Meeting
5	20 June, 2019	34 th BARC Meeting
6	8 August, 2019	35 th BARC Meeting
7	26 August, 2019	36 th BARC Meeting
8	16 October, 2019	37 th BARC Meeting
9	15 November, 2019	38 th BARC Meeting
10	6 December, 2019	39 th Board Meeting

The objective of the Audit and Risk Committee are, among others, is to provide assurance to the Board by giving an objective and independent review of financial, operational, administrative controls and procedures, establishing and maintaining internal controls and risk management. The detailed Board Audit committee charter can be referred in the DHI Corporate Governance Code Appendix 2, pg.37.

b. Board Tender and Technical Committee

The Tender Committee of the company comprises the following members, two independent Directors, one Non-independent Director and one non-independent Executive Director, with the Chairman identified by the Board

Name of Committee Members	Designation	Attendance
Mr. Karma P. Dorji	Director, DHPS, MoEA	10/10
Mr. Sherab Namgay	Associate Director, DoI, DHI	7/10
Ms. Dechen Yangden	Chief Engineer, DoES, MoWHS	9/10

Pursuant to the terms of reference of the Board Tender Committee, the main responsibilities of Tender Committee are as follows:

- To satisfy itself that proper procurement procedures has been followed as per the norms provided in the Procurement Manual,
- all Bidders have been provided with equal time and opportunity for submission of bids,
- modifications of the bidding documents, if any, have been communicated simultaneously to all Bidders,
- response to any Bidder's query has been sent to all Bidders simultaneously,
- no specific Bidder / Bidders have been put to undue advantage / disadvantage due to actions of BPC,
- that the evaluation committee has carried out the work in strict compliance to the terms of the tender
- In 2019, 10 Board Tender and Technical Committee meeting was held. The dates of the meeting is listed as follows:

Sl. No	Date	BTTC Meeting No.
1	12 February, 2019	6 th BTTC Meeting
2	12 March, 2019	7 th BTTC Meeting
3	6 May, 2019	8 th BTTC Meeting
4	13 June, 2019	9 th BTTC Meeting
5	22 June, 2019	10 th BTTC Meeting
6	8 August, 2019	11 th BTTC Meeting
7	1 October, 2019	12 th BTTC Meeting
8	18 Nov, 2019	13 th BTTC Meeting
9	28 Nov, 2019	14 th BTTC Meeting
10	26 December, 2019	15 th BTTC Meeting

c. Board HR Committee

The function of The Board Level Human Resource Committee is to assess the proposals related to the Human Resource (HR) issues recommended by the Management for approval or recommendation to the BPC Board.

The Board HR Committee of the company comprises the following members, all being appointed by the Board from time to time and chairman identified by the Board. The AD, HRAS is the member secretary.

i. Attendance of Committee Members from 16th August till December 2018

Name of Committee Members	Designation	Attendance
Ms. Dechen Yangden	Chief Engineer, MoWHS	2/12 (Retired on 5 th March, 2019)
Dasho Kunzang Dorji	Zimpon Wongma	11/12
Mr. Sherab Namgay	AD, Dept. of Investments, DHI	11/12
Ms. Dechen Wangmo	Director, Corporate Affairs Department, DGPC	9/12 (Nominated on 5 th March, 2019)
Mr. Karma P Dorji	Director, DHPS, MoEA	2/12 (Invited to 27 th and 28 th BHRC)
Mr. Kinzang Tobgay	Managing Partner, Bhutan Consultancy Services	1/12 (Invited to 27 th and 28 th BHRC)

The roles and responsibilities of Board HR Committee but not limited to as follows:

- Review proposals submitted by the Management and approve or recommend to the Board.
- Carry out the Selection Interview for Head of Wings/Services.
- Carry out any other responsibility related to HR as assigned or delegated by the BPC Board.

The Board HR Committee may also suggest proposals and direct Management to undertake the study and present the proposal to Committee.

In 2019, 12 BHRC meetings were held and the date of the meetings is listed below:

Sl. No	Date	BTTC Meeting No.
1	18 February, 2019	24 th BHRC Meeting
2	28 February, 2019	25 th BHRC Meeting
3	17 June, 2019	26 th BHRC Meeting
4	9 August, 2019	27 th BHRC Meeting
5	20 August, 2019	28 th BHRC Meeting
6	26 th August, 2019	29 th BHRC Meeting
7	10 Sept, 2019	30 th BHRC Meeting
8	27 Sept, 2019	31 st BHRC Meeting
9	28 Sept, 2019	32 nd BHRC Meeting
10	1 Oct, 2019	33 rd BHRC Meeting
11	8 Nov, 2019	34 th BHRC Meeting
12	16 Dec, 2019	35 th BHRC Meeting

C. Director's Remuneration

The DHI will determine the sitting fee of the Board members. The fees are fixed sum and not by a commission on or percentage of profits or turnover.

The remuneration of the Board Directors for the year 2019 is as follows:

Directors	Fees
Full Board	Nu. 654,000.00
Board Audit and Risk Committee	Nu. 132,000
Board Tender and Technical Committee	Nu 166,000
Board HR Committee	Nu. 89,000
Annual General Meeting	Nu. 52,000
Joint Sitting – BHRC and BARC meeting	Nu. 28,000
Total	Nu. 941,660

D. Annual General Meeting

The 16th Annual General Meeting was held on 12 March, 2019 at the Conference Hall, BPC Head Office with the representatives from DHI. The meeting discussed on the consideration of audited accounts for the financial year ended 31st December, 2019 and auditors' report, appointment, remuneration of auditors' and declaration of dividend .

The AGM also discussed on the appointment and retirement of directors' and remuneration of the Chief Executive Officer. As per the section 138 of the Companies Act of Bhutan 2016, the Directors need to retire during AGM. Ms. Dechen Yangden, Chief Engineer, MoWHS retired from BPC Board, while the board reappointed Dasho Ugen Chewang, Chairman and Mr. Karma p. Dorji. The AGM welcomed appointed Ms. Dechen Wangmo, Director, CPD, DGPC as the new Board of Director.

E. Risk Management and Internal Control

The Board, through its sub-committee Board Audit & Risk Committee (BARC) continues to play an instrumental role in the institutionalization and mainstreaming of Risk Management functions and activities within and across the company. While the BARC assumes the overall ownership and oversight, the implementation of risk management activities and initiatives is sponsored by the Management.

The Risk Management Division (RMD) carries out the identification and analysis of risks the company is expected to experience and the implementation of risk mitigation measures in collaboration with the Risk Focal Persons from various Services & Departments. This constitutes the key aspect of risk management and control improvement functions in BPC.

RMD provides the quarterly report on the status of risk mitigation activities to BARC as a part of risk governance, communication and reporting measures.

The Board shall continue to provide support to enhance maturity of risk management framework and processes within the company, with a focus on capacity building and skill progression.

F. Corporate Social Responsibility

In line with the Company's guideline on the CSR of DHI, the company ensures to implement meaningful and sustainable CSR programs under three basic categories viz. legal compliance, operation and charitable contributions.

The objective of CSR is to provide support to the government and be responsible for the better environment, improved community and society's lives around which, the company operates. Further, in line with its business operation, the company also aims to minimize and mitigate the impact of its businesses on the environment and society through various programs such as planting trees, donating blood and making charity contribution etc.

In 2019, BPC has contributed Nu. **2,189,215.76/-** for various activities keeping within the approved CSR budget by DHI.

