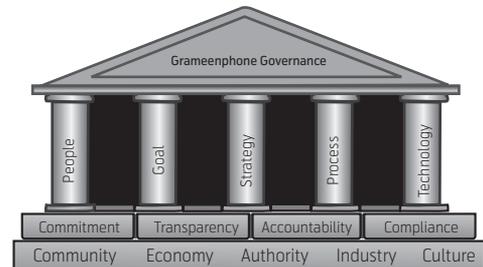


# Corporate Governance in Grameenphone

Grameenphone (GP) firmly believes that business operation means dealing with the stakeholders with trust and confidence and there is a link between stakeholders' value and governance. With that objective in view, GP has been working relentlessly to create long-term stakeholders value through providing as well as maintaining vastly innovative, easy-to-use and best-value telecommunications services in the market. In pursuing these objectives, the Board of Directors of the Company is committed to high standards of Corporate Governance which it believes are critical to business integrity and performance. As a responsible corporate citizen, GP is also committed to maintaining full transparency and positive business conduct internally and towards the community with which GP carries out its business, including its suppliers, customers and business partners. At the same time the Company expects that all its Board of Directors, employees and suppliers would act with honesty, integrity and openness.



Being a public listed company, the Board of Directors of Grameenphone has a pivotal role to play in meeting stakeholders' interests. In discharging such obligations, the Board of Directors and the Management Team of Grameenphone are committed to maintaining effective Corporate Governance through a culture of accountability, transparency, well-understood policies and procedures. The Board of Directors and the Management Team also endeavour to comply with all applicable laws of Bangladesh and all internally documented regulations, policies and procedures. Hence, GP is a diligently transparent company and maintains highest level of integrity and accountability practiced on a global standard.

## Board Organization & Structure

### a) Role of the Board

The Directors of the Board are appointed by the Shareholders at the Annual General Meeting (AGM) and accountable to the Shareholders. The Board is responsible for ensuring that the business activities are soundly administered and effectively controlled. The Directors of the Board keep themselves informed about the Company's financial position and ensure that its activities, accounts and asset management are subject to adequate control. The Board also ensures that Grameenphone Policies & Procedures and Codes of Conduct are implemented and maintained, and the Company adheres to generally accepted principles for good governance and effective control of Company activities.

In addition to the other legal guidelines, the Board has also adopted "Governance Guidelines for the Board" for ensuring better governance in the work and the administration of the Board. The Board is also guided by a Delegation of Authority which spells out the practices and processes in discharging its responsibilities.

### b) Board Composition

The Board in GP is comprised of nine Directors, including the Chairman who is elected from amongst the members. In compliance with the Corporate Governance Guidelines issued by the Securities and Exchange Commission (SEC) and as per the provision of the Articles of Association (AoA) of the Company, the Board of Directors has appointed an Independent Director in 2010. We believe that our Board has the optimum level of knowledge, composure and technical understanding about Company's business which, combined with its diversity of culture and background stands as the perfect platform to perform and deliver.

**c) Board Meetings**

The AoA of the Company requires the Board to meet at least four times a year or more when duly called for in writing by a Board member. Dates for Board Meetings in a year are decided in advance and Notice of each Board Meeting is served in writing well in advance. Such Notice contains detailed statement of business to be transacted at each meeting. The Board meets for both scheduled meetings and on other occasions to deal with urgent and important matters that require attention.

**d) Division of work for the Board and Chief Executive Officer (CEO)**

The roles of the Board and Chief Executive Officer are separate and deligation of responsibilities is clearly established, set out in writing and agreed by the Board to ensure transparency and better corporate governance. To that end, GP has also adopted "Governance Guidelines for Chief Executive Officer". The CEO is the authoritative head for day-to-day management in GP. He acts to reasonably ensure that GP operates business as per the Articles of Association, decisions made by the Board and Shareholders, as well as according to Grameenphone Policies and Procedures and applicable regulatory legislations.

**e) Subsidiary's Relationship**

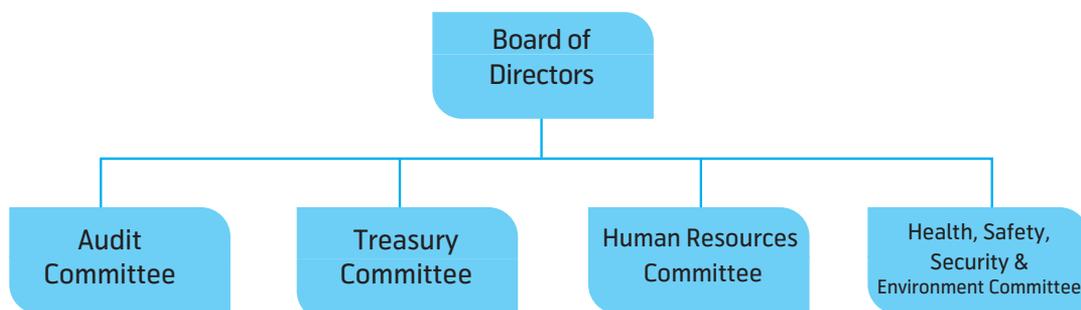
The Board of Directors of the subsidiary company of GP is obliged to provide the Board of Directors of GP with any information which is necessary for an evaluation of the Company's position and the result of the Company's activities. GP notifies the subsidiary company's Board of Directors about the matters which may be of importance to the Company as a whole. GP also notifies the subsidiary company's Board of Directors about decisions which may be of importance to the subsidiary company before a final decision is made.

**f) Access to Information**

The Board recognizes that the decision-making process is highly dependent on the quality of information furnished. In furtherance to this, every Director has access to all information within the Company. Throughout their tenure in office, the Directors are continually updated on the Company's business and the regulatory and industry specific environments in which it operates. These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

**Board Committees**

For better, quicker and furnished flow of information and thereby exercising effective governance, the Board has also constituted a number of Committees and has delegated certain responsibilities to the Board Committees to assist in discharging responsibilities. The role of Board Committees is to advise and make recommendations to the Board. Each Committee operates in accordance with the Terms of Reference (TOR) approved by the Board. The Board reviews the TOR of the Committees from time to time. The Board appoints the members and the Chairman of each Committee. A brief description of each Committee is presented below:



#### a) Audit Committee

The Grameenphone Audit Committee was established in late 2008 as a sub-committee of the Board and has jurisdiction over Grameenphone and its subsidiaries. The Audit Committee is comprised of three members of the Board including the Independent Director. The Chief Executive Officer, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit are permanent invitees to the Audit Committee meetings.

The Audit Committee assists the Board in discharging its supervisory responsibilities with respect to internal control, financial reporting, risk management, auditing matters and GP's processes of monitoring compliance with applicable legal & regulatory requirements and the Codes of Conduct. The Audit Committee Charter, as approved by the Board, defines the purpose, authority, composition, meetings, duties and responsibilities of the Audit Committee.

The Audit Committee met 7 (seven) times during 2011 and attendance of the Committee members in the meetings was as follows:

Name	Attendance
M Shahjahan	5/7
Per Erik Hylland	7/7
Dr. Jamaluddin Ahmed FCA	7/7

#### b) Treasury Committee

This committee consists of three members who are appointed by the GP Board. All significant financial matters which concern the Board are discussed in this committee meeting in detail. Upon endorsement of the Treasury Committee, such issues are forwarded to the Board for their final review and approval.

The Treasury Committee met 6 (six) times during 2011 and attendance of the Committee members in the meetings was as follows:

Name	Attendance
M Shahjahan	5/6
Pal Stette	6/6
Raihan Shamsi	6/6

#### c) Human Resources Committee

This Committee consists of three members who are appointed by the GP Board. The Committee supports the Board in discharging its supervisory responsibilities with respect to Company's Human Resources policy, including employee performance, motivation, retention, succession matters, rewards and Codes of Conduct.

The Human Resources Committee met 1 (one) time during 2011 and attendance of the Committee members in the meeting was as follows:

Name	Attendance
Per Erik Hylland	1/1
M Shahjahan	1/1
Arnfinn Groven (replaced by Mr. Haroon Bhatti on August 01, 2011)	1/1
Haroon Bhatti (appointed on August 01, 2011)	0/0

#### d) Health, Safety, Security and Environment Committee

This Committee consists of three members who are appointed by the GP Board. The Committee supports the Board in fulfilling its legal and other obligations with respect to Health, Safety, Security and Environment

(HSSE) issues. The Committee also assists the Board in obtaining assurance that appropriate systems are in place to mitigate HSSE risks in relation to the company, employees, vendors etc.

The Health, Safety, Security and Environment Committee met 1 (One) time during 2011 and attendance of the Committee members in the meeting was as follows:

Name	Attendance
Per Erik Hylland	1/1
M Shahjahan	0/1
Dr. Mohammad Shahnawaz	1/1

## Company Secretary

To ensure effective assimilation and timely flow of information required by the Board and to maintain necessary liaison with internal organs as well as external agencies, the Board has appointed a Company Secretary. The Corporate Governance Guidelines issued by the Securities and Exchange Commission (SEC) also require a listed company to appoint a full fledged Company Secretary, as distinct from other managers of the Company. In pursuance of the same, the Board of Directors has appointed Company Secretary and defined his roles & responsibilities. In GP, among other functions, the Company Secretary:

- performs as the bridge between the Board, Management and Shareholders on strategic and statutory decisions and directions.
- acts as a quality assurance agent in all information streams towards the Shareholders/Board.
- is responsible for ensuring that appropriate Board procedures are followed and advises the Board on Corporate Governance matters.
- acts as the Disclosure Officer of the Company and monitors the compliance of the Acts, rules, regulations, notifications, guidelines, orders/directives etc. issued by the SEC or Stock Exchange(s) applicable to the conduct of the business activities of the Company so as to the interest of the investors.

## Management Team (MT)

The Management Team is the Executive Committee of Grameenphone managing and running the affairs of the Company. The Management Team is comprised of 7 (seven) members. The CEO is the leader of the team. Management Team endeavors to achieve the strategic goals & mission of the Company set by the Board of Directors. The Management Team meets on a weekly basis to monitor the business performance of the Company.

## Control Environment in Grameenphone

In implementing and ensuring the right Governance in Grameenphone, the Board and Management Team ensure the following:

### a) Beyond Budgeting Management Model

“Beyond Budgeting” is a strategic management model that focuses on relating strategy with actions and emphasizes on regular monitoring of the KPIs with a realistic predictive model – the five-quarter rolling forecast. This enables a forward-looking and action oriented approach towards managing the business. The resource allocations are dynamic and are based on the intended actions linked with the strategy. It aims to build a culture of freedom through responsibility and thereby leading to increased responsiveness to surrounding changes.

The model focuses on initiatives to minimize the gap between the targets (KPIs) and forecasts. The corporate level initiatives are cascaded down at divisional as well as individual levels and reviewed and monitored on a continuous basis against the forecasts, which serves as a radar screen, showing the future outcome of actions undertaken. Targets/KPIs are set on relative terms to reflect the changes in business environment and thus ensuring a performance culture focused on attaining the target and steering the Company towards fulfilling its strategic ambitions.

**b) Financial Reporting**

Grameenphone has strong financial reporting procedures in line with the requirements of International Financial Reporting Standard (IFRS), Bangladesh Accounting Standard (BAS) and other related local legislations. In Grameenphone, financial reports are generated from ERP (Enterprise Resource Planning) system.

Apart from the statutory reporting, Grameenphone also maintains regular reporting to its group company, Telenor which consolidates all its subsidiaries' financial information in its consolidated Financial Statements.

**c) Operational Excellence**

Operational Excellence has been one of the key focus areas for Grameenphone since 2008. One of its major cost and operational efficiency initiatives has been the swapping of network equipment. This will not only improve the network quality and capacity, but will also reduce fuel and power consumptions significantly. Moving to its corporate headquarter "GPHouse" and associated benefits such as waste water recycling, reduced illumination requirement, paperless approval systems and various scale effects are some of the notable efficiency drives in addition to numerous large and small efficiency initiatives across the company. Grameenphone has also made significant strides in green initiatives which have reduced its carbon footprint and led to increased utilization of solar energy. From year 2011, Grameenphone has undertaken a companywide Cost Transformation Project which aims towards streamlining GP processes thereby optimizing costs and making the Company more efficient in the years to come.

**d) Business Review and Financial Review**

Business Review and Financial Review are conducted quarterly. The purpose of Business Review is to ensure strategic control and follow-up of results based on the prevailing strategic objectives and value drivers and key changes to risk exposure. Financial Review provides the internal quarterly results follow-up for the Company. The purpose is to provide an analysis of the economic and financial situations, which will then form the basis for external reporting and presentations, and to provide quality assurance for the financial reporting. In addition, internal review on monthly financial results is conducted by CEO and CFO on a monthly basis.

**e) Management of Assets**

Grameenphone, in its pursuit of best quality network for its subscribers, has been investing in cutting edge telecom technology since its inception. Transparency and accountability is ensured at all stages from acquisition to disposal to protect the interest of Shareholders. Internationally accepted safety measures have been implemented and periodic physical verification is undertaken on test basis to safeguard the assets and to ensure representational faithfulness of reported numbers. All the assets are adequately insured against industrial risks with local and international insurance companies.

**f) Statutory Audit**

Statutory Audit of the Company is governed by the Companies Act, 1994 and Securities and Exchange Rules 1987. As per these regulations, auditors are appointed at each Annual General Meeting (AGM) and their remuneration is also fixed by the Shareholders at the AGM. Appropriate structure is in place as per corporate governance best practices to ensure independence of statutory auditors. In addition to the audit of annual financial statements, the auditors also carry out interim audit and review the quarterly financials of the Company.

**g) Internal Audit**

Internal Audit supports the Company in achieving its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of its risk management, control and governance processes. In order to ensure organizational independence of Internal Audit, the Head of Internal Audit reports functionally to the Audit Committee and administratively to the Chief Executive Officer.

Grameenphone Internal Audit is empowered to carry out its activities in Grameenphone and its subsidiaries. Internal Audit activity is governed by the Internal Audit Charter, which is approved by the Board. Grameenphone Internal Audit department discharges its assurance and consulting activities through management of three distinct audit streams: Finance, Technology and General Business processes. Additionally, a separate team is responsible for quality assurance of internal audit activity. A risk-based annual audit plan is in place, which takes into consideration the strategic imperatives and major risks surrounding Grameenphone, while considering pervasive audit needs. Grameenphone Internal Audit also works closely with Telenor Group Internal Audit in sharing knowledge and resources to ensure achievement of internal audit deliverables.

**h) Internal Control**

Corporate Governance is well-built in GP and is reached to even greater height in terms of sound internal control pursuits within the organization. In 2011, the practice has been shifted from passive to active as control owner/performers are now getting more involved, aware and proactive to ensure internal control rather than being enforced. Partnering among Board of Directors, Management and Employees of the Company has made this continuous success story of pursuing Sarbanes Oxley Act in GP since 2006. The outcome of the effort is award winning and true fair representation of financial report.

The scope of Internal Control over Financial Reporting (ICFR) includes Company Level Control (CLC) along with General Computer Control (GCC) as well to ascertain operational efficacy, consistent and dependable financial reporting, information security and legal compliance. This reasonable assurance has become even more crucial after being a listed company in the country's Stock Exchanges.

**i) Related Party Transactions**

A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolutions in respect of the transactions at the Board meetings. Details of these transactions are set out under Notes to the Financial Statements.

**j) Dividend Policy**

The Board of Directors has established a consistent Dividend Policy which forms the basis for the proposals on dividend payments that it makes to the Shareholders taking into consideration the business performance of the Company and its strategic initiatives. The Board believes that it is in the best interest of Grameenphone to draw up a long-term and predictable Dividend Policy. The objective of the policy is to allow the Shareholders to make informed investment decisions.

**k) Risk Management & Risk Mitigation**

Risk Management at Grameenphone is concerned with earning competitive returns from the Company's various business activities at acceptable risk level. It supports the Company's competitiveness by developing a culture, practice and structure that systematically recognizes and addresses future opportunities whilst managing adverse effects (i.e. threats) through recognizing risk and acting appropriately upon it. The Company has well defined risk management policy, procedures and processes to mitigate strategic and enterprise level risks.

### The Risk Management Framework



### High-level Governance Framework



Further to address & manage risk, the Company also works on ensuring:

- Implementation & good practice of required policies & procedures
- Controls on different functions of Revenue Assurance & Fraud Management

#### l) Compliance with Rules & Regulations of the Country

Compliance builds stakeholders' trust. To have governance cascaded right through the whole Company, the Management Team of Grameenphone as the leaders of a compliant Company adopted ways that assure compliance to all regulatory requirements and instill organizational trust amongst the Board Members, Shareholders and customers. The regulatory bodies maintain a close monitoring process on Grameenphone and has heightened the focus on transparency, as well as an increased need to provide accurate and periodic reporting of issues/events and certifications. In this context, the Company provides complete set of financial statements and relevant documents to the Securities and Exchange Commission (SEC), Stock Exchanges, National Board of Revenue (NBR), Registrar of Joint Stock Companies & Firms (RJSC), Bangladesh Telecommunication Regulatory Commission (BTRC), the Board of Investment (BOI) and all other relevant bodies and authorities. In order to conduct day to day business, Grameenphone has been rendering its best efforts to comply with the existing applicable laws of the country as well as with the directives/guidelines/ regulations of various Government Authorities. The Company has also taken various initiatives to conduct various awareness sessions on existing and proposed laws and regulations of the country within the Company to ensure compliance throughout the Company as a whole. On the whole, Grameenphone has always strived to remain a fully compliant Company accommodating every possible ways and strategies to ensure the same.

#### m) Business Continuity and Crisis Management (BCCM)

Bangladesh's geographical location and land characteristics make it one of the most hazard-prone countries in the world. Considering all odds, there is always a great need for the country to urgently start devising and implementing major preparedness, interventions and capacity building efforts. Realising this need, Grameenphone, being the largest telecommunications service provider, took a step forward and launched its own BCM Program back in 2009. Since its inception, it has successfully adopted guidelines of Business Continuity Institute (BCI) of UK and plugged GP business operations and services in all six domains of Business Continuity. Its objectives were clear – to identify any potential threat and its impact on GP business operations, to provide a strategic and operational framework for building organizational resilience with the capability for an effective response and to safeguard the interest of its key stakeholders, reputation, brand and value creating activities.

A milestone was set earlier this year when BCCM team launched an extensive program for its business critical partners named 'Business Continuity for GP Business Critical Partners' to gauge its business continuity strength, assess its supply chain management and business resilience. The process was followed by a joint simulated exercise with Huawei Technology who plays an important role in modernizing GP's network infrastructure on the new 3G platform.

Business Continuity and Crisis Management is a key contributor to effective Corporate Governance. It unravels answers to questions posed by stakeholders about the strength in GP's business and operating model, protection of its key value creating products and services, critical assets and processes, response to loss or threat in the upcoming days and evidences that the Continuity/Recovery Plans actually work in real life.

## n) Ethics and Behaviour

### i) Codes of Conduct

GP has adopted clearly defined Codes of Conduct (“Code”) approved by the Board of Directors, which reflects GP’s values of integrity, respect, trust and openness. It provides clear direction on conducting business, interacting with the community, government and business partners; and general workplace behavior. It also includes guidance on disclosure of conflict of interest situations, maintaining confidentiality and disclosure of information, good practices and internal control, and the duty to report where there is a breach against the Code. The Codes are properly communicated to all the employees including the Board members and others acting on behalf, who are strictly required to abide by it. All of them have certified in writing that they have read and understood the Codes.

### ii) Restrictions on dealings in GP Shares by Insiders

The Company has established policy relating to trading of GP shares by Directors, Employees and other Insiders. The securities laws also impose restrictions on similar transactions. All the Insiders are prohibited from trading in the GP shares, while in possession of unpublished price sensitive information in relation to the Company during prescribed restricted trading period. Directors and Employees are also required to notify their intention to trade in the GP shares prior to initiating the same.

### iii) Supplier Conduct Principles

The Supplier Conduct Principles (“SCP”) outlines the standard for ethical and business conduct expected for suppliers and contractors in their relationship with the Company. The SCP are binding on the Company’s suppliers through the confirmation and signing of the Agreement on Responsible Business Conduct to ensure high standards of business ethics amongst all suppliers of the Company.

## o) Investor Relations (IR)

As the largest public listed corporate house in Bangladesh, Grameenphone always pays great importance to the investor community and their various information requirements. With a vision of establishing the most effective two way communication between the investors and the Company, a dedicated Investor Relations department started its journey in 2010. IR, as a specialized department, maintains contact with both local and international investors, analysts, market experts and financial community on a proactive basis, which reflects GP’s commitment towards developing the Capital Market of the country by introducing global best practices and ensuring transparency and accountability from the general investors’ perspective. Notable events that IR conducted during the year were: quarterly financial publications and press conferences, institutional investors’ night, international analyst meetings and content enrichment of investor relations’ website.

## p) Shareholders

### i) Communications with Shareholders

We believe good Corporate Governance involves openness and trustful cooperation between all stakeholders involved in the Company, including the owners of the Company – the Shareholders. Information is communicated to the Shareholders regularly through a number of forums and publications. The Company has adopted a detailed policy on information disclosure and communication. In compliance with continuous disclosure requirements, the Company’s policy is that Shareholders will be informed in a routine manner about all major developments that impact the business of the Company and also being able to make informed decisions.

## ii) Information Disclosure

In accordance with the disclosure requirements, the Company follows these three main forms of information disclosure:

- Continuous disclosure – which is its core disclosure and primary method of informing the market and Shareholders;
- Periodic disclosure – in the form of quarterly and yearly reporting of financial results and others issues; and
- Event based disclosure – as and when required, of administrative and corporate developments, usually in the form of stock exchanges & press releases.

All information provided to the SEC and Stock Exchanges are immediately made available to Shareholders and the market on the Company's Investor Relations section of the website: [www.grameenphone.com](http://www.grameenphone.com).

## iii) General Meeting

The General Meeting is the supreme governing body in Grameenphone. The Company recognizes the rights of Shareholders and the Shareholders' interests are primarily ensured through GP's Annual General Meeting ("AGM"). The Company requires its Board and auditors to attend each AGM so as to be available to answer Shareholders queries on the results of the Company.

## iv) Website

All financial results, key performance indicators, other relevant financial and non-financial data, Price Sensitive Disclosure etc. are posted on the Investor Relations section of the Company's website: [www.grameenphone.com](http://www.grameenphone.com).

## v) Shareholders Queries

Whilst the Company aims to provide sufficient information to Shareholders and Investors about the Company and its activities, it also recognises that Shareholders may have specific queries relating to their shareholding. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, these queries may be directed at **01711555888** or mail to GP Share Office: [shareoffice@grameenphone.com](mailto:shareoffice@grameenphone.com).

Grameenphone believes in transparency and accountability to society as a whole through establishment of efficient and effective Corporate Governance procedures. It also believes that Corporate Governance is a journey and not a destination, and it needs to be continuously developed, nurtured and adapted to meet the changing needs of a modern business as well as the justified expectations of our investors and other stakeholders.