

# directors' report

For the Year Ended 31 December 2016

## Dear Shareholders,

On behalf of the Board of Directors and Management, I welcome you all to the 20<sup>th</sup> Annual General Meeting (AGM) of Grameenphone Ltd. We have the pleasure to place herewith the Directors' Report and the Auditor's Report, together with the Audited Financial Statements of the Company, for the year ended 31 December 2016 for your valued consideration, approval and adoption.

## The Journey of Grameenphone: A Tale of 20 Years

This year marks the 20<sup>th</sup> anniversary of Grameenphone's inception. This two decades journey has been a story of pioneering innovation, service excellence and leadership as Grameenphone expanded its footprint across the country and diversified its service portfolio while maintaining inclusive growth.

As a continuation of the growth trend, 2016 was a year of excellence proving to be a solid year for Grameenphone with strong growth momentum in place. Consolidation in performance was achieved through double digit growth in the key financial metrics. The Company reported record revenue of BDT 114.9 billion for the year 2016, up by 9.6% YoY, supported by strong growth across the product portfolio. Simplified customer-centric products and continued investment on 3G coverage expansion has accelerated this growth.

Grameenphone closed the year with stronger subscriber base of 58 million, a 2.2% growth from year 2015. Notably, SIM market share improved to 46.1% at the end of October 2016. Throughout the year, data continued to grow with healthy user addition and increasing data volume consumption. The Company acquired 8.8 million internet users, taking the year end base to 24.54 million in 2016.

Competitive offerings with a wide spectrum of quality digital services has further enriched Grameenphone's Digital Lifestyle portfolio. The first wave of digital services featuring health, education, agriculture and entertainment solutions picked up the pace towards digitalising the nation. WowBox, the number one lifestyle application of the country, reached more than 6 million users making it the most downloaded digital application in the country. Customer focused products and services were launched and expanded on, pushing the boundaries of communication and commerce in Bangladesh throughout the year.

As the first mover in providing 3G services, Grameenphone solidified its position as a leading 3G service provider in 2016. The Company invested BDT 21.1 billion during the year for further rollout of 2G & 3G sites and capacity enhancement to cater for higher volume of data and voice. This expansion not only connects almost all the people of the country with 3G but also enables the Government and other organisations to take their digital services to the people more effectively. Being the largest contributor to the National Exchequer, Grameenphone paid BDT 58.6 billion, which represent about 51% of Grameenphone total revenue to the National Exchequer during the period in the form of taxes, VAT, duties and license fees.

Grameenphone created one of the most notable success stories in the industry during the biometric re-verification by completing re-registration for more than 97% of its subscriber base. We pressed ahead with a solution that was simple to operate. Grameenphone also took a strong position to get close to our customers by enabling 75,000 retailers across the country with biometric devices.

While Grameenphone maintained the business focus, Sustainability also remained a focus area as an integral part of its business. To strengthen its commitment to create a positive impact to society and the operating environment, Grameenphone extended its support towards arts, sports and children's causes.

## 2016- A Snapshot of Strong Socio-Economic Foundation

Bangladesh's economy remained strong and resilient in 2016 despite external and internal challenges. The country saw a consistent GDP growth path – more than 6% p.a. over the last 10 years despite struggling against all odds. Continued macro stability, disinflation, rising reserves and declining interest rates played an important role in stabilising the economy and has made businesses confident of taking on new challenges.

Robust investment and solid consumption have kept the economy on a solid footing. As estimated by the Bangladesh Bureau of Statistics (BBS), the per capita income in Bangladesh rose from USD 1,190 to USD 1,314 in 2014-15. The local currency was stable against US dollar. The reserve also hit a record of USD 32 billion in 2016. As per the Consumers Association of Bangladesh survey, the cost of living in Bangladesh rose to 6.47% in 2016 from the previous year. Despite all these good signs, the Bangladesh economy faced tough challenges, which include stagnant private investment followed by weak institutional capacity to implement development projects, narrow export base, high cost of doing business, poor governance etc.

Looking ahead, Bangladesh needs to focus on a growth agenda if the growth momentum is to be sustained and strengthened. Strong structural reforms, implementation capacity and good governance – boosting energy, infrastructure, financial and private sector efficiency – can help accelerate and sustain the growth. The right guidance from the Government and an enthusiastic entrepreneurship culture can be the push that Bangladesh needs to become a strong economy in the coming decade.

## Telecommunication Industry Scenario

The mobile industry is in the midst of a transformation. The industry has witnessed a shift from voice to data service. This shift is redefining both the telecom industry and the society at large. In the face of the rapidly evolving mobile industry, 2016 has been a landmark year for the telecommunication sector in Bangladesh and possibly one of the most important in recent past.

The year started with 'Biometric SIM re-registration', an enormous task to ensure the ownership of cellular phone number to curb telephony crimes. Grameenphone performed better than the industry in a move that took its market share to 46.1% at the end of October 2016. Reduced price of smart phones significantly increased penetration in the rural and suburban areas, resulting in a positive impact on internet data consumption.

During the year, Grameenphone was deeply focused on expanding 3G coverage across the country. With the proliferation of internet, Value Added Services (VAS) and e-Commerce has also been taking new shape.

The telecom sector has matured gradually and new business dynamics have emerged. The much awaited merger between Robi and Airtel finally took place and is expected to add new dimension in the competitive landscape. Licensing for Mobile Network Operators (MNO) in Mobile Financial Services (MFS) could not gain much momentum despite multilevel engagement. Bangladesh Bank has been playing a cautious and conservative role in the domain of MFS. It has circulated draft MFS guidelines where the MNOs are expected to take part in a regulator prescribed consortium of banks and MNOs but we advocate for a market driven partnership model.

## Telecom Regulatory Environment

The Bangladesh Telecommunication Regulatory Commission (BTRC) continued to support and facilitate the consolidation of a sustainable techno-economic industry framework, steering towards the vision of Digital Bangladesh.

Throughout the year, the regulatory authorities took numerous initiatives to reshape the sector to make it more compatible with the ever-changing landscape as well as to address the Government's digital vision. The rigorous work on the National Telecom Policy (NTP), Tower Sharing Licensing Guidelines, and combat against cyber crime and pornography are a few among many initiatives. A well formulated and future leaning Telecom Policy is a foundation for the telecom sector. As a guardian of the sector, BTRC is also responsible for ensuring an investment friendly environment and to assist upholding of social values.

The telecom regulatory environment, however, has remained unpredictable in the context of unresolved and long-pending regulatory issues. Time and again, the telecom industry has sought predictability and certainty in the regulatory regime for a favourable and investment-friendly climate. To cope with the changing landscape, the Government regulatory authorities have persisted their efforts to strengthen their grip on the industry. Additionally, the BTRC has initiated a fresh audit on Grameenphone, whereas issues from the previous audit (for the period from inception to 2011) are still pending at the High Court. Grameenphone is committed to facilitate a lawful, procedurally- proper and transparent BTRC Audit.

In spite of multilevel engagements from MNOs, the tax regime for the telecom sector remained unchanged. High taxation, instability and unpredictability in the taxation regime are still considered to be major barriers for the expansion of the industry. Moreover, increase of supplementary duty from 3% to 5% and introduction of 1% surcharge on mobile usage, added additional burden on the customers in the 2016-17 Fiscal Year.

## Industry Outlook and Possible Future Developments

2016 witnessed the first ever large scale merger in the Bangladesh telecom sector. The joint strengths of Robi and Airtel have set the stage for a stronger number two mobile operator in Bangladesh. On the backdrop of this new market dynamic, competition is expected to continue to intensify in 2017.

Increasing competition, along with wider adoption of the digitalised lifestyle, will lead to even more innovative products and services in the coming years. Data hungry applications will boost the internet adoption rate that will enable the consumers to find more value adding services. Concurrently, the boost in internet access is expected to leave positive impact on VAS and e-Commerce. Operators will be investing more on 3G coverage in the deep rural areas in parallel with improving the quality of service. Additionally, if the demands of MNOs are adequately met through the expected 2017 spectrum auction, this will provide another big boost for investments in 4G/LTE. To increase the value of communication services, operators will be looking to venture into new partnerships with other vertical industries. The e-commerce market is flourishing and consumer confidence in mobile financial services is gradually increasing, which will lead to a significant impact on the trade of digital goods and services, provided a favourable policy and framework 'ecosystem' is in place. Cyber security will be one of the major areas where the Government and the industry will need to work hand in hand in the coming days. The cooperation across the verticals will be crucial, both at the policy and at the industry level to develop and stimulate the sector as a whole.

Grameenphone appreciates the regulator's positive approach in inviting sectoral opinion on various matters. Grameenphone is also hopeful that the regulator will be cordial and cooperative in resolving different long-pending issues in the coming period and embark on a sustainable sectoral ecosystem. Positive support from the Government will build confidence among investors and

thereby move the sector forward in a progressive manner. Grameenphone is very optimistic that if the Government, Regulator, and MNOs can move together hand in hand, the 'Digital Bangladesh' vision would not be far to achieve.

### Capital Market Overview 2016

The year 2016 saw a turnaround in the Bangladesh capital market. Benign performance marked the beginning of 2016 for the capital market. From May 2016, however, the market experienced an almost uninterrupted upturn. Small capitalised companies dominated the market performance with stocks in the banking sector posting healthy returns. Foreign investment improved while multinational companies underperformed in the market. Political stability and macro-economic factors benefited the capital market during the year.

On the Dhaka Stock Exchange (DSE), the broad and free float weighted index DSEX gained 8.8% (406.4 points) against a 4.8% drop in 2015 and closed at 5036.04 points. Daily average turnover value increased by 17.0% compared to the preceding year.

Grameenphone share price increased by 12.3%, closing at BDT 284.1 at the year-end with a daily average turnover value of BDT 45.7 million (BDT 4.57 crore). During the year, highest value of Grameenphone share price was BDT 292 and the lowest was BDT 224.5. Grameenphone's market capitalisation on 29 December 2016 stood at BDT 383.62 billion (BDT 38,362 crore), representing 13.6% of the DSE's total equity market capitalisation.

\*Source: Dhaka Stock Exchange

### Driving Simplicity and Heading Towards a Digital World

Grameenphone has always been ahead of the competition, quickly adapting to change and positioning its business model to capitalise on the developments in an increasingly digitalised life. In 2016, Grameenphone further asserted its leadership position across all business segments, including the digital arena, via a focused, forward-looking strategy pivoted around innovation, customer-centricity, differentiation, and value for money; all enabled by upgraded infrastructure.

In 2016, Grameenphone managed continuous growth in core revenue streams like voice service. The focus was to develop customer-centric products and to modify existing products to make them more user-friendly. Recharge based activation removed the hassle for customers to remember various activation codes. Using digital channels as a medium to reach out to customers for voice products also showed encouraging results. Flexiplan; the first app in the industry to make your own core product has crossed more than 5 million downloads. Grameenphone also launched new postpaid product which has auto credit facility based on customer profile; a true postpaid connection which is a first in this country.

The core strength of Grameenphone's products is simplicity, offering the most relevant products to its customers to simplify their lives. Grameenphone started the journey of simplicity a while back and took some bold steps focusing on simplicity from the customers' point of view. In line with this, more transparent pricing regime was introduced in 2016 for all data and minute packs. To keep the most relevant offers for the respective customers, the product portfolio was also reduced by 12%.

Pushing its product simplification agenda further, Grameenphone simplified its products and made the data product portfolio more relevant for customers. 1 GB and 2 GB weekly packs, introduced in Q2 '16, helped to boost data revenue growth from Q3 '16 onwards.

Grameenphone also modified its roaming tariff, which was on high demand from our customers. For the first time, Grameenphone offered operator specific attractive tariffs for its customers, which reduced the expense up to 98% in some cases. In value added services, the Company focused on reducing the complaints and addressing customer pain points. The Company was also able to reduce number of complaints by two-third compared to last year.

Grameenphone's one stop solution app 'MyGP' became the number one app in Bangladesh as the people's choice and is still growing strongly; The one stop USSD helpline \*121# is now being used by 15 million customers. Grameenphone's Online Shop has become the best in class e-commerce service in Bangladesh and our digital customer care initiatives are showing us the path to digitise the customer journey in a better way. In the digital services arena, WowBox has brought a new way to boost the customer digital lifestyle and GP Music has created a much deserving presence in the music industry, while protecting artists against piracy of their intellectual property.

Grameenphone revamped its Healthline (789) service under the name 'Tonic' to provide better and advanced health care services for its customers. Tonic, the master plan of staying well, reached 2 million customers in December 2016.

Grameenphone has taken a crucial step forward in expanding its distribution quality and coverage in 2016. This is helping Grameenphone's customers to get closer to digital services and on-boarded to the new Digital Bangladesh. Inception of the Business Circle concept and its successful roll-out in 2016 has played a pivotal role in this regard. Each Business Circle is responsible for end to end commercial activities of the respective markets. The Business Circle teams have come closer to customers in deep rural markets as channels were expanded to bring telecommunication services to their doorstep.



## Enhancing Customer Experience

Grameenphone is always striving to provide better customer experience, emphasising on customer value and investing in enhanced quality of services. Delighting customers through service excellence across all touch points remained our focus in 2016. A highly energetic team is working 24/7, 365 days per year to make the customers' lives easier and more enjoyable.

During the year, the Company made progress in customer service transformation and upgraded the customer care system. As a result, the customer perception has improved and the company was able to maintain industry leading customer satisfaction rates along with the lowest complaint rates. Grameenphone also observed "Customer First Day" in 2016, a major event to directly interact with the customers to reassure them about Grameenphone's commitment to better services and social empowerment. The focus of the event was generating awareness around digital bullying.

## Our Adjacent Business

### i) Financial Services

Grameenphone strongly believes in the impact that mobile financial services can have on driving financial inclusion in Bangladesh. Mobile financial services play an important role in Grameenphone's endeavour to 'empower society' with access to financial solutions. In that context, the Company continued to expand its Mobile Financial Service (MFS) activities throughout 2016. During the year, MFS experienced strong YoY growth, strengthened partnerships with banks through joint campaigns and communications activities in addition to creating awareness around the services. Grameenphone has been providing its partner banks' with financial services through its mobile network and distribution reach. In 2016, Grameenphone rebranded its Financial Services under the brand name 'GPAY' and introduced a digital user interface, the GPAY App. Today, Grameenphone's own wallet can be used for utility bill payments, mobile top-ups and train tickets.

The MFS Regulatory landscape is in a transition phase, which has also led to a delay in finalisation of MFS guideline. Though, unpredictability around the final regulations may effect Grameenphone's future strategy and actions the Company firmly believes in the future of this industry and the potential impact it can bring to Bangladesh. We therefore intend to engage strongly and expand our activities in the payment space.

### ii) Infrastructure Services

Following the BTRC directives to make optimal use of national resources and reduce cost by sharing infrastructure, Grameenphone is providing 'Shared Telecom Infrastructure' products and services with other telecom operators as well as other businesses like WiMAX and NTTN operators. Currently, the Company has agreements with all the major telecom operators, NTTNs and WiMAX operators.

Grameenphone ended the year with a few thousands shared sites with different telecom operators; although the Robi and Airtel merger has had some negative impact on the site sharing numbers. Apart from sharing passive telecommunication infrastructure with others, Grameenphone sourced more than a thousand sites from different mobile operators in 2016 in order to reduce cost. Whilst passive infrastructure sharing is being practiced by all the telecom operators, with the best-maintained network infrastructure Grameenphone has retained its leading role in infrastructure sharing.

The telecom infrastructure service sector may witness a transformation in 2017 as the regulator is actively considering introducing tower company regulations and to issue two tower company licenses, where MNOs are anticipated to be barred from taking part.

## Solid Network Growth Focusing on the Future

In 2016, Grameenphone focused on meeting its customers' increased demand for data services. To meet the exponential data usage growth, Grameenphone continued to invest in expanding network reach and to upgrade quality to ensure a superior customer experience. The Company established 10,000 3G sites throughout the country in just the first six months of the year taking the number sites to 10,548 at the end of the year, covering more than 90% of the population. 93% of the consumed data volume is now generated from the 3G network with threefold consumption increase. Grameenphone enhanced its network coverage further by deploying more than 1800 2G coverage sites, including the acquisition of more than 1,100 shared sites this year.

One of the major challenges of technology was to support the biometric re-registration process in a smooth way. Grameenphone was the pioneer in delivering the re-registration platform, well ahead of its competitors. This helped the Company achieve the highest proportion of re-registrations among the MNOs. More than 2 million subscriber registrations were done through the Blue-Box platform in a single day on 30 April 2016, which was the initial deadline for re-registration.

A number of actions were taken to improve internet user experience through the deployment of various features. To enhance 3G coverage, 2 (two) transmitter, 4 (four) receiver topology was deployed in the network at the beginning of the year. A 3G sector split was done to improve user data speed experience. Subscribers are enjoying average 3G data speed of more than 1.3 Mbps. Call drop rate for both 2G & 3G have been lowered through major feature deployment and optimisation initiatives. All through the year, the call drop rate was well below 1% and much below the BTRC guideline of 2% as well as the most commonly used international standard of 3%. Additionally, major simplification and optimisations were done in the IT systems. As a result, almost 100% of package provisioning is now being done within a minute. The transformation toward becoming a digital service provider required new platforms for digital services to be introduced. Grameenphone launched its Contextual Marketing Platform, which is

expected to grow to be a futuristic digital marketing platform for Grameenphone's business customers. The API gateway was another milestone in the digital journey and also in line with the Digital Bangladesh ambition.

While building the network for future, it was also important to have our focus on cyber security. In 2016 information security governance was established to protect both customer and corporate information from cyber threats.

### **Becoming Future Ready Through Effective Interventions**

Grameenphone has a passionate team of 2,651 employees with the common ambition to provide the power of digital communication, enable everyone to improve their lives, build societies and secure a better future for all. The Company's success depends on the ability and commitment of its people to help customers get full benefit of being connected digitally. In line with that, Grameenphone continued to invest in building capabilities and creating the right culture for the future. With proper interventions across the organisation, Grameenphone was able to improve its leadership, employee effectiveness, customer-centricity and change readiness. This gives Grameenphone confidence to continue its efforts in our transformation journey to become the favourite partner in customers' digital life.

### **Sustainability Initiatives to Drive Social Impact**

Driven by its mission and the guiding philosophy, Grameenphone focuses on Sustainability as an integral part of its business that is embedded into the business strategy and operational policies. Grameenphone pursued Sustainability initiatives with renewed vigour during the year with a thrust in the area of education, health, child online safety and environment through Information Technology.

In the last one year, Grameenphone has undertaken several initiatives to support sustainable development and inclusive growth for social and economic betterment of the community through several Sustainability programs and active participation from enthusiastic employee volunteers. Detailed information on the initiatives of the Company towards Sustainability activities is provided in the Sustainability Initiatives to Drive Social Impact section of the Annual Report.

### **Working for a Green Future**

Grameenphone believes that climate change is a real threat to the world. As the largest mobile operator in Bangladesh, Grameenphone has a huge responsibility to minimise the impact of its business on the environment. Grameenphone's first priority is to take responsibility for the carbon emissions (CO<sub>2</sub>) generated by its own operations. Grameenphone set a target of reducing CO<sub>2</sub> intensity by 30% within 2017, considering 2011 as the baseline. Grameenphone is dedicated to the continuous deployment of enhanced sustainable solutions for an energy-efficient and environment-friendly network, which ultimately aids in the country's efforts in respect to offsetting the effects of global warming.

As a continuous effort towards a greener future, the Company adopted an Environment Management System (EMS) in 2010. In recognition of the effort, Grameenphone received ISO 14001:2004 certification in November 2016, a first for any mobile phone operator in Bangladesh. Another big recognition for Grameenphone was the GSMA Green Mobile Award at the GSMA World Congress in 2014. Details on the Company's climate activities have been provided in the Climate Change section of the Annual Report on page 20.

### **Employee Wellness and Occupational Health & Safety (OHS)**

Ensuring the safety and well-being of its own people – and of business partners, vendors and visitors – is integral part to Grameenphone's business. Grameenphone focuses on continuous improvement of health, safety and wellness to enable a safe and healthy working environment that ensures productivity and efficiency.

Grameenphone puts utmost priority on occupational safety by promoting positive behaviour from employees, in the design of plants and facilities, and by implementing safe systems and procedures throughout the organisation. Grameenphone also maintains routine risk assessment and implements control mechanisms on work place hazards as per international guidelines and best practices. The rise of road accidents recently prompted rollout of an extensive safety awareness campaign on road & travel safety across the organisation. 15 awareness sessions were completed in 2016.

Grameenphone also continues to strengthen companywide formal employee wellness programs. With a view to building an OHS culture; campaigns, events, health check-ups, healthy food habits, physical activities and other programs garnered huge involvement and engagement from employees in all regional circles, which resulted in a positive impact.

### **Directors' Responsibilities for Financial Statements**

The Board is responsible to present a true and fair view of the Company's financial performance and position as a part of good governance and to that end 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. International Financial Reporting Standards (IFRSs), 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 upon the Company's ability to continue as a going concern.

As required under BSEC's Corporate Governance Guidelines, the Directors further confirm that the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have certified to the Board the following:

- i. they have reviewed the Financial Statements and that these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ii. they have reviewed the financial statements and believe that these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards and applicable laws; and
- iii. there are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's Code of Conduct.

### Corporate Governance

The world of telecommunication is fast taking a life shaping dimension and an advanced and improved Corporate Governance practice is an essential factor to success. As a public listed company, Grameenphone believes that the Board of Directors of the Company has a pivotal role to play in meeting all stakeholders' interests. The Board of Directors and the Management Team of Grameenphone are, as such, committed to maintaining effective Corporate Governance through a culture of accountability, transparency and well-versed policies and procedures to protect the interests of its shareholders and enhance long-term shareholder value.

In line with the same, the Company has complied with the conditions as stipulated in the Corporate Governance Guidelines issued on 07 August 2012 by BSEC. In this connection, the status of compliance has been annexed to this report as Annexure-I. Further, a certificate of compliance from M/s Al-Muqtadir Associates, Chartered Secretaries & Consultants, confirming compliance of conditions of Corporate Governance, as stipulated under condition 7(i) of the BSEC Guidelines is also annexed to this report as Annexure-IV.

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

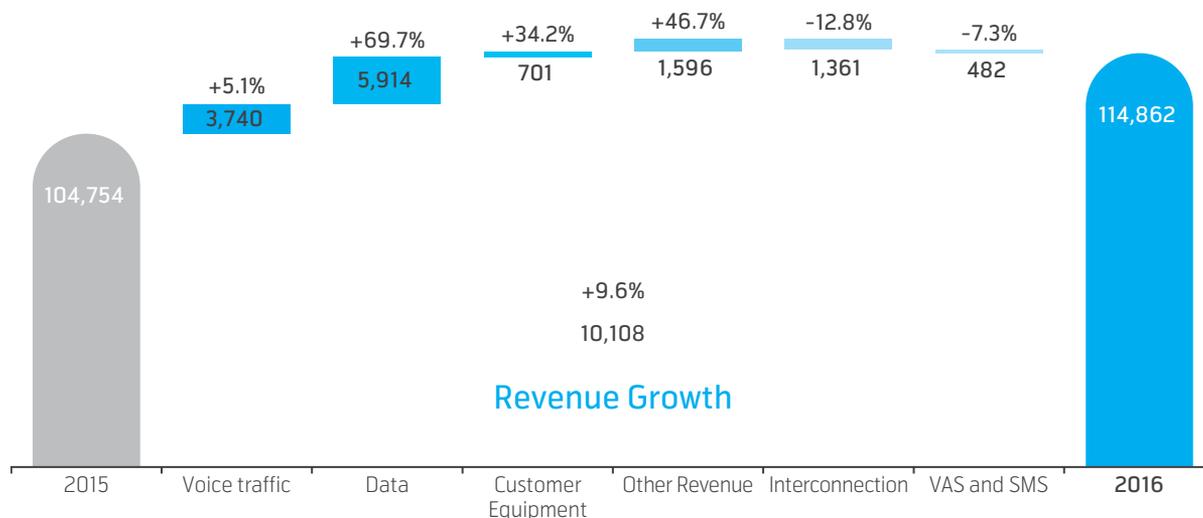
#### • Segment/Product Wise Performance

Grameenphone essentially provides similar products and services to customers across the country. Grameenphone reviews revenue performance of different services which have been disclosed under notes to the Financial Statements.

Grameenphone posted BDT 114.9 billion of total revenue for the year 2016 with 9.6% increase compared to the previous year. The growth in revenue was mainly driven by data, voice and bundle, partly offset by lower interconnection revenue. Infrastructure services, mobile financial services and device sales had considerable contribution in yearly revenue growth.

Voice revenue has increased by 5.1% from 2015 due to a 21.0% increase in outgoing minutes driven by promotional tariff in voice bundles and triggers.

Figures in BDT Million



Data revenue has increased by 69.7% from 2015 mainly driven by 56.1% growth in the number of mobile data users and 167.9% growth in data usage volume in 2016. This data growth was enabled through aggressive 3G coverage expansion by adding 4,725 sites in 2016.

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

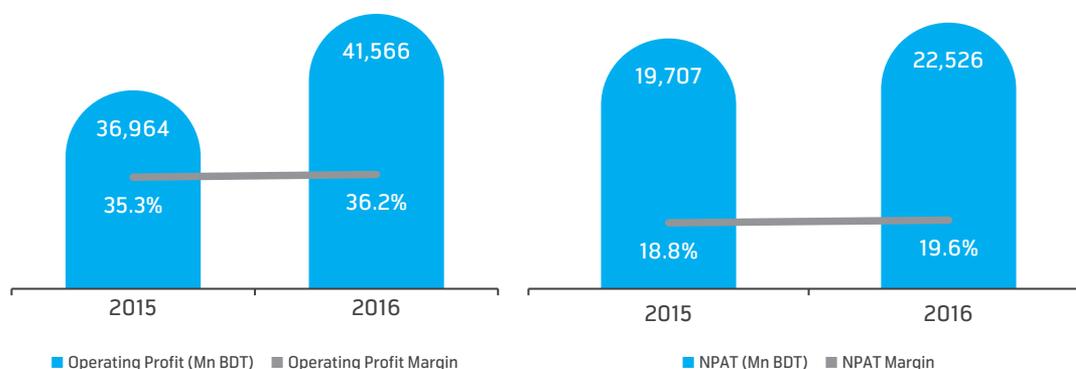
Other mobile revenue includes revenues mainly from telecom infrastructure sharing, mobile financial services etc.

Interconnection revenue is generated from the incoming traffic through the calls generated from outside Grameenphone network. Interconnection revenue was lower in 2016 compared to 2015 following a decrease in incoming minutes from international and local operators. Also, higher on-net calls have led to the decrease in interconnection revenue.

VAS and SMS includes Content service, SMS and MMS revenue. VAS and SMS revenue fell by 7.3% from 2015 mainly from content service.

#### • Review on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin

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 & amortisation. Operating expense for 2016 was BDT 73.3 billion with 8.1% increase compared to 2015. The increase is mainly due to higher depreciation & amortisation, higher energy and rent cost due to increase in number of 2G (1,803) and 3G (4,725) sites and voluntary retirement scheme (VRS), partly offset by lower operation & maintenance and subscriber acquisition cost.



As an effect of the higher revenue growth compared to the growth in operating expenses, operating profit for the year 2016 increased by BDT 4.6 billion over 2015. Profit before tax also increased by BDT 3.3 billion over 2015.

Net profit margin for the year 2016 was 19.6% (2015: 18.8%) and net profit after tax increased by 14.3% compared to 2015 as revenue growth outpaced Opex growth during 2016. As a result, Earnings Per Share (EPS) for the year 2016 stood at BDT 16.68 (2015: BDT 14.59).

- All transactions with related parties have been entered into on an arms-length basis. Details of related parties and related party transactions have been disclosed in note 38 to the Financial Statements as per requirements of IAS 24, Related Party Disclosures.
- The Grameenphone Initial Public Offering (IPO) was made in 2009 and the funds raised were utilised by 30 June 2010 as reported to the regulators. No further equity instrument has been issued since then.
- The financial results of the Company have continued to improve since the 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 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 performances of the Company during 2016.
- Significant deviations from the last year's operating results have been highlighted and explained in various places in this report.
- No remuneration is given to the Directors of the Board apart from attendance fees in connection with Board and Board Sub-Committee meetings. During the year 2016, attendance fees in connection with Board and Board Sub-Committee meetings are BDT 875,840 (2015: BDT 793,730).
- The key operating and financial data for the last five years has been disclosed in this Annual Report on page 50.
- Grameenphone has declared interim dividend and recommended final dividend for the year 2016.
- During 2016, a total of 11 (eleven) 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 pattern of the Company as on December 31, 2016 is shown in Annexure-III of this report.

## Annual Results and Allocations

The Directors take pleasure in reporting the financial results of the Company for the year ending 31 December 2016 and recommend the appropriation as mentioned in the 'Appropriation of Profit' table below:

Figures in BDT Million

	2016	2015
<b>Profit available for Appropriation*</b>		
Profit/ (Loss) after tax	23,099	19,694
Other comprehensive income (loss), net of tax	0	(867)
Un-appropriated profit brought forward from previous year	8,693	9,445
<b>Total Amount available for Appropriation</b>	<b>31,792</b>	<b>28,272</b>
<b>Appropriation</b>		
Final Dividend Paid for Previous Year	8,102	8,777
Interim Dividend Paid for Current Year	11,478	10,802
<b>Closing Retained Earnings at year end (before Proposed Final Dividend)</b>	<b>12,213</b>	<b>8,693</b>
Proposed Final Dividend for the year (2016: 90% cash and 2015: 60% cash)	12,153	8,102
<b>Retained Earnings after Proposed Dividend</b>	<b>60</b>	<b>591</b>

\*Based on separate Financial Statements of Grameenphone Ltd.

## Contribution to the National Exchequer

Being one of the largest contributors to the National Exchequer for the last several consecutive years, the collective contribution of Grameenphone from inception up to December 2016 was BDT 523.4 billion. During 2016 alone, the Company contributed BDT 58.6 billion to the National Exchequer which represents about 51% of Grameenphone's total revenue of 2016. Grameenphone has paid BDT 16.2 billion corporate taxes during 2016.

## Dividend

For the year ended 31 December 2016, the Board of Directors of the Company has paid an Interim Cash Dividend @ 85% of the paid-up capital amounting to BDT 11,477,550,187 which was BDT 8.5 per share of BDT 10.00 each. Now, the Directors are pleased to recommend a Final Cash Dividend @ 90% of the paid-up capital amounting to BDT 12,152,700,198 which is BDT 9 per share of BDT 10 each for the year 2016 out of the divisible profits of the Company for consideration and approval of the Shareholders for distribution. Inclusive of the Interim Dividend of 85% paid already, this would make a cumulative total dividend @ 175% of the paid-up capital of the Company which represents 105% of the Profit After Tax for the year 2016 amounting to BDT 23,630,250,385.

The above recommendation of dividend is as per the Board approved dividend policy.

## Board of Directors

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

1. Mr. Christopher Adam Laska, Telenor Mobile Communications AS, Director and Chairman (effective from 29 September 2016)
2. Mr. Hans Martin Hoegh Henrichsen, Telenor Mobile Communications AS, Director
3. Mr. Haakon Bruaset Kjoel, Telenor Mobile Communications AS, Director
4. Mr. Oivind Burdal, Telenor Mobile Communications AS, Director (effective from 18 May 2016)
5. Mr. Tore Johnsen, Telenor Mobile Communications AS, Director
6. Mr. M Shahjahan, Grameen Telecom, Director
7. Mr. Md. Ashraf Hassan, Grameen Telecom, Director
8. Ms. Parveen Mahmud, Grameen Telecom, Director
9. Ms. Rokia Afzal Rahman, Independent Director
10. Prof. (Dr.) Jamilur Reza Choudhury, Independent Director (effective from 15 June 2016)

## Changes to the Board and Appointment of New Chairman

During the period under review, there were a number of changes in the Board. Mr. Oivind Burdal joined the Board in May 2016 in place of Mr. Pal Wien Espen. In March 2016, one of our Independent Directors, Dr. Jamaluddin Ahmed FCA's position fell vacant. The Company was obliged to fill the vacancy within the regulatory timeline and, accordingly, Prof. (Dr.) Jamilur Reza Choudhury was appointed as Independent Director, with effect from 15 June 2016. The Directors welcome Mr. Oivind Burdal and Prof. (Dr.) Jamilur Reza Choudhury in the Board and look forward for their enriching contribution to the governance of the Company.

Grameenphone also announced the appointment of Mr. Christopher Adam Laska as Director and Chairman of the Board, replacing Mr. Sigve Brekke with effect from 29 September 2016 and expected that his dynamic leadership would take the Company to further heights in the future.

The Board of Directors would also like to take this opportunity to deeply thank and bid farewell to three esteemed Board members. Firstly, Mr. Sigve Brekke, for his inspiring leadership which has helped the Board discharge its governing responsibilities towards the Company, and Mr. Pal Wien Espen and Dr. Jamaluddin Ahmed FCA respectively for their invaluable contribution to the Board over the years. The Board wishes them the very best for their futures.

## 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. Tore Johnsen
2. Mr. Hans Martin Hoegh Henriksen
3. Mr. Md. Ashraful Hassan

Under BSEC's Corporate Governance Guidelines 2012, after the appointment of Independent Director by the Board, the Shareholder will approve the said appointment in the Annual General Meeting. Accordingly, the appointment of Prof. (Dr.) Jamilur Reza Choudhury is to be vetted and confirmed at the ensuing 20<sup>th</sup> AGM of the Company.

Brief profiles of the Directors being proposed for re-appointment are given on page 28 of the Annual Report, which fulfill condition 1.5 (xxii) of the Corporate Governance Guidelines of BSEC.

## Appointment of Chief Executive Officer (CEO)

The Board has appointed Mr. Petter Borre Furberg as the Company's Interim Chief Executive Officer, with effect from 01 November 2016 in place of Mr. Rajeev Sethi, who served the Company for 2 years. On this occasion, the Board of Directors would like to thank Mr. Rajeev Sethi for his dedication to Grameenphone. Under his leadership, the Company has embarked on a very strong trajectory and now placed on a pole position to become the leading digital service provider in Bangladesh. The Board also congratulates Mr. Petter Borre Furberg and wishes him success in further developing Grameenphone's position as the leading mobile operator in Bangladesh.

## Appointment of Auditors

As per the Companies Act 1994 and the Articles of Association of Grameenphone, the statutory auditors of the Company, Rahman Rahman Huq, 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 2017 and continuation till the next AGM at a fee of BDT 2.5 million plus VAT.

## Risk and Concern

Like competitors and other companies, Grameenphone's business is also exposed to diverse risks that arise from internal and external fronts. In addition to continuous regulatory uncertainties from an unsteady regulatory regime, Grameenphone remains prepared for other risks from the market, operations, legal issues, interest rate and exchange rate volatility, and potential changes in policies at the national or global level. Risk Management practices thus are integral parts of modern business which help management in setting strategies considering internal and external risks and uncertainties.

Grameenphone has a well-defined governing document on risk management and a periodic monitoring system to address the strategic and enterprise-level risks that might affect the business, operations, liquidity, financial position or future performance. Grameenphone's comprehensive risk management system is devised to enable the Company to recognise, appraise, review and set action plans on the risks on a real-time basis and in accordance with the risk management frameworks. This aspect is discussed more elaborately at the 'Enterprise Risk Management' section of the Annual Report on page 47.



## Competition and Business Outlook 2017

Grameenphone believes Bangladesh is poised at the point of an era of promise and prosperity arising from the rejuvenation of multiple sectors of the economy where empowering technologies, if deployed inclusively, will be a key driver of development in the emerging era. In line with that potential development Grameenphone embraces the opportunity to reinvent itself year on year – setting new paradigms as the industry leader while making a lasting contribution to the ‘digital future’ of the country.

Moving ahead, Grameenphone is ready to operate in the fast-moving and ever-changing industry, filled with challenges and opportunities. The Company will continue to push the horizon of digital empowerment by leveraging the emerging technologies. Faster network, smarter devices and data-intensive applications will continue to drive mobile data usage and revenue. To keep pace with the change in customer behaviour of the smart phone generation, Grameenphone will continue to offer products and services that bring value to them and help create new digital societies. Delivering integrated digital services and experiences, Grameenphone will be functioning as a platform to broaden access to essential services such as education, healthcare and financial services.

In 2017, competition among operators is expected to remain intense as they race to capture a leading 3G position. Grameenphone’s focus for the year ahead will be to deliver on its promises to enable growth and profitability from its core services while transforming the business, unlocking new capabilities and opportunities to strengthen its play in the digital space. Keeping a keen eye on performance, operational excellence and execution, Grameenphone is confident of good progress on its digital ambition and the creation of value for its shareholders.

## A Note of Thanks

The outcomes of the Year 2016 would not have been possible if not for the persistent support and encouragement of our stakeholders. As always, the Board of Directors would like to thank the customers for their dedication and loyalty. We would like to express our appreciation to all shareholders for their continued interest and investment in Grameenphone. We also wish to place on record our sincere gratitude to Grameenphone’s business partners for their continued support to the Company during 2016.

The Board also extends its profound gratitude to the Government of the Peoples’ Republic of Bangladesh; the Ministry of Posts, Telecommunications and Information Technology (MoPT); Bangladesh Telecommunication Regulatory Commission (BTRC); Bangladesh Railway (BR); Bangladesh Bank (BB); Bangladesh Investment Development Authority (BIDA); 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), Grameenphone’s Bankers, Insurers and financial institutions; and other business partners who we continue to partner with to build a healthy and conducive ecosystem to accelerate Bangladesh’s transformation into a digital nation.

Our employees’ hard work, passion and dedication have been the enduring hallmark of our success. So, we would like to express once again our sincere thanks to them and look forward to their continued dedication and contribution in taking Grameenphone to the next phase of success.

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



**Christopher Adam Laska**

Chairman

31 January 2017

**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:

**(Report under condition no. 7.00)**

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
<b>1.</b>	<b>Board of Directors (BoD)</b>			
1.1	Board's Size (number of Board members – minimum 5 and Maximum 20)	√		There are 10 (Ten) members in the Company Board
<b>1.2</b>	<b>Independent Directors</b>			
1.2(i)	At least one fifth (1/5) of the total number of Directors shall be Independent Directors	√		There are 2 (Two) Independent Directors (ID) out of total 10 (Ten) Directors
<b>1.2(ii)</b>	<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	√		The IDs have submitted declarations about their compliances
1.2(ii)(b)	who is not a sponsor of the Company and is not connected with any sponsor of the Company's 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 (NBF)	√		-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)	√		a) Ms. Rokia Afzal Rahman, in her 2 <sup>nd</sup> term, already approved at AGM b) The Board appointed Prof. (Dr.) Jamilur Reza Choudhury on 14 June 2016 to be approved at the upcoming 20 <sup>th</sup> AGM
1.2(iv)	The post of Independent Director(s) cannot remain vacant for more than 90 (ninety) days	√		Vacancy filled out within regulatory time limit



Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
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	✓		There is a written Code of Conduct and all Board members and employees are obliged to comply with
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	✓		Ms. Rokia Afzal Rahman is in her 2 <sup>nd</sup> 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-
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	✓		The Chairman and CEO are different individuals with clearly defined roles and responsibilities
<b>1.5</b>	<b>The Directors' 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)	Utilisation 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	✓		-do-
1.(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	✓		-do-

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.5(xiii)	Adaptation of appropriate accounting policies & estimates	✓		-do-
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 summarised	✓		Given on Page 50 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
<b>1.5(xxi)</b>	<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	✓		Included in the Directors' Report
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	✓		-do-
1.5(xxi)(c)	Executives	✓		-do-
1.5(xxi)(d)	Shareholders holding ten percent (10%) or more voting interest in the Company	✓		-do-
<b>1.5(xxii)</b>	<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 28 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 31 of the Annual Report
2.1	Appointment of CFO, HIA and CS and defining their respective roles, responsibilities & duties	✓		The CFO, HIA and CS are different individuals and their roles and responsibilities are separately defined
2.2	The CFO and the CS shall attend the meetings of the Board of Directors	✓		The CFO and CS participate in all Board meetings
<b>3</b>	<b>Audit Committee</b>			
3(i)	The Company shall have an Audit Committee as a sub-committee of the BoD	✓		Audit Committee is established as per BSEC guidelines
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	✓		The Audit Committee discharges as per given guidelines
3(iii)	The Audit Committee shall be responsible to the BoD. The duties of the Audit Committee shall be clearly set forth in writing	✓		The duties of the Audit Committee are clearly defined in the Board approved Audit Committee Charter as per BSEC's guidelines.
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members	✓		Audit Committee comprises of 3 members

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
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	√		Members of Audit Committee are Directors which includes one ID, all appointed by the Board.
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	√		The profiles of the members demonstrate their capabilities as such
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)	√		Vacancy filled out within regulatory time limit.
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	√		The Chairman of Audit Committee is an ID as selected by the Board
3.2(ii)	Chairman of the Audit Committee shall remain present in the AGM	√		Was present in the AGM held in 2016
<b>3.3</b>	<b>Role of Audit Committee</b>			
3.3(i)	Oversee the financial reporting process	√		The Audit Committee performs as per BSEC's guidelines
3.3(ii)	Monitor choice of accounting policies and principles	√		-do-
3.3(iii)	Monitor Internal Control Risk management process	√		-do-
3.3(iv)	Oversee hiring and performance of external auditors	√		-do-
3.3(v)	Review the annual Financial Statements before submission to the Board for approval	√		-do-
3.3(vi)	Review the quarterly and half yearly Financial Statements before submission to the Board for approval	√		-do-
3.3(vii)	Review the adequacy of internal audit function	√		-do-
3.3(viii)	Review statement of significant related party transactions submitted by the Management	√		-do-
3.3(ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors	√		-do-
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 utilised for the purposes other than those stated in the prospectus	None		No IPO was made in the year 2016
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		

Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
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	√		Activities of the Audit Committee are reported on page 49 of the Annual report
<b>4</b>	<b>External / Statutory Auditors</b>			
4(i)	Non-engagement in appraisal or valuation services or fairness opinions	√		As declared by Auditors
4(ii)	Non-engagement in designing and implementation of Financial Information System	√		-do-
4(iii)	Non-engagement in Book Keeping or other services related to the accounting records or financial statements	√		-do-
4(iv)	Non-engagement in Broker-Dealer services	√		-do-
4(v)	Non-engagement in Actuarial services	√		-do-
4(vi)	Non-engagement in Internal Audit services	√		-do-
4(vii)	Non-engagement in any other services that the Audit Committee determines	√		-do-
4(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(ix)	Non-engagement in audit/certification services on compliance of corporate governance as required under clause (i) of condition no. 7	√		-do-
<b>5</b>	<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		Grameenphone 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-
<b>6</b>	<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



Condition No.	Title	Compliance Status ("√" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
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	√		The CEO and CFO have duly certified to the Board
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 72 of the Annual Report
7(ii)	Directors statement in the directors' report whether the Company has complied with these conditions	√		Detailed status of compliance is given in the Compliance Schedule as published with the Directors' Report

## Annexure II

Board Meeting and attendance during the year ended 31 December 2016

Name of Directors	Board Member Since	Number of meetings attended during 2016
Mr. Christopher Adam Laska	29 September 2016	2/2
Mr. Haakon Bruaset Kjoel*	14 September 2011	8/11
Mr. Tore Johnsen	10 December 2013	11/11
Mr. Hans Martin Hoegh Henrichsen	22 January 2014	11/11
Mr. Oivind Burdal	18 May 2016	6/6
Mr. M Shahjahan	26 June 2006	11/11
Mr. Md. Ashraful Hassan	20 January 2010	11/11
Ms. Parveen Mahmud*	17 October 2012	9/11
Ms. Rokia Afzal Rahman*	6 December 2012	8/11
Prof. (Dr.) Jamilur Reza Choudhury*	15 June 2016	4/5
Mr. Sigve Brekke*	1 September 2008	0/9
Mr. Pal Wien Espen*	24 April 2013	0/4
Dr. Jamaluddin Ahmed FCA*	19 March 2010	2/2

\* Dr. Jamaluddin Ahmed FCA, Mr. Pal Wien Espen, and Mr. Sigve Brekke retired from the Board on 18 March 2016, 19 April 2016 and 28 September 2016 respectively.

\* In compliance with the law, the Board granted leave of absence to the members who were unable to attend Board meetings.

## Annexure-III

The Pattern of Shareholding as on 31 December 2016

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. Christopher Adam Laska	Chairman	-	-
Mr. Haakon Bruaset Kjoel	Board Member	-	-
Mr. Tore Johnsen	Board Member	-	-
Mr. Hans Martin Hoegh Henriksen	Board Member	-	-
Mr. Oivind Burdal	Board Member	-	-
Mr. M Shahjahan	Board Member	-	-
Mr. Md. Ashraful Hassan	Board Member	-	-
Ms. Parveen Mahmud	Board Member	-	-
Ms. Rokia Afzal Rahman	Board Member	-	-
Prof. (Dr.) Jamilur Reza Choudhury	Board Member	-	-
Mr. Petter Borre Furberg	Chief Executive Officer	-	-
Mr. Dilip Pal	Chief Financial Officer	-	-
Mr. Hossain Sadat	Company Secretary	376	0.00%
Mr. Hasan Faisal	Head of Internal Audit	195	0.00%
<b>iii) Executives</b> (as explained in the BSEC's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012)			
Mr. Medhat EL Hussein	Chief Technology Officer	-	-
Mr. Yasir Azman	Chief Marketing Officer	26,433	0.00%
Mr. Andreas Frandevi	Chief Strategy officer	-	-
Mr. Mahmud Hossain	Chief Corporate Affairs Officer	-	-
Mr. Mohammed Shariful Islam	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%



## 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 December 2016. These guidelines relate to the Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 of the 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. This is also no endorsement about quality of contents in the Annual Report of the Company for 2016.



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

Dhaka, 31 January 2017