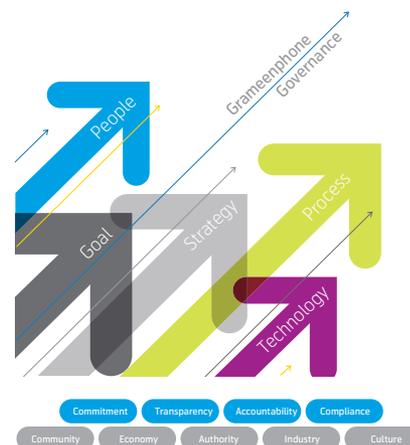


## corporate governance in gp

Grameenphone (GP) throughout its entire business operation puts persistent efforts to ensure stakeholders' trust and confidence as governance and stakeholders' value are interconnected. With this end in view, GP has been providing and maintaining innovative, user-friendly and best-value telecommunications services to create sustainable stakeholders' value. To reach these objectives, the Board of Directors of the Company is dedicated to ensuring higher standards of Corporate Governance to keep the Company's business integrity and performance on the right track. Being a responsible corporate entity, GP maintains adequate transparency and encourages sound business conduct both in its in-house practices and in its external relationship with the community as well as suppliers, customers and business partners. The Company, at the same time, expects acts of honesty and integrity from its Board of Directors, employees and suppliers.



As a public listed company, GP's Board of Directors plays a crucial role in upholding the interests of all its stakeholders. The Board of Directors and the Management Team are also dedicated to maintaining a well-established culture of accountability, transparency, easy-to-understand policies and procedures to ensure effective Corporate Governance at every level of its operations. The Board of Directors and the Management Team also put their best efforts to comply with all the laws of the country and all the internal regulations, policies and procedures to make GP a thoroughly transparent company. Moreover, recognizing the fact that compliance has been the corner stone of good governance, the Company meticulously undergoes through the process of statutory audit and compliance certification as required by laws of the land. As a result, GP has been able to maintain the highest level of integrity and accountability of global standards over the years.

### 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 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 GP 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 other legal guidelines, the Board has also adopted "Rules of Procedure for the Board of Directors" 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 ten (10) Directors, including the Chairman who is elected from amongst the members. In compliance with the Corporate Governance Guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC), the Board of Directors has appointed two (2) Independent Directors. We believe that our Board has the optimum level of knowledge, composure and technical understanding about the 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)**

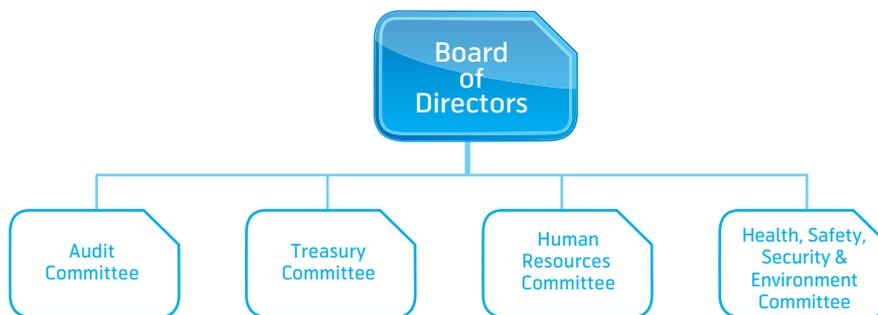
The roles of the Board and Chief Executive Officer are separate and delineation of responsibilities is clearly established, set out in writing and agreed by the Board to ensure transparency and better corporate governance. To that end, GP has also adopted "Rules of Procedure for Chief Executive Officer". 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 GP Policies and Procedures and applicable regulatory legislations.

**e) 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 given 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 the discharge of its 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 GP Audit Committee was established in late 2008 as a sub-committee of the Board and has jurisdiction all over GP and its subsidiaries. The Audit Committee is comprised of three (3) members of the Board. The Chairman of the committee is an 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 five (5) times during the year 2013 and attendance of the Committee members in the meetings was as follows:

Name	Attendance
Dr. Jamaluddin Ahmed FCA	5/5
Per Erik Hylland	5/5
M Shahjahan	4/5

#### b) Treasury Committee

This committee consists of three (3) 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 three (3) times during the year 2013 and attendance of the Committee members in the meetings was as follows:

Name	Attendance
M Shahjahan	3/3
Pal Stette	3/3
Fridtjof Rusten	3/3

#### c) Human Resources Committee

This Committee consists of three (3) 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 two (2) times during the year 2013 and attendance of the Committee members in the meeting was as follows:

Name	Attendance
Per Erik Hylland	2/2
M Shahjahan	2/2
Quazi Mohammad Shahed	2/2

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

This Committee consists of three (3) members who are appointed by the GP Board. The Committee meets whenever necessary and 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 general environment, company, employees, vendors, etc.

The HSSE Committee met one (1) time during the year 2013 and attendance of the Committee members in the meeting was as follows:

Name	Attendance
Per Erik Hylland	1/1
M Shahjahan	1/1
Quazi Mohammad Shahed	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 Bangladesh Securities and Exchange Commission (BSEC) also require a listed company to appoint Company Secretary. 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 BSEC or Stock Exchange(s) applicable to the conduct of the business activities of the Company so as to protect the interests of the investors and other stakeholders.

## Management Team (MT)

The Management Team is the Executive Committee of Grameenphone managing and running the affairs of the Company. The Management Team consists of the CEO and other key Managers across the Company. The CEO is the leader of the team. The 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 good Governance in GP, the Board and Management Team ensures the following:

### a) Beyond Budgeting Management Model

GP employs a Beyond Budgeting strategic management model whereby the Company reviews its strategy for the next three years and sets annual and quarterly targets on key KPIs for the upcoming year. The targets/KPIs are set on relative terms to reflect the changes in business environment. The quarterly targets are subject to rigorous monitoring thereby ensuring a performance culture focused on attaining the targets and steering the company towards fulfilling its strategic ambitions. In every quarter, the Company also prepares forecast for the next five quarters. These forecasts are realistic projections of future directions.

The model focuses on initiatives to minimize the gap between the targets (KPIs) and forecasts. The corporate level initiatives are cascaded down to divisional as well as individual levels. The forecasts on the key KPIs which serve as radar screen on future directions are reviewed and monitored against targets. This is 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 target and strategy. It aims to build a culture of freedom through responsibility and thereby leading to increased responsiveness to surrounding changes.

**b) Financial Reporting**

GP has strong financial reporting procedures. Financial statements are prepared in accordance with International/Bangladesh Financial Reporting Standards (IFRS/BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable financial legislations. The financial data are captured from the financial reports generated from Oracle ERP (Enterprise Resource Planning) system. These financial statements, once prepared, are reviewed by CFO and CEO on a regular basis. Upon submission to Group in the form of Management Accounts, these financial statements are reviewed by Group Accounting and Group Finance. At every quarter, external auditors review the quarterly financial statements prepared in accordance with local financial reporting policies and Company procedures. The annual audit is conducted by the external auditors, who are appointed by the Board of Directors followed by the Shareholders' approval in the Annual General Meeting. Apart from the statutory reporting of financial statements, 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 mostly perceived as economic gain rather than as a sustainable business performance in present and also for future. Thus "Operational Excellence" (OE) in GP comes with three fold ambitions, Competitive Cost Efficiency, Service Quality Enhancement and faster Time to market. Through structured approach if an organization can address these three factors, it will definitely capture the opportunities, beat the odds & competition and many more.

Three years back, GP established a structured process to dig deeply into the functional areas and rip out the hidden opportunity honoring proper prioritization. Phase wise plans have been chalked out till 2016, accordingly being implemented in line with economic factors, organizational mission and other practicalities. The Company is having a group driven program in every year which is to set a global benchmark of its operational cost through world recognized consultant. Based on the consultant's report a well defined cost mapping has been conducted and followed accordingly.

Achieving the desire to decrease structural cost, GP is methodically addressing both high and low hanging opportunities. Other than the mentioned big steps, there have been lots of medium and small initiatives that are in progress to address proper developments. These initiatives have been divided into three belts of activities, Commercial, Technology and rest. Ranging from head office to regional offices, the horizon has been built based on nature of efficiency initiatives. Vendor management along with proper evaluation of need has become one of the beneficial approaches so far. Challenging to the need's traditional assumptions and respective returns to the investments is a certain part of GP's day to day operations now. Screening business process scientifically is the crucial option to overcome relevant barriers in this regard, which the Company is doing for last two years and will be doing in future.

**d) Business Reviews and Financial Reviews**

Business reviews and financial reviews are conducted on a quarterly basis by the Group. The purpose of business review is to ensure strategic control and follow-up of results based on the prevailing strategic objectives and value drivers. Financial reviews provide 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 to quarterly business and financial review with Group, the CEO and CFO review financial results on a monthly basis and set action points to achieve the Company's business goals. In 2013, GP has started the process of quarterly regional business reviews whereby the business performance of the nine regions are presented to GP Management and way forward plans are devised.

**e) Management of Assets**

GP, in its pursuit of best quality network for its subscribers, has been investing in cutting edge telecom technology since its inception. Transparency and accountability are 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 a 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 and Certification**

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 by Shareholders 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. Statutory auditors are rotated every three years in compliance with the order of Bangladesh Securities and Exchange Commission (BSEC). Audit Committee meets with the statutory auditors to ensure that auditors are acting independently and reviews the financial statements before submission to the Board for approval. Non-audit services that may create threat to independence are not procured from statutory auditors unless otherwise required by regulators. In addition to the audit of annual financial statements, the auditors also carry out audit of half-yearly financial statements of the Company.

Further, to ensure adequate regulatory discharge, a Compliance Certificate is obtained from licensed practicing professionals who certify that the Company has duly complied with all the regulatory requirements as stipulated by the Bangladesh Securities and Exchange Commission (BSEC).

**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.

GP Internal Audit is empowered to carry out its activities in GP and its subsidiaries. Internal Audit activity is governed by the Internal Audit Charter, which is approved by the Board. GP 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 GP, while considering pervasive audit needs. GP 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 over Financial Reporting (ICFR)**

Internal Control over Financial Reporting (ICFR) in GP is a process, affected by its Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievements of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and legislations

GP is committed to high standards of internal control as this process has proven to provide significant benefits in relation to the quality of GP's financial statements. The work to operate and document good Internal Control over Financial Reporting is continued in the years and the objective today is still to ensure that ICFR related activities are integrated into GP's business operations.

A standard accountability structure is implemented with defined roles and responsibilities within ICFR in-scope areas to create the basic building blocks to ensure effective ICFR ownership. The overall responsibility for ensuring ICFR, including monitoring and performance of internal controls and maintaining documentation lies with the CEO/CFO, and the process level responsibility lies with the process owners and control owners.

The scope of ICFR includes Company Level Control (CLC–Policies & Manuals) along with General Computer Control (GCC) and Transactional Controls 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**

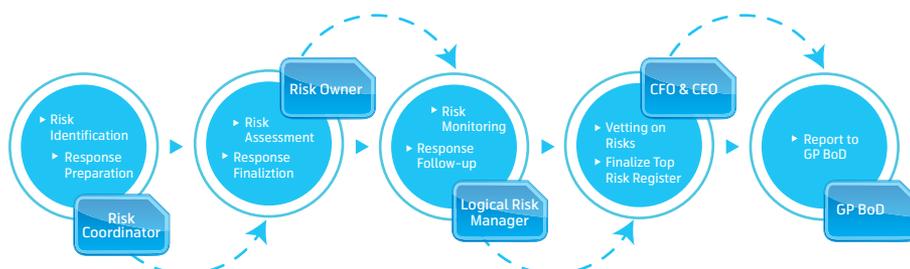
The Board through its Audit Committee reviews all the major related party transactions time to time. Abiding by the laws, a Director who has an interest in a transaction abstains from deliberation and voting on the relevant resolutions in respect of the transactions at the Board meetings. Details of significant related party transactions are disclosed in notes to the Financial Statements.

**j) Dividend Policy**

The Board of Directors has established a 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 GP 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) Strategic Risk Management & Risk Mitigation**

Risk Management at GP 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 manual and processes to mitigate strategic and enterprise level risks.



**l) Revenue Assurance and Fraud Management**

Revenue Assurance function secures the revenue generated by any business activity and its realization through preventing or fixing any possible revenue leakages. In extension, it has considerable presence over cost assurance which involves partner payments and revenue sharing. This function also supports to give assurance on accurate revenue recognition and reporting. In place Fraud Management systems and processes ensure innovative & effective defense mechanisms to prevent losses from internal / external Telecom fraud.

**m) Compliance with Rules & Regulations of the Country**

Compliance helps to build trust among the Board Members, Shareholders, Customers and other stakeholders including the regulators. As the leaders of a compliant Company, the Management Team of GP adopted strategies that assure compliance with all legal and regulatory requirements. This ensures that good governance cascades right throughout the Company. GP is subject to close monitoring process of regulatory bodies that focus on transparency and require that GP provides accurate and periodic reporting of issues/events and certification where necessary. In this context, GP regularly provides a complete set of financial statements and relevant documents to the Bangladesh Securities and Exchange Commission (BSEC), 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. Further, in order to conduct day-to-day business in a compliant way, GP renders 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. GP also takes various initiatives to conduct awareness sessions on existing and proposed laws and regulations of the country to ensure compliance throughout the Company. Overall, GP has always strived to remain a fully compliant Company accommodating every possible ways and strategies to ensure the same.

**n) Business Continuity and Crisis Management (BCCM)**

Business continuity is an emerging concept in business world as events causing business disruptions are increasing in one hand and competition & customer expectations are making organizations more sensitive to such events on the other hand. GP has adopted Business Continuity and Crisis Management (BCCM) program as part of corporate governance. In several occasions, GP harvested benefit of BCCM readiness by avoiding anticipated network outage during cases like cyclone Mahasen, localized long-hour power outage etc.

Business Continuity Management is a holistic process of identifying potential threats and preparing with consequent proactive measures for creating organizational resilience. Crisis management process requires being ready with Business Continuity Plan (BCP) and Crisis Management Plan (CMP). BCCM approach encompasses all enterprise-wise critical business processes.

GP is striving in establishing excellence in Business Continuity and Crisis Management. We follow standards set by Business Continuity Institute (BCI), UK. strategy & programs at GP is also guided by Telenor Group strategy, policy & manuals. GP also got its resources trained from BCI, UK for managing BCCM program. Governing documents including Crisis Management Plan (CMP), local business continuity manuals, crisis management manuals are updated and several divisional crisis simulation exercise & workshop carried out in past year as part of BCCM program.

**o) Ethics and Behavior**

**i) Codes of Conduct**

GP has adopted a Code of Conduct ("Code") approved by the Board of Directors, which reflects GP's core values, integrity, respect, trust and openness. It provides clear direction on conducting business, interacting with the community, government, business partners and general workplace behavior. It also includes guidance

on disclosure of conflict of interest situations, maintaining confidentiality and disclosure of information, good international practices and internal control and the duty to report where there is a breach against the Code. The Code is properly communicated to all the employees including its 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 Code.

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

The Company has established a detailed 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”) outline the standards for ethical and business conduct expected from 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.

#### p) Investor Relations (IR)

As the largest public listed corporate house in Bangladesh, GP has always placed high importance to the investor community and catering to 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 team started its journey in 2010. IR as a specialized function has maintained close contact with both local and international investors, analysts, market experts and financial community on a proactive basis. Through this, the relevant stakeholders were kept informed about the company’s financial results, growth opportunities and strategic ambitions while objectively shared the associated risk and reward profile. This also reflects GP’s commitment towards developing the Capital Market of the country by introducing global best practices and ensuring transparency and accountability. Notable events that IR conducted during the year were financial publication press conferences, analyst call conferences and Annual Investor Night 2013.

#### q) 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 of all major developments that impact the business of the Company and also be 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 other 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 BSEC 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 GP. The Company recognizes the rights of Shareholders and the Shareholder's 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 result of the Company.

### iv) Website

All financial results and key performance indicators as well as other relevant financial and non-financial data 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 recognizes 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 mailed to GP Share Office at [shareoffice@grameenphone.com](mailto:shareoffice@grameenphone.com).

GP believes in transparency and accountability to the society as a whole through establishment of an efficient and effective Corporate Governance regime. 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 varying needs of a modern business house as well as the justified aspirations of our valued investors and other stakeholders.