

# directors' report

## FOR THE YEAR ENDED DECEMBER 31, 2013

### Dear Shareholders,

On behalf of the Board of Directors and Management, I welcome you all to the 17<sup>th</sup> Annual General Meeting (AGM) of Grameenphone Ltd. (GP). We have the pleasure to place herewith the Directors' Report and the Auditors' Report together with the Audited Financial Statements of the Company for the year ended December 31, 2013 for your valued consideration, approval and adoption.

### Solid Business Performance in a Competitive Landscape

Grameenphone (GP) has delivered a strong performance in 2013. It has taken significant steps towards unfolding new chapter in history with the launching of 3G and setting a platform for achieving strategy of "Internet for All". Performance was achieved against a backdrop of intense competition, sluggish economic activity and persisting political unrest. We are proud of our ability to create a winning spirit in 2013.

We would like to thank the Bangladesh Telecommunication Regulatory Commission (BTRC) and the Ministry of Posts, Telecommunications and Information Technology for finally agreeing to rules and guidelines that allowed operators to participate in the 3G auction. Embarking on 3G, GP has definitely opened up a new horizon for Bangladesh. Since receiving the license in September 2013, an intense roll out process was undertaken resulting in one of the fast roll out of the 3G service-commissioning more than 1000 base stations in less than three months.

During the year, GP has managed to be in a forward leaning position revitalized market machineries and secured a fair share of growth from the market. The growth is attributed to increase in traffic, data volume, device sales and adjacent business.

As a result, GP has added 7.1 million customers, taking the year-end customer base to 47.1 million while maintaining market share. GP has been successful in acquiring new customers, capitalizing on point of sale expansion, improving market visibility and driving positive price perception. Our customer centric attitude and value driven initiatives have also helped us to be competitive and enthusiastic throughout the year.

GP believes in building strategic partnership, where necessary, with global names to enhance its strategic position and competitiveness. With that in mind, GP, on 01 September 2013, had partnered with Accenture, a globally renowned company in ICT and Business Process Outsourcing (BPO), by selling 51% stake in Grameenphone IT Ltd. (GPIT). This strategic partnership will help GPIT to increase its footprint in IT business domestically as well as internationally and build its capability to provide BPO services on a global scale. This will also help GP in getting access to latest technology.

### Socio-economic Landscape 2013

In 2013, Bangladesh economy has shown positivity and an upward trend with consistent GDP growth and buoyant performance in agriculture, RMG and foreign remittance. At the same time, the country also experienced severe economic hardship due to the prevailing energy and infrastructure deficiencies, global economic slowdown, sluggish business activities and political uncertainty. According to the provisional estimates from Bangladesh Bureau of Statistics (BBS), GDP growth for the current fiscal year is expected to be 6.0%. As reported by BBS, the inflation rate in Bangladesh was recorded at 7.35% in December of 2013. Foreign exchange reserve reached to a record high as it crossed USD 18 billion mark for the first time in history. However, investment both local and foreign, posted a sharp decline due to political uncertainties and a lack of business confidence.

The most important of which is for us right now is to create business-friendly regulatory environment in the country and political stability. The economic activities will go on in full swing; this is what we really hope for now.

### Telecommunication Industry Scenario

2013 was an eventful year for the Telecom industry. Many of the critical issues including the 3G auction have made news headlines on a regular basis. The mobile industry has finally committed to the 3G auction after rounds of negotiations with the Government stakeholders that saw somewhat positive outcome on the most pressing issues.

GP has launched 3G services in Dhaka city and subsequently all divisional cities by December 2013. We see significant uptake in the number of users, and a clear demand for increased data usage in Bangladesh.

Total mobile subscribers of the country grew to 114 million from 97 million of 2012 registering a year-on-year growth of more than 17.1%. GP still holds the majority market share in terms of both connections and revenue. The market has been vibrant as the competition intensified among the mobile operators to increase market share and retain their respective customer base.

Mobile industry came up with creative offers and services for data including handset bundles in the data products. GP for the first time has introduced its mini pack sachet offer for internet, which has become popular among the customers.

VoIP was a much talked about issue throughout the year. GP remained vigilant and kept on fighting over the VoIP issues through regular monitoring and by following instructions from BTRC.

### Regulatory Environment

Throughout the process of securing 3G license, GP had been pursuing for improved regulatory regime by removing some of the key uncertainties mainly VAT rebate on 2G license, NBR's claim of SIM replacement Tax and 3G license terms & conditions. GP at the same time has brought some of the key concerning areas like Rules formulation under Telecom Act, Consultation Process, Spectrum roadmap etc. to improve the certainty and predictability of the Telecom regulatory environment.

Reduction of SIM replacement tax by 50%, 5% VAT instead of 7.5% on the 3G license fees, removal of VAT on revenue sharing, and stable scope of services of the 3G license were some of the positive outcomes for the industry. However, the main deterrent had turned out to be the dispute of around BDT 3,000 crore (GP's exposure is BDT 1,580 crore) with NBR regarding the SIM replacement Tax claim, as NBR was quite rigid to materialize this unsubstantiated demand. This issue is still being discussed with NBR and the industry is hopeful to arrive at an amicable solution.

For the listed mobile operators, Government's decision to increase the corporate tax rate from 35% to 40% in last year was not welcoming for the sector. GP, being the only listed mobile operator, was affected due to this sudden and abrupt change. One of the big incentives to get listed in the stock exchange is now withdrawn and this will impact the growth of telecom sector which is already burdened with heavy taxation. This change in fiscal policy is an example of unpredictable regulatory environment and would not only discourage other mobile operators to get listed, but also would send a negative signal to the potential foreign investors.

National Telecom Policy remained somewhat unattended by the Ministry throughout the year, even though there was a lot of urgency from the industry to revise this old policy, which was formulated in 1998. BTRC issued Mobile Number Portability directive in the 2<sup>nd</sup> quarter of 2013 with implementation timeline of seven months. GP together with the industry opposed the implementation timeline, terming it too ambitious, and sought for an opportunity for consultation.

During the year, the Government granted four 4G licenses (two amendments and two new) at prices much below the price at which mobile network operators had bought 3G license. Mobile network operators including GP were not allowed to participate in these licenses. This has created anomaly and deprived Mobile operators to enter into new technology and environment of level playing. This is another example of inconsistencies in regulation.

To the dismay of the mobile operators, after repeated requests the Government did not finalize the SOF rules. GP is seriously concerned that in absence of a proper scope and rules, there is a chance of the funds being misused and remaining unutilized.

Predictability and certainty of the regulatory regime has been sought by the industry time and again to create an investment friendly climate. We have observed comparatively better openness and inclination for discussion with the industry, but a long-term regulatory roadmap, adhoc decisions and absence of formal consultation process have still been the deterrent.

### **Industry Outlook and Possible Future Developments in the Industry**

The launch of 3G by the major mobile operators has created customers' expectation for high speed data services. In the coming years, the industry has to deliver on the promises and spread the services to the mass population at affordable price. Broadband and data services are definitely going to be the next big wave in Bangladesh. Value added services especially mobile based health, education and commercial services will flourish in alignment with Government's vision of a 'Digital Bangladesh'. Even so, basic communication services such as voice and SMS will remain significant driver of growth also in the coming years.

### **Capital Market Regained Vibrancy with Modest Confidence Level**

During the year 2013, the prolonged bear run from 2011 and 2012 took a break and the market revitalized with a positive return. However, market activity was sluggish mainly due to turbulence in the political environment. Consequently, adoption of risk averse investment mandate dominated the broader investor sentiment. In Dhaka Stock Exchange (DSE), the broad market based index DSEX, launched on 27 January 2013, gained 5.2% (210.64 points) against a drop of 19.7% in DGEN last year and closed at 4,266.55 points.

GP price increased by 14.80%, closing at BDT 200.90 at the year end with a daily average turnover value worth BDT 106.70 million (BDT 10.67 crore). GP stocks experienced the highest value at BDT 247.2 and the lowest at BDT 138.1 during the year. GP's market capitalization on 30 December 2013 stood at BDT 271.27 billion (BDT 27,127 crore) on the DSE, representing 13.19% of the total equity market capitalization.

### **Creating Value for Money and Making 3G Affordable**

We ended 2012 with a bold initiative of product portfolio revamp to make it more simple and transparent; on top, we launched diversified promotional offerings and innovative Value-added Services. 2013 was all about communicating those to our customers to make them aware of GP price and service benefits, which worked for us as our Value For Money (VFM) index showed an upward trend during the year.

To build 'creating value for customers' even better, we took a good number of initiatives. Among others, we introduced Net Promoter Score (NPS), a simple but effective way of measuring how much customers' promote GP, as a Key Performance Indicator (KPI). And to drive NPS, we run engagement efforts with our customers- conducted both by professionals (Brand promoters) and employees.

We ended the year with 3G license acquisition and the launch of 3G services. GP was the first operator to launch 3G commercially on 08 October 2013. With the ambition to make 3G affordable for the people of Bangladesh, we already took some initiatives-3G Data packs start from Tk. 50 only, 3G Video call priced similar to 2G voice call, 3G Smart phone launched at a very low retail price and 3G modem introduced at affordable prices. Throughout 2014 our journey to make 3G accessible and affordable for all will continue. 2G data offering will continue to play significantly in driving strategy of "Internet for All".

## Customers as our priority

“Being loved by customers” is at the core of our philosophy and business strategy. We exist to help our customers to get the full benefit of being connected. Our success is measured by how passionately they promote us. As our business grows, we will continue to strengthen our efforts to delight our customers in every interaction by providing them with their desired services. In this endeavor, the year 2013 was one step ahead. In our effort to bring comfort to our customers’ lives, a 2000-member Customer Service team ran 24/7, 365 days a year! A total of 85 million customers received services throughout 2013 from Customer Service (over phone) touch points.

## Our Adjacent Businesses

### i) Financial Services

GP contributed for “financial inclusion” in Bangladesh by developing its own vision and business model for enabling banks and service providers who wanted to deliver their Mobile Financial Services (MFS) over the nation’s leading mobile network. The cornerstone of GP’s strategy was to launch its own nationwide network of 20,000 MFS agent outlets under the MobiCash brand to provide partner banks with a completely managed solution for delivering services such as cash-in, cash-out, payment of utility bills, disbursements of salaries, and other transactional services. This has allowed GP to grow its existing partnerships with market leading service providers and banks, while actively pursuing new partnerships and mutual business opportunities in mobile financial services.

### ii) Wholesale Business

GP has continued its contribution towards the development of a more cost optimized telecom operation and has made optimum use of national resources, by sharing infrastructure, transmission capacity and OPEX with the other telecom operators as well as other businesses, such as WIMAX operators, ISPs, etc.

By the end of 2013, Wholesale Business has shared more than 2,700 sites with various telecom operators and a total of 24 agreements were signed with new customers. Better and stronger stakeholder relationship management with regulatory bodies was one of the key focus areas in 2013. Also, various initiatives were taken to increase customer satisfaction.

## Network roll-out at 3G speed

After securing 3G license for 10 MHz spectrum on 07 September, GP commercially launched 3G services with record speed in Dhaka on 08 October. At the end of 2013, more than 1,000 sites were commercially carrying 3G traffic covering all seven (07) divisional cities and some important districts. We have also integrated more than 200 WiMax sites and have begun providing connectivity and internet solutions to enterprise clients through a partnership model.

In 2013, our major focus was on improving efficiency, catering business growth and maintaining quality leadership. We have been able to achieve 8% cost savings from energy and 18% from Annual Maintenance Cost (AMC). We have deployed around 236 new solar solutions in 2013 making a total of 385 sites run on solar power. We have also introduced Capex friendly solutions like guy towers in 2013.

In 2013, GP invested BDT 30 billion (BDT 2,993 crore) in network expansion, upgradation and 2G & 3G license & spectrum fees. So far, the total GP investment in network stood BDT 243 billion (BDT 24,336 crore). With this huge investment, GP currently provides telecom services to over 47 million customers through its 8,776 sites across the country covering 99.16% of population.

### **Moving Ahead with Performance and Value Driven People**

GP has a strong team of more than 3,200 permanent employees. We believe that passionate, skilled and engaged employees are the key to success. GP has continued to invest in its people through employee engagement, talent development, regional focus, continuous communication, and people processes. Employee engagement index increased by 10 percentage points in 2013, which is the highest increase within Telenor group in 2013. GP was also ranked as the number 1 “Employer of choice” within Bangladesh’s Telecom Industry in various independent surveys. With a view to become a world-class organization, we have continued to invest in building the right culture around our values, performance and engagement.

GP offered voluntary retirement scheme to its employees for the first time which was very well received and 187 employees opted for it. People rationalization in a very systematic way has been focus for GP and will remain so in future. GP will look at capabilities in certain specific areas required as we move from communication to digital era.

### **Corporate Responsibility**

At GP, we acknowledge the complementary relationship and interdependency between responsibility and commercial interest. Our strategic ambitions and the country’s development issues are mutually inclusive, and hence, they cannot be put into separate boxes and treated in isolation. We believe good business is good development and vice versa. Thus, our relationship with Bangladesh is built on a partnership which strives to achieve common economic and social goals. Throughout 2013, we have taken small but bold steps to bring quality education and health services to the underprivileged community. Detailed information on the initiatives of the Company towards CR activities is provided in the Corporate Responsibility section of the Annual Report.

### **Green endeavor for Green Business**

GP continually strives to reduce the environment & climate impact of its operations. This is why GP has launched Climate Change Program in 2008. The program focuses on six areas- reduce carbon emission, create employee awareness, adopt green practices, create green momentum in society and provide green services for its customers. Since 2008, successful initiatives have helped GP reduce carbon intensity and consumption of valuable resources, such as fuel, paper, and electricity. Detailed information on the initiatives of the Company is provided in the Climate Change section of the Annual Report.

### **HSE and Supply Chain Sustainability**

As an HSE (Health, Safety, Security and Environment) compliant company, GP makes every possible effort to create a high labor standard and to continually improve its own operations and throughout its entire supply chain. As part of the process, GP ensures that all of its contractual suppliers and value chain partners are committed to follow a set of Supplier Conduct Principles (SCP), which are based on internationally recognized standards that emphasized on human rights, health & safety, labor rights, environment and anti-corruption. In 2013, GP continued to work proactively and systematically within the area of supply chain sustainability, while focusing on mitigation of supply chain risk, anti-corruption work in the supply chain, and HSE training & awareness both for its supply chain partners and employees.

### **Directors’ Responsibilities for Financial Statements**

The Directors are responsible for the governance of the Company, and in that capacity, the Directors confirm, to the best of their knowledge that–

- (a) the financial statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

- (b) proper books of account of the Company have been maintained;
- (c) appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgments;
- (d) the International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed;
- (e) the system of internal control is sound in design and has been effectively implemented and monitored;
- (f) there is no doubt, whatsoever, upon the Company's ability to continue as a going concern.

## Corporate Governance

In the fast-paced world of telecommunications, vibrant and dynamic Corporate Governance practices are an essential ingredient to success. As a Public Listed Company, the Board of Directors of GP has played a pivotal role in meeting all stakeholders' interests. The Board of Directors and the Management Team are committed to maintaining effective Corporate Governance through a culture of accountability, transparency, well-understood policies and procedures.

The Company has complied with the conditions as stipulated in the Corporate Governance Guidelines issued on 7 August, 2012 by the Bangladesh Securities and Exchange Commission (BSEC). In this connection, status of compliance has been annexed to this report as Annexure-I. A certificate from M/s Al-Muqtadir Associates, Chartered Secretaries confirming compliance of conditions of Corporate Governance Guidelines as stipulated under condition 7(i) is also annexed to this report as Annexure-IV.

## Other Disclosures/Statements Pursuant to the Provisions of the BSEC's Corporate Governance Guidelines 2012

### ● Segment/Product wise performance

Business activities of GP are not organized on the basis of differences in related products and services or variations in geographical areas of operations. GP essentially provides similar products and services to customers across the country. GP, however, reviews revenue performance of different services, which have been disclosed under note 24 of the financial statements.

Total revenue for 2013 was BDT 96.6 billion (BDT 9,662 crore) having a solid growth of 5.1% compared to the previous year. The growth in revenue was contributed by voice, data, device sales and adjacent business i.e. wholesale business and financial services.

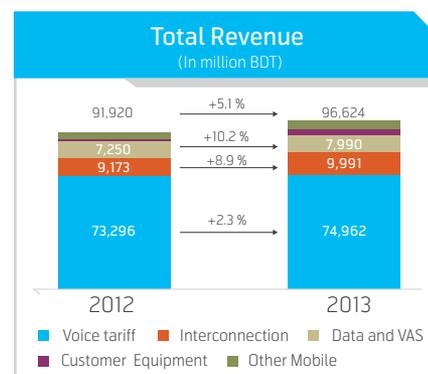
2.3% increase in voice traffic revenues for the year 2013 from last year, mainly driven by the subscription growth. However, revenue growth for GP as well as the mobile industry was partly offset by the directives from the regulators regarding implementation of 10-second pulse in voice tariff and elimination of call setup charges from September 2012.

Continued growth in data services revenue, mainly driven by growing internet users and low tariff based internet mini-packs followed by the launching of 3G in October 2013. Total data revenue has increased by 16.9% from 2012 with 40.8% growth in data usage. However, growth in SMS and MMS revenue was 16.9%.

Interconnection revenue is generated from the incoming traffic through the calls generated from outside GP network. Interconnection revenue increased by 8.9% as a result of increase in incoming interconnection traffic both from national and international operators.

Other mobile revenue includes revenues mainly from telecom infrastructure sharing, commission income, broadband internet revenue etc.

Revenue from customer equipment mainly includes sale of mobile devices, i.e. handsets and branded EDGE modems



● **Review on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin**

Performance measures like ‘cost of goods sold’ and ‘gross profit margin’ (which are the outcome of expenses being classified on the basis of function) are not suitable for a company like GP as it provides telecommunication services to its subscribers. Fixed operating costs reflect a significant portion of the cost structure of GP and hence GP, in 2013, changed the way it classifies its expenses in the financial statements on the basis of their nature instead of their function.

Operating expenses consist of material cost, personnel expense, network operation and maintenance, selling & distribution cost, dealers’ commission & marketing expense, revenue sharing & frequency charges to regulator and depreciation & amortization. Increase in operating expense is mainly driven by higher mobile device sales, higher subscriber acquisition cost, provisions for bad debts against IGW operators, restructure cost for organizational efficiency and higher network operation & maintenance cost particularly in IT area as a result of GPIT deconsolidation.

As a combined effect of the revenue growth and higher operating expenses, operating profit for the year 2013 decreased by 1.4% from 2012.

However, profit before tax has increased by 8.8% from 2012 with the positive impact from foreign exchange gain and gain on sale of GPIT.

Net profit margin for the year 2013 was 15.2% compared to 19.0% of 2012. Despite steady operating profit margin, net profit after tax decreased by 16.0% due to the one-off tax adjustment for increased corporate tax rate from 35% to 40%, effective from 2012. As a result, Earnings Per Share (EPS) for the year 2013 stood at BDT 10.89 compared to BDT 12.96 of 2012.



- All transactions with related parties have been made on a commercial basis. Details of related party and related party transactions have been disclosed under note 40 of the financial statements as per IFRS.
- The GP IPO was made in 2009 and the fund raised thereby has already been utilized by 30 June, 2010 as reported to the regulators. No further issue of any instrument was made during the year.
- The financial results of the Company have continued to grow since the floatation of GP IPO in 2009 as reflected in the yearly financial statements.
- As per IAS 1 Presentation of Financial Statements, no items of income and expense are to be presented as ‘extraordinary gain or loss’ in the financial statements. Accordingly, no gain or loss has been presented as ‘extraordinary gain or loss’ in the financial statements.
- No significant variations have occurred between quarterly and final financial results of the Company during 2013.
- No remuneration was paid to the Directors apart from their Board meeting attendance fees. During the year, the Company has paid a total amount of BDT 265,472 as Board meeting attendance fees. However, payments to Foreign Directors, not remitted as yet, have been provided for in the accounts of the relevant year.

- There are no significant deviations in operating results (profit before tax) from last year's operating results (profit before tax).
- The key operating and financial data for the last five years has been disclosed in the Annual Report at Page 45.
- GP has declared interim dividend and recommended final dividend for the year 2013.
- During 2013, a total of 12 (twelve) Board meetings were held, which met the regulatory requirements in this respect. The attendance records of the Directors are shown in Annexure-II to this report.
- Shareholding patterns of the Company as on December 31, 2013 are shown in Annexure-III to this report.

### Annual Results and Allocations

The Directors take pleasure in reporting the financial results of the Company for the year ended 31 December 2013 and recommend the appropriation as mentioned in the "Appropriation of Profit" table below:

*Figures in BDT*

	2013	2012
<b>Profit available for Appropriation</b>		
Profit/ (Loss) after tax	14,701,574,489	17,354,535,376
Add: Un-appropriated profit brought forward from previous year (including general reserve)	13,983,642,577	17,558,757,542
<b>Total Amount available for Appropriation</b>	<b>28,685,217,066</b>	<b>34,913,292,918</b>
<b>Appropriation</b>		
Final Dividend Paid for Previous Year	(6,751,500,110)	(8,77,950,143)
Interim Dividend Paid for Current Year	(12,152,700,198)	(12,152,700,198)
<b>Closing Retained Earnings at year end (before Proposed Final Dividend)</b>	<b>9,781,016,758</b>	<b>13,983,642,577</b>
Proposed Final Dividend for the year 2013 (50% cash) (In 2012: 50% cash)	(6,751,500,110)	(6,751,500,100)
<b>Retained Earnings after Proposed Dividend</b>	<b>3,029,516,648</b>	<b>7,232,142,467</b>

### Growth in Contributions to the National Exchequer

Being one of the largest contributors to the national exchequer for the last several consecutive years, the collective contribution of GP from inception up to December 2013 was BDT 354.8 billion (BDT 35,477 crore). During 2013 alone, the Company contributed BDT 69.1 billion (BDT 6,908 crore) to the national exchequer compared to BDT 62.7 billion (BDT 6,267 crore) of 2012, which represent about 71% of GP's total revenue of 2013. In 2013, GP's contribution to national exchequer included BDT 7.1 billion as final installment on account of 2G license renewal and spectrum fees and BDT 10.4 billion for the 1<sup>st</sup> installment of 3G license acquisition and spectrum fees. It is also notable that GP has paid BDT 14.0 billion (BDT 1,404 crore) in corporate taxes during 2013, which was BDT 477 million (BDT 48 crore) higher compared to 2012. Such contribution is expected to grow further with the expansion and growth of the company in the years ahead.

### Dividend

For the year ended December 31, 2013, the Board of Directors of the Company has paid an Interim Cash Dividend @ 90% of the paid-up capital amounting to BDT 12,152,700,198 which was BDT 9 per share of BDT 10.00 each. Now, the Directors are pleased to recommend a Final Cash Dividend @ 50% of the paid-up capital amounting to BDT 6,751,500,110 which is BDT 5 per share of BDT 10.00 each for the year 2013 out of the divisible profits of the Company for consideration and approval of the Shareholders for distribution. Inclusive of the Interim Dividend of 90%

paid already, this would make a cumulative total dividend @ 140% of the paid-up capital amounting to BDT 14 which was BDT 18,904,200,308 per share for the year 2013.

The above recommendation of dividend is as per the Board approved dividend policy, which is 'Minimum 50% of the Net Profit After Tax to be allocated for dividend payment depending on the financial health and capital requirement of the Company with an aim to have a relatively steady growth in per share dividend'.

### **Board of Directors**

The composition of the Board of Directors who held office during the year was as below:

1. Mr. Sigve Brekke, Telenor Mobile Communications AS, Director & Chairman
2. Mr. Per Erik Hylland, Telenor Mobile Communications AS, Director
3. Mr. Hakon Bruaset Kjol, Telenor Mobile Communications AS, Director
4. Mr. Pal Wien Espen, Telenor Mobile Communications AS, Director [appointed on April 24, 2013]
5. Mr. Tore Johnsen, Telenor Mobile Communications AS, Director [appointed on December 10, 2013]
6. Mr. M Shahjahan, Grameen Telecom, Director
7. Mr. Md. Ashraful Hassan, Grameen Telecom, Director
8. Ms. Parveen Mahmud, Grameen Telecom, Director
9. Dr. Jamaluddin Ahmed FCA, Independent Director
10. Ms. Rokia Afzal Rahman, Independent Director

The Board of Directors at its 142<sup>nd</sup> Board meeting held on January 22, 2014 has appointed Mr. Hans Martin Hoegh Henrichsen as Director in the Board in replacement of Mr. Per Erik Hylland. We would like to thank Mr. Per Erik Hylland, Mr. Morten Tengs and Mr. Lars Erik Tellmann for being part of the Board of Directors in the past years and for their valued contributions.

### **Directors' Appointment & Re-appointment**

With regard to the appointment, retirement and re-appointment of Directors, the Company is governed by its Articles of Association, the Companies Act, 1994 and other related legislations. Accordingly, the following Directors of the Board will retire at this Annual General Meeting. They are, however, eligible for re-appointment:

1. Mr. Sigve Brekke
2. Mr. M Shahjahan
3. Mr. Hans Martin Hoegh Henrichsen
4. Mr. Pal Wien Espen

Brief profiles of the Directors being proposed for re-appointment are given at page 17 of the Annual Report, which fulfill condition 1.5 (xxii) of the Corporate Governance Guidelines of BSEC.

### **Appointment of Auditors**

As per the Companies Act 1994 and the Articles of Association of GP, the statutory auditors of the Company, ACNABIN, Chartered Accountants, shall retire in this AGM. The Firm, being eligible, has offered their willingness to be re-appointed. The Board recommends their re-appointment for the year 2014 and continuation till the next AGM at a fee of BDT 2 million (Taka two million only) plus VAT.

### **Risks & Uncertainties**

Risk Management practices are and integral parts of modern business, which helps Management in setting strategies considering internal & external risks and uncertainties. Like the competitors and other companies, our business is also exposed to diverse risks that arise from both internal and external fronts. In addition to regulatory risks from an unpredictable regulatory regime, we remain prepared for other risks from the market, operations, legal issues, interest rate and exchange rate volatility, and potential changes in policies on a national or global level.

In GP, we have a well-defined governing document on risk management and a periodic monitoring system to address the strategic and enterprise-level risks that may affect our business, operations, liquidity, financial position or future performances. Our comprehensive risk management system is devised to enable the Company to recognize, assess and set action plans on the risks on a real-time basis and in accordance with the risk management framework.

### Looking Forward

Continued product innovations shall remain the key to driving sales growth in the competitive environment in the years ahead. We want to offer the best experience to our customers through the introduction of latest technologies and innovative Value Added Services. We will continue our drive for customer satisfaction and, at the same time, we want to be the partner of progress in this country through our contributions to the economy, society, and environment.

We will continue to play a key role in improving the quality of life by providing access to key services such as healthcare, education, and agriculture. We will further explore the Data, content, and VAS market by offering 3G service. GP is the first mobile operator in Bangladesh to take mobile internet around the country and now using 3G to further fulfill its ambitions of providing "Internet for All".

### Appreciation

The Board of Directors firmly believes that GP has the necessary strengths, resources and commitments to further propel the Company to newer heights. The performance in 2013 is indeed a tribute to the pledge, promise, energy and hard work of our Directors, Management and employees together. And keeping that in mind, the Members of the Board would like to place on record their appreciation to the valued Shareholders and Stakeholders of the Company for their persistent support and guidance. But the Company never strides alone, and accordingly, the Board profoundly acknowledges the cooperation and assistance that it had received from Government of Bangladesh, the Ministry of Posts, Telecommunications and Information Technology, Bangladesh Telecommunication Regulatory Commission (BTRC), Bangladesh Railway (BR), Bangladesh Bank (BB), Board of Investment (BOI), Registrar of Joint Stock Companies & Firms (RJSC), Chief Controller of Export & Import, Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE), Central Depository Bangladesh Limited (CDBL), GP's Bankers and financial institutions, vendors and other business partners during the year 2013.

The success story of GP would not have been the same without the continued loyal support of our valued customers. Accordingly, the Board admires all the GP customers for making GP Brand as their preferred choice. We would also recognize that our employees are our pride and backbone, who help us stand tall and deliver our products and services with excellence. Therefore, we would also thank all our employees for their innovation, dedication and commitment to serving our customers.

For and on behalf of the Board of Directors of Grameenphone Ltd.



**Sigve Brekke**

Chairman

February 10, 2014

**Annexure-I**

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is presented below:

**(Report under Condition No. 7.00)**

Condition No.	Title	Compliance Status ( "✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.	<b>Board of Directors (BoD)</b>			
1.1	Board's Size (number of Board members – minimum 5 and Maximum 20)	✓		There are 10 (Ten) Directors in the Company Board
1.2	<b>Independent Directors</b>			
1.2 (i)	At least one fifth (1/5) of the total number of Directors shall be Independent Directors	✓		The Company has appointed 2 (two) Independent Directors (ID)
1.2 (ii)	<b>Independent Director means a director:</b>			
1.2 (ii) (a)	who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	✓		As per the declaration of the IDs
1.2 (ii) (b)	who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company	✓		- do -
1.2 (ii) (c)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		- do -
1.2 (ii) (d)	who is not a member, director or officer of any stock exchange	✓		- do -
1.2 (ii) (e)	who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		- do -
1.2 (ii) (f)	who is not a partner or executive or was not a partner or an executive during the preceding 3 (three) years of the company's statutory audit firm	✓		- do -
1.2 (ii) (g)	who shall not be an independent director in more than 3 (three) listed companies	✓		- do -
1.2 (ii) (h)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	✓		- do -
1.2 (ii) (i)	who has not been convicted for a criminal offence involving moral turpitude	✓		- do -
1.2 (iii)	Independent Director(s) shall be appointed by BoD and approved by the shareholders in the Annual General Meeting (AGM)	✓		The appointments are duly approved
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days	None		No vacancy occurred
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	✓		
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		The IDs are in their regular term of office
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	✓		The qualification and background of IDs justify their abilities as such
1.3 (ii)	Independent Director should be a Business Leader/Corporate leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences	✓		- do -

Condition No.	Title	Compliance Status (“√” has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of Commission	None		
1.4	The Chairman of the Board and the Chief Executive Officer (CEO) shall be different individuals. The Chairman shall be elected from among the directors. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the CEO	√		
1.5	<b>The Director’s Report shall include the following additional statements:</b>			
1.5 (i)	Industry outlook and possible future developments in the industry	√		Included in the Directors’ Report
1.5 (ii)	Segment-wise or product-wise performance	√		- do -
1.5 (iii)	Risks and concerns	√		- do -
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit and Net Profit Margin	√		- do -
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	√		- do -
1.5 (vi)	Basis for related party transactions - a statement of all related party transactions should be disclosed in the annual report	√		- do -
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any other instruments	√		- do -
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO)	None		- do -
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements & Management explanation thereof	None		- do -
1.5 (x)	Remuneration to Directors including Independent Directors	√		
1.5 (xi)	The financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity	√		- do -
1.5 (xii)	Proper books of account have been maintained	√		
1.5 (xiii)	Adaptation of appropriate accounting policies & estimates	√		
1.5 (xiv)	IAS/BAS/IFRS/BFRS, as applicable in Bangladesh, have been followed and adequate disclosure for any departure	√		- do -
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	√		- do -
1.5 (xvi)	Going Concern (ability to continue as a going concern)	√		- do -
1.5 (xvii)	Highlight and explain significant deviations from the last year’s operating results	√		- do -
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	√		Given on page 45 of the Annual Report
1.5 (xix)	Reason for non declaration of Dividend	None		Does not arise
1.5 (xx)	The number of Board meetings held during the year and attendance by each Director	√		Included in the Directors’ Report
1.5 (xxi)	<b>Pattern of shareholding and name wise details (disclosing aggregate number of shares) :</b>			
1.5 (xxi) (a)	Parent/Subsidiary/Associated Companies and other related parties	√		- do -
1.5 (xxi) (b)	Directors, Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO), Head of Internal Audit (HIA) and their spouses and minor children	√		Included in the Directors’ Report
1.5 (xxi) (c)	Executives	√		- do -
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more voting interest in the company			- do -
1.5 (xxii)	<b>In case of the appointment/re-appointment of a Director, disclose:</b>			
1.5 (xxii) (a)	a brief resume of the Director	√		Given on page 17 of the Annual Report
1.5 (xxii) (b)	nature of his/her expertise in specific functional areas	√		- do -
1.5 (xxii) (c)	names of companies in which the person also holds the directorship and the membership of committees of the Board	√		Given on page 20 of the Annual Report

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
2.1	Appointment of CFO, HIA and CS and defining their respective roles, responsibilities & duties	√		
2.2	The CFO and the CS shall attend the meetings of the Board of Directors	√		
3	<b>Audit Committee</b>			
3 (i)	The company shall have an Audit Committee as a sub-committee of the BoD	√		
3 (ii)	The Audit Committee shall assist the BoD in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	√		
3 (iii)	The Audit Committee shall be responsible to the BoD. The duties of the Audit Committee shall be clearly set forth in writing	√		
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members	√		Audit Committee comprises of 3 (three) members
3.1 (ii)	The BoD shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director	√		One member is Independent Director
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience	√		
3.1 (iv)	Expiration of the term of service of Audit Committee members making the number lower than 3 (three) and fill up the vacancy(ies) by the Board not later than 1 (one) month from the date of vacancy(ies)	None		No vacancy occurred
3.1 (v)	The Company Secretary shall act as the secretary of the Audit Committee	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director	√		
3.2 (i)	The BoD shall select the Chairman of the Audit Committee, who shall be an Independent Director	√		
3.2 (ii)	Chairman of the audit committee shall remain present in the AGM	√		Was present in the AGM held in 2013
3.3	<b>Role of Audit Committee</b>			
3.3 (i)	Oversee the financial reporting process	√		
3.3 (ii)	Monitor choice of accounting policies and principles	√		
3.3 (iii)	Monitor Internal Control Risk management process	√		
3.3 (iv)	Oversee hiring and performance of external auditors	√		
3.3 (v)	Review the annual financial statements before submission to the Board for approval	√		
3.3 (vi)	Review the quarterly and half yearly financial statements before submission to the Board for approval	√		
3.3 (vii)	Review the adequacy of internal audit function	√		
3.3 (viii)	Review statement of significant related party transactions submitted by the management	√		
3.3 (ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors	√		
3.3 (x)	Disclosure to the Audit Committee about the uses/applications of IPO funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, shall prepare a statement of funds utilized for the purposes other than those stated in the prospectus	None		No IPO was made in the year 2013

Condition No.	Title	Compliance Status ( "√" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
3.4.1 (i)	Reporting to BoD on the activities of the Audit Committee	√		
3.4.1 (ii) (a)	Reporting to BoD on conflicts of interests	None		
3.4.1 (ii) (b)	Reporting to BoD on any fraud or irregularity or material defect in the internal control system	None		
3.4.1 (ii) (c)	Reporting to BoD on suspected infringement of laws	None		
3.4.1 (ii) (d)	Reporting to BoD on any other matter	None		
3.4.2	Reporting to BSEC (if any material impact on the financial condition & results of operation, unreasonably ignored by the management)	None		
3.5	Reporting to the Shareholders of Audit Committee activities, which shall be signed by the Chairman and disclosed in the Annual Report	√		Given on Page 67 of the Annual Report
4.00	<b>External / Statutory Auditors</b>			
4.00 (i)	Non-engagement in appraisal or valuation services or fairness opinions	√		As per Auditors' declaration
4.00 (ii)	Non-engagement in designing and implementation of Financial Information System	√		- do -
4.00 (iii)	Non-engagement in Book Keeping or other services related to the accounting records or financial statements	√		- do -
4.00 (iv)	Non-engagement in Broker-Dealer services	√		- do -
4.00 (v)	Non-engagement in Actuarial services	√		- do -
4.00 (vi)	Non-engagement in Internal Audit services	√		- do -
4.00 (vii)	Non-engagement in any other services that the Audit Committee determines	√		- do -
4.00 (viii)	No partner or employees of the external audit firms shall possess any share of the company during the tenure of their assignment	√		- do -
4.00 (ix)	Non- engagement in audit/certification services on compliance of corporate governance as required under clause (i) of condition no. 7	√		- do -
5	<b>Subsidiary Company</b>			
5 (i)	Provisions relating to the composition of the BoD of the holding company shall be made applicable to the composition of the BoD of the subsidiary company	Not applicable		GP does not have any subsidiary company as on reporting date
5 (ii)	At least 1 (one) Independent Director on the BoD of the holding company shall be a director on the BoD of the subsidiary company.	Not applicable		- do -
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	Not applicable		- do -
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also	Not applicable		- do -
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	Not applicable		- do -

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
6	<b>The CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:</b>			
6 (i) (a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	√		The CEO and CFO have duly certified to the Board
6 (i) (b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	√		- do -
6 (ii)	there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	√		- do -
7 (i)	Obtaining certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the BSEC and include in the Annual Report	√		Given on page 66 of the Annual Report
7 (ii)	Directors statement in the directors' report whether the company has complied with these conditions	√		Included in the Director's Report

#### Annexure-II

Board Meeting and attendance during the year ended December 31, 2013

Name of Directors	Number of meetings held whilst a Board member	Meetings attended	Remarks
Mr. Sigve Brekke	12	12	
Mr. Per Erik Hylland	12	12	
Mr. Morten Tengs	4	2	(Nomination withdrawn on 24 April 2013)
Mr. Hakon Bruaset Kjol	12	10	
Mr. Lars Erik Tellmann	12	8	(Nomination withdrawn on 10 December 2013)
Mr. M Shahjahan	12	10	
Mr. Md. Ashraful Hassan	12	12	
Ms. Parveen Mahmud	12	10	
Dr. Jamaluddin Ahmed FCA	12	9	
Ms. Rokia Afzal Rahman	12	9	
Mr. Pal Wien Espen	8	8	(Appointed on 24 April 2013)
Mr. Tore Johnsen	0	0	(Appointed on 10 December 2013)

## Annexure-III

## The Pattern of Shareholding as on December 31, 2013

Name of Shareholders	Status	Shares Held	Percentage
<b>i) Parent/Subsidiary/Associate Companies</b>			
Telenor Mobile Communications AS	-	753,407,724	55.80%
Nye Telenor Mobile Communications II AS	-	215	0.00%
Nye Telenor Mobile Communications III AS	-	215	0.00%
Telenor Asia Pte. Ltd.	-	215	0.00%
Grameen Telecom	-	461,766,409	34.20%
Grameen Kalyan	-	22	0.00%
Grameen Shakti	-	22	0.00%
<b>ii) Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouses and minor children</b>			
Mr. Sigve Brekke	Chairman	-	-
Mr. Per Erik Hylland	Board Member	-	-
Mr. Pal Wien Espen	Board Member	-	-
Mr. Hakon Bruaset Kjol	Board Member	-	-
Mr. Tore Johnsen	Board Member	-	-
Mr. M Shahjahan	Board Member	-	-
Mr. Md. Ashraful Hassan	Board Member	-	-
Ms. Parveen Mahmud	Board Member	-	-
Dr. Jamaluddin Ahmed FCA	Board Member	-	-
Ms. Rokia Afzal Rahman	Board Member	-	-
Mr. Vivek Sood	Chief Executive Officer	-	-
Mr. Md. Mainur Rahman Bhuiyan	Acting Chief Financial Officer	-	-
Mr. Hossain Sadat	Company Secretary	26,176	0.00%
Mr. Emadul Hannan	Head of Internal Audit	-	-
<b>iii) Executives (as explained in the BSEC's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 )</b>			
Mr. Allan Bonke	Chief Marketing Officer	-	-
Mr. Erlend Prestgard	Head of Strategy and Project Office	-	-
Mr. Tanveer Mohammad	Chief Technology Officer	56,400	0.00%
Mr. Mahmud Hossain	Chief Corporate Affairs Officer	-	-
Mr. Quazi Mohammad Shahed	Chief Human Resources Officer	-	-
<b>iv) Shareholders holding ten percent or More Voting Interest</b>			
Telenor Mobile Communications AS	-	753,407,724	55.80%
Grameen Telecom	-	461,766,409	34.20%

Annexure-IV

 **Al-Muqtadir Associates**  
Company Secretaries & Consultants

**Al-Muqtadir Associates**  
Company Secretaries & Consultants  
Circle Zareen, Block - A, Road -16  
House # 413 (5-B), Bashundhara R/A  
Dhaka - 1229, Bangladesh

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**Certificate of Compliance to the Shareholders of  
Grameenphone Ltd.**

*(As required under the BSEC Corporate Governance Guidelines)*

We have examined compliance to the BSEC guidelines on Corporate Governance by Grameenphone Ltd. for the year ended 31<sup>st</sup> December 2013. These guidelines relate to the Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7<sup>th</sup> August 2012 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

Such compliance to the codes of Corporate Governance is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of Corporate Governance. This is a scrutiny and verification only and not an expression of opinion or audit on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations provided to us, we certify that, subject to the remarks and observations as reported in the attached Compliance Statement, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned guidelines issued by BSEC.

We also state that such compliance is neither an assurance as to the future viability of the Company nor a certification on the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Dhaka, February 10, 2014



**Al-Muqtadir Associates**  
Chartered Secretaries & Consultants