

# directors' report

For the Year Ended December 31, 2014

## Dear Shareholders,

On behalf of the Board of Directors and Management, I welcome you all to the 18<sup>th</sup> Annual General Meeting (AGM) of Grameenphone Ltd. (GP). We have the pleasure to place herewith the Directors' Report and the Auditors' Report together with the Audited Financial Statements of the Company for the year ended December 31, 2014 for your valued consideration, approval and adoption.

## Crossing 50 Million Subscribers and BDT 100 Billion Revenue Landmarks – A year to Remember

2014 has been a year of solid growth for GP where we have kept a very good momentum of our business. GP became the first ever mobile telecommunication operator to cross the 50 million (5 crore) customers milestone in Bangladesh in September 2014. The success came after a journey of 17 years, serving the people of Bangladesh with the best telecommunication services. GP has played a leading role in increasing the country's tele-penetration rate from less than one percent to over 72% percent as of December 2014.

Continuation of intensified competition has been the highlight of the year for telecom industry. However, GP had maintained its strong presence in the competitive market place and was busy driving subscriber acquisition, value for money service offerings and implementing the "Internet for All" ambition. As a result, GP added 4.4 million customers in 2014, taking the year-end customer base to 51.50 million.

GP introduced 3G services in September 2013 and has brought all 64 districts under the fast mobile broadband coverage by March in 2014 as the first ever mobile operator in the country. GP took special initiatives to market affordable 3G-enabled mobile handsets, encourage the development of various mobile applications and contents and build awareness on Internet to pursue its ambition "Internet for All".

GP continued to enhance the value of its' Shareholders' investment. The significant growth in subscriber base has made a positive contribution to the revenue, EBITDA and net results, in line with the expectation of the Shareholders. The Company's annual revenue exceeded BDT 100 billion (BDT 10,000 crore) landmark in 2014. With this, GP now happens to be the second listed company in Dhaka Stock Exchange Ltd. (DSE) to enjoy such yearly revenue.

The journey towards reaching 50 million (5 crore) subscribers and BDT 100 billion (BDT 10,000 crore) revenue landmark was a long one and had not been easy. Among others, pro-active policies of the government and strong support of our stakeholders have enabled GP to achieve this success. We are confident that we will continue to receive similar kinds of support in the years to come and hope that the Government will ensure a level-playing field in the telecommunication sector, allowing for a healthy competitive environment for the benefit of the subscribers.

GP also wants to deliver long-term value for Shareholders and society. At GP, we value the country's society, her heritage and culture, and always strive contributing in these through our diverse business initiatives and other various corporate responsibility discharges all throughout the year.

## Bangladesh in 2014 – the Socio-Economic Status

The year 2014 has seen a steady economic progress in almost all socio-economic fields in terms of consistent GDP growth rate, lower inflation rate, high foreign exchange reserves, increased per capita income and inflow of remittance, and most importantly on the harvest yield. Substantial remittance inflows and export activities helped to achieve this consistent economic growth rate. However, structural weaknesses, energy shortages and tensed political environment continued to persist and afflict the economic activities.

Successes also confront uphill challenges ahead the most important of which is political instability and uncertainty. Without continued stability in the political front, fears of policy flux cannot be decelerated. The issue of a stable policy regime is absolutely necessary for investments in both domestic and foreign level, particularly in case of foreign direct investments (FDIs), what Bangladesh needs most.

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### Telecommunication Industry Scenario

Mobile Telecom industry in 2014 had reached a landmark figure of 100 million subscriptions, and ended the year with 120 million, which took Bangladesh into the global list of top ten countries having highest number of mobile customers. In a fiercely competitive market, the consumers were the ultimate beneficiaries, as the cost of ownership of a mobile connection became viable to the majority of the population due to the competition. Reaching a mobile penetration level of 72% is a significant achievement for the mobile industry, and it is expected that the industry will jointly drive further growth to connect the unconnected.

Throughout the year, launching of attractive campaigns and promotions by the operators and bundling of the subscriptions with the handsets, helped consumers to overcome the affordability barrier and get more value from such offerings. Price of smartphones has come down below the 50 USD mark but still need to be lowered further for mass market adoption.

3G network expansion by all the operators continued with high pace. GP has led the race and managed to bring all 64 districts under 3G network coverage within the first quarter of 2014. Consumers have responded very positively and there is an increasing trend in terms of adoption and usage. In 2014, GP network has experienced almost double data traffic relative to previous year. As per BTRC information almost 44 million people are now using the internet, out of which more than 95% are accessing the net through their mobile devices. Then again, due to the competitive market pressure the price of data had started to decrease and operators had to focus more on “value creation” by offering superior service propositions.

International incoming call rate was halved by the order of BTRC, and as a result of that the incoming call minutes were almost doubled. This was done to curb the illegal international voice termination and bring in more calls through legal channels; it had a positive impact as the illegal traffic was reduced by almost 80%. Interconnection payment settlement with the interconnection operators, the ICXs and IGWs, remained to be a major concern and in some cases, operators had to take legal recourse to realize the pending dues.

Growth in Mobile Financial Services was quite phenomenal in 2014, a daily transaction of BDT 300 crore and 2.1 crore of active accounts support the fact that there still exist huge unmet demand. Also, mobile operators are playing an enabler role to render the service, lending their distribution network and telecom services towards their banking partners.

### Telecom Regulatory Environment

Telecom Regulatory environment continues to remain unpredictable and uncertain in the context of unresolved pending regulatory issues and lack of government initiatives to improve the regulatory framework. Even though it was promised to resolve the BDT 30 billion SIM replacement tax claim through a fair investigation process before the 3G auctions, it did not happen, as the recommendation of the multi-party committee was disregarded. There was no visible progress and initiative to revise the 16 year old Telecom Policy and to amend the Telecom Act in order to improve regulatory certainty and predictability.

Spectrum assignment in absence of a spectrum policy and roadmap had been a major concern for the industry; however there was no progress in formulating the spectrum roadmap and policy. Also regarding technology neutrality in the 900 MHz and 1800 MHz band, a positive intent was shown during 3G auction; but no initiative was taken in this regard which could actually help to maximize the use of spectrum. The regulators are planning for a new spectrum auction in 2015 to sell frequency blocks in the 1800 & 2100 MHz bands. Without a level playing field ensuring all operators' participation, long term roadmap and technology neutrality, any new auction will produce sub optimal results and loss of economic value for the country.

High taxation in the telecom sector and unpredictability in the taxation regime is considered to be a major barrier for expansion of the industry. More than 55% of operators' revenue goes to the government exchequer in various forms of tax, VAT and fees. This phenomenon, at one hand, limiting the operators' ability to reduce price and on the other hand, making them extra cautious for new investments. In the fiscal year 2014-15, a new tax of BDT 100 for replacement SIM was introduced in addition to the existing SIM tax of BDT 300 for new connection, which all together is hindering mobile penetration in deep rural areas. Any new and additional tax will further worsen the financial health of the sector, and will have a negative impact on the overall economy due to the overarching impact of telecommunications.

## Industry Outlook and Possible Future Developments

It is expected in the coming year that competition in the market will further intensify which will lead to more innovative products and services. Internet adoption rate will keep on increasing and it is anticipated that the consumers will find more value adding applications and services which will enrich their personal and professional lives. Operators will be investing more to extend their 3G coverage outside the city areas and will focus on improving the service quality. Bundling of voice and data services will be more prominent to counter the eroding price point and attract consumers to use more services.

Operators will venture into new partnerships with internet companies and other vertical industries to increase the value of the communication services. The e-commerce market is flourishing and consumer confidence in mobile financial services is increasing. These two will have a favorable impact on the trade of digital goods and services. The cooperation across the verticals will be crucial, both at the policy and at the market level to develop and stimulate the market.

Regulatory issues, especially the long pending unresolved issues will be major concerns from the investors and would make them conservative while investing. Govt.'s positive support towards the industry by resolving pending issues and addressing the policy issues would certainly help to regain the confidence of the investors and create an investment friendly regulatory climate.

## Capital Market was Vibrant with Both Indices and Turnover Growth

Bangladesh Capital Market recovered sharply during the year 2014 with large capitalized stocks in the driving seat. Foreign capital inflow picked up significantly in the market. However, South Asian peers outperformed Bangladesh during the period. In Dhaka Stock Exchange (DSE), the broad and free float weighted index DSEX gained 14.03% (598.41 points) against 5.2% gain of last year and closed at 4,864.96 points. Daily average turnover value rose by 25.0% compared to 2013.

GP share price increased by staggering 80.14%, closing at BDT 361.90 at the year end with a daily average turnover value worth BDT 196.52 million (BDT 19.65 crore). GP stock experienced the highest value at BDT 409 and the lowest at BDT 198 during the year. GP's market capitalization on 30 December 2014 stood at BDT 488.67 billion (BDT 48,867 crore) on the DSE, representing 18.07% of the total equity market capitalization

## Innovative Products & Services

For GP, 2013 was a big milestone when we acquired the license & commercially launched the 3G service as the first operator in Bangladesh. From the beginning of 2014, GP put all-out effort to make 3G accessible & affordable for all. We were the first operator to expand coverage in all 64 districts within first quarter of 2014.

Another ambition for 2014 and the years to come is "Internet for All". In addition to the widest coverage with good Internet speed experience, throughout the year, we have delivered affordable packages with higher speed for our customers. In the middle of the year, we have launched "1 Taka Internet" to provide better experience to new internet users. We also offered double speed Internet to boost customer experience. To give customers the reason to use internet and promote internet for all, free Facebook was offered for all the customers.

Along with offering superior experience, GP also followed up keenly on offering the right price to boost up the value for money, which has improved significantly. By offering simplified voice tariff plans like Nishchinto and Bondhu, 1 Taka Welcome tune pack, 1 Taka Video and 1 Taka Internet pack have helped the customers to try out different services at lowest possible prices. Also, several daily and weekly voice bundles and combo bundles were introduced to give customers more value at an affordable price.

At the end of the year, we have touched 5 crore customer landmark, which we celebrated with 5 paisa per 10 seconds offer to any GP number. We followed up that celebration with further enhancing our unique service emergency balance by increasing the balance up to BDT 100 and offering reimbursement on call drop minutes. We have ended the year with customized offer portal for each and every customer by introducing 12113, which is first in the market. This will help the customers avail the attractive offers in a very easy manner.

"Nirvoy" is the life insurance service of GP. "Nirvoy" was launched in June 2013 and rewards GP subscribers with free life insurance based on the amount of airtime used each month. The product is underwritten by Pragati Life Insurance and powered by MicroEnsure Bangladesh. GP has 3.85 million "Nirvoy" subscribers as of December 2014. During the period, 121 life insurance claims have been settled and paid out over BDT 4.57 million to beneficiaries around the country.

### Continued Focus on Customer Service

We lead because our customers trust us with the products and services we offer. Our success is measured on how passionately our customers promote us. We have the ambition to be the most customer centric mobile telecommunications operator in Bangladesh by 2016. To achieve this goal, we will put customers first, in every activity, interaction and decision making. In this endeavor, the year 2014 was one step ahead. In our effort to bring comfort to our customers' lives, a 2,215-member Customer Service team ran 24/7, 365 days a year! A total of over 120 million customers were served throughout 2014 from Customer Service (over phone) touch points.

### Our Adjacent Business

#### i) "MobiCash" Financial Services

GP made Mobile Financial Service (MFS) as one of its strategic pillar to contribute in "financial inclusion" agenda of Bangladesh Bank through its unique "MobiCash" enabling business model supporting major banks and service providers. The cornerstone of GP's strategy was to launch its own nationwide network of 61,000 "MobiCash" Agent/Cash-points to provide 6 partner banks with a completely managed solution for delivering cash-in, cash-out, disbursements of salaries etc. GP is also providing utility bill payment and ticketing services ensuring ultimate convenience for our valued customers. The exceptional consecutive 137% quarter-on-quarter volume growth from Q2'13 to Q3'14 demonstrates market demand and GP's ability to create significant values for its partners and customers. GP strongly believes that, with regulatory support and through a winning collaboration with partner Banks, we can play a key role in converting cash based economy into digital economy.

#### ii) Infrastructure Services

GP has continued its contribution towards the development of a more cost optimized telecom operation and has made optimum use of national resources, by sharing infrastructure, transmission capacity and OPEX with the telecom operators as well as other businesses, such as WiMAX operators, ISPs, etc. By the end of 2014, we have shared more than 2,950 sites with telecom operators and entered into agreements with 13 new customers. Besides, various initiatives were taken to increase our customer satisfaction.

### Network to Cater Increasing Internet Traffic Ensuring Strong Customer Centricity & Efficiency

In 2014, GP fulfilled its commitment to deliver 3G Network in all 64 district cities by end of March. 2,143 3G sites have been rolled out in just 6 months after securing 3G license. As a result, GP was the first operator to be refunded back BDT 150 crore by BTRC, which was earlier deposited with them as 'Performance Bank Guarantee'.

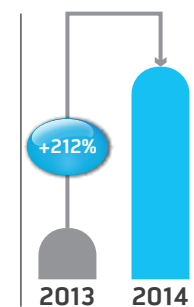
After delivering first phase of 3G sites, GP further invested in additional 599 3G sites which bring the total number of 3G sites to 2,742 at the end of the year. Besides 3G sites, 387 new 2G BTSs have been rolled out to cater increasing demand particularly in internet service. The internet traffic tripled (212.4%) in organic growth from 2013 to 2014. Huge growth in 3G data consumption is observed in the 3G deployed areas. There has been a steady growth in 2G data volume also. In 2014, a total of BDT 1,516 crore investment has been made in network expansion and up-gradation.

In 2014, GP deployed SQMS (Service Quality Management System) with the intention to have more customer centric approach in network services. Resolution of customer complaints with better efficiency and faster resolution has been the prime target. Monitoring has been established on major service performance indicators at individual subscriber level. GP is now more prepared to provide better service quality on top of its superior network.

### Going Beyond with Passionate and Engaged Employees

GP has a strong team of 2,972 permanent employees with passion and high level of engagement. Our success depends upon the performance, behavior and commitment of our employees. Our people are key drivers of our business. We focused on building their individual and leadership capabilities and aimed to empower them to be the best they can be. Employee engagement index increased by 7 percentage points, which is the highest increase in Telenor group in 2014 for two consecutive years. GP was also ranked as the number 1 "Employer of choice" within Bangladesh's Telecom Industry in various independent surveys in 2014. With a view to becoming a world-class organization, we have continued to invest in building the right culture around our values, performance, leadership and engagement.

Daily (avg.) Data Volume Consumption



## Corporate Responsibility (CR) – Touching Lives in the Societies

As a responsible corporate citizen, GP acknowledges its' role in contributing to the development of communities in which it operates. Investing in social projects has been an integral part of GP's corporate culture and business philosophy.

As a result, GP exists just not to serve customers with products or services of value, but also to bring about a positive response to social issues that affect Bangladesh's upward mobility. In 2014, we were involved with multiple initiatives that brought about positive results in the health and education standards of the underprivileged community. Detailed information on the initiatives of the Company towards CR activities is provided in the Corporate Responsibility section of the Annual Report.

## Climate Change – Optimizing Our Green Footprint

GP launched the Climate Change Program in 2008. The singular objective of this task was to regularly assess and find ways to minimize our operations' impact on the environment. It is an ongoing program that focuses on five areas- reduction of carbon emission, creation of employee awareness, adoption of green practices, creation of a green momentum in society and provision of green services to our customers. As recognition to these efforts, GP achieved the prestigious global GSMA Green Mobile Award 2014. Details about this strategy and information on some other climate change initiatives of the Company are provided in the Climate Change section of the Annual Report.

## Health, Safety, Security and Environment (HSSE)

As a responsible company, GP continuously strives to ensure international standards of occupational health, safety, security and environment in line with Telenor principles and laws of the land to enable a safe working environment that yields productivity & efficiency, and maintains a compliant working environment for the employees and business partners directly working with GP. As part of continual improvement, in 2014, emphasis was given to revamping HSSE management system with refreshing HSSE culture among the employees. Several employee training and awareness sessions were organized addressing Road Safety, Ergonomics, Employee fitness and Healthy Living in 2014.

## Directors' Responsibilities for Financial Statements

The Board is responsible to present a fair, balanced and understandable assessment of the Company's position and prospect as part of good corporate governance and to that end the directors confirm to the best of their knowledge that-

- 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;
- proper books of account of the Company have been maintained;
- 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;
- 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;
- the system of internal control is sound in design and has been effectively implemented and monitored;
- there is no doubt upon the Company's ability to continue as a going concern.

## Corporate Governance

Good corporate governance contributes to the long-term success of a company, creating trust and engagement between the company and its stakeholders. The Board of Directors and the Management Team are strongly committed in achieving and upholding effective Corporate Governance & ethical business conduct, promoting transparency & accountability.

The Company has complied with the conditions as stipulated in the Corporate Governance Guidelines issued on 07 August, 2012 by the Bangladesh Securities and Exchange Commission (BSEC). In this connection, status of compliance has been annexed to this report as Annexure-I. A certificate from M/s Al-Muqtadir Associates, Chartered Secretaries confirming compliance of conditions of Corporate Governance as stipulated under condition 7(i) 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

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

Total revenue for 2014 was BDT 102.7 billion (BDT 10,266 crore) having a solid growth of 6.3% compared to the previous year. The growth in revenue was contributed by data & VAS, voice, device sales and adjacent business i.e. infrastructure services and financial services.

Voice traffic revenue increased by 2.1% for the year 2014 from 2013, mainly driven by the subscription growth. However, revenue growth for GP as well as the mobile industry was impacted by the regulatory directives regarding 50% reduction in international call termination rate.

Solid growth in data services revenue, mainly driven by 3G, growing internet users and low tariff based internet mini-packs followed by the heavy browsing packages in 2014. Total data & VAS revenue has increased by 41.5% from 2013 with data revenue increased by 61.2%. However, growth in SMS, MMS & content revenue was 27.2%.

Interconnection revenue is generated from the incoming traffic through the calls generated from outside GP network. Despite reduction in international call termination rate, interconnection revenue increased by 6.5% as a result of increase in incoming interconnection traffic both from international and national operators.

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

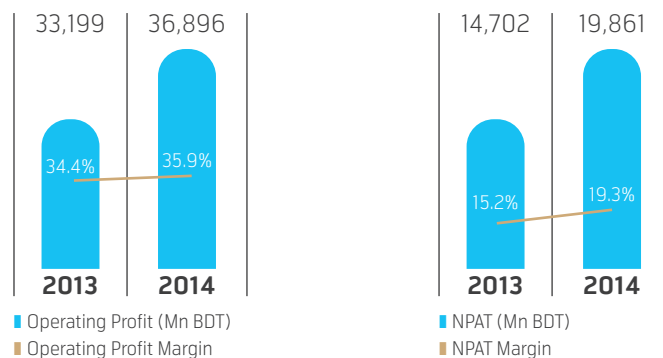
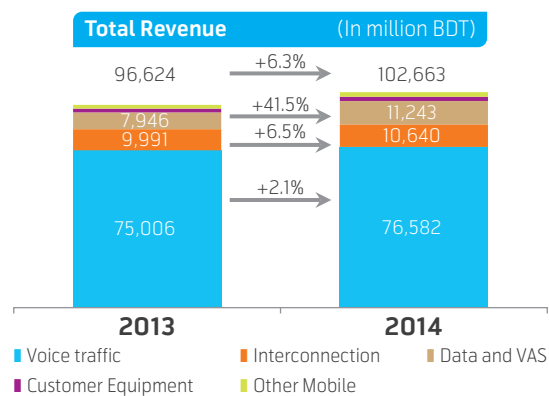
Revenue from customer equipment mainly includes sale of mobile devices, i.e. handsets and branded internet modems.

#### • 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 & amortization. Increase in operating expense is mainly due to higher depreciation & amortization, increase in network operation & maintenance, higher mobile device sales and higher revenue sharing, partly offset by lower consultancy and subscriber acquisition cost.

As a combined effect of the revenue growth and higher operating expenses, operating profit for the year 2014 increased by 11.1% from 2013. However, profit before tax of 2014 has increased by 6.1% due to lower foreign exchange gain and gain on sale of GPIT in 2013.

Net profit margin for the year 2014 was 19.3% compared to 15.2% of 2013. Net profit after tax increased by 34.7% due to lower income tax expense resulted from one-off tax adjustment for increased corporate tax rate from 35% to 40% in 2013. As a result, Earnings Per Share (EPS) for the year 2014 stood at BDT 14.67 compared to BDT 10.89 of 2013.



- All transactions with related parties have been made on a commercial basis. Details of related parties and related party transactions have been disclosed in note 37 to the Financial Statements as per requirements of relevant IFRS.
- The GP Initial Public Offering (IPO) was made in 2009 and the fund raised thereby has already been utilized by 30 June, 2010 as reported to the regulators. No further 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 2014.
- No remuneration was paid to the Directors apart from their Board meeting attendance fees. During the year, the Company has paid a total amount of BDT 312,645 as Board meeting attendance fees. However, payments to Foreign Directors, not remitted as yet, have been provided for in the accounts of the relevant year.
- Financial performance of this year has improved compared to last year's performance due to reasons explained in other parts of this report.
- The key operating and financial data for the last five years has been disclosed in the Annual Report on page 48.
- GP has declared interim dividend and recommended final dividend for the year 2014.
- During 2014, a total of 10 (Ten) Board meetings were held, which met the regulatory requirements in this respect. The attendance records of the Directors are shown in Annexure-II to this report.
- Shareholding patterns of the Company as on December 31, 2014 are shown in Annexure-III to this report.

### Annual Results and Allocations

The Directors take pleasure in reporting the financial results of the Company for the year ended 31 December 2014 and recommended the appropriation as mentioned in the "Appropriation of Profit" table below:

Figures in '000 BDT

	2014	2013
<b>Profit Available for Appropriation*</b>		
Profit/(Loss) after tax	19,697,026	14,247,875
Add: Un-appropriated profit brought forward from previous (including general reserve)	9,327,317	13,983,642
<b>Total amount available for appropriation</b>	<b>29,024,343</b>	<b>28,231,517</b>
<b>Appropriation</b>		
Final Dividend Paid for Previous Year	6,751,500	6,751,500
Interim Dividend Paid for Current Year	12,827,850	12,152,700
<b>Closing Retained Earnings at year end (before proposed Final Dividend)</b>	<b>9,444,993</b>	<b>9,327,317</b>
Proposed Final Dividend for the year 2014 (65% cash) (In 2013: 50% cash)	8,776,950	6,751,500
<b>Retained Earnings after Proposed Dividend</b>	<b>668,043</b>	<b>2,575,817</b>

\*Based on separate Financial Statements of Grameenphone Ltd.

### Growth in 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 GP from inception up to December 2014 was BDT 413.7 billion (BDT 41,368 crore). During 2014 alone, the Company contributed BDT 58.9 billion (BDT 5,892 crore) to the national exchequer compared to BDT 69.1 billion (BDT 6,908 crore) of 2013, which represents about 57% of GP's total revenue of 2014. In 2014, GP's contribution to national exchequer included BDT 6.9 billion (BDT 686 crore) as final installment of 3G license acquisition and spectrum fees. It is also notable that GP has paid BDT 18.7 billion (BDT 1,871 crore) in corporate taxes during 2014, which was BDT 4.7 billion (BDT 468 crore) higher compared to 2013.

### Dividend

For the year ended December 31, 2014, the Board of Directors of the Company has paid an Interim Cash Dividend @ 95% of the paid-up capital amounting to BDT 12,827,850,209 which was BDT 9.5 per share of BDT 10.00 each. Now, the Directors are

pleased to recommend a Final Cash Dividend @ 65% of the paid-up capital amounting to BDT 8,776,950,143 which is BDT 6.5 per share of BDT 10.00 each for the year 2014 out of the divisible profits of the Company for consideration and approval of the Shareholders for distribution. Inclusive of the Interim Dividend of 95% paid already, this would make a cumulative total dividend @ 160% of the paid-up capital amounting to BDT 21,604,800,352 which was BDT 16 per share for the year 2014.

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

### Board of Directors

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

1. Mr. Sigve Brekke, Telenor Mobile Communications AS, Director & Chairman
2. Mr. Hans Martin Hoegh Henrichsen, Telenor Mobile Communications AS, Director [appointed on January 22, 2014]
3. Mr. Hakon Bruaset Kjol, Telenor Mobile Communications AS, Director
4. Mr. Pal Wien Espen, Telenor Mobile Communications AS, Director
5. Mr. Tore Johnsen, Telenor Mobile Communications AS, Director
6. Mr. M Shahjahan, Grameen Telecom, Director
7. Mr. Md. Ashraful Hassan, Grameen Telecom, Director
8. Ms. Parveen Mahmud, Grameen Telecom, Director
9. Dr. Jamaluddin Ahmed FCA, Independent Director
10. Ms. Rokia Afzal Rahman, Independent Director

### 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. Hakon Bruaset Kjol
2. Mr. Tore Johnsen
3. Mr. Md. Ashraful Hassan
4. Ms. Parveen Mahmud

Brief profiles of the Directors being proposed for re-appointment are given on page 25 of the Annual Report, which fulfill condition 1.5 (xxii) of the Corporate Governance Guidelines of BSEC.

### Appointment of Chief Executive Officer

The Board of Directors has appointed Mr. Rajeev Sethi as the Chief Executive Officer (CEO) with effect from December 01, 2014 in place of Mr. Vivek Sood, who served the Company for almost two years. At this occasion, the Board of Directors would like to thank Mr. Vivek Sood for his dedication to GP. Under his leadership, the Company had continued its growing performance and secured 3G license. The Board also congratulates Mr. Rajeev Sethi and wishes him success in further developing GP's position as the leading mobile operator in Bangladesh.

### Appointment of Auditors

As per the Companies Act 1994 and the Articles of Association of GP, the statutory auditors of the Company, ACNABIN, Chartered Accountants, shall retire at this AGM. As per BSEC Order No. SEC/CMRRCD/2009-193/104/Admin dated 27 July, 2011, an audit firm cannot be engaged for more than three consecutive years as statutory auditors of the same company. ACNABIN has been the statutory auditors of the Company since 2012. In compliance with the BSEC order, we are required to appoint new statutory auditors for the Company. Rahman Rahman Huq, Chartered Accountants has offered their willingness to be appointed as statutory auditors of GP. The Board recommends their appointment for the year 2015 and continuation till the next AGM at a fee of BDT 2 million (Taka two million only) plus VAT.



## Expectations in 2015

GP has an ambition to provide 'Internet for all', meaning we recognize the increased demand for data driven services throughout Bangladesh. We have an extensive strategy to reach this ambition where awareness, affordable devices and attractive contents are the three key aspects. Achieving the 50 million (5 crore) customers is a big milestone for us. Now, in the era of data communication, we will focus on achieving 50 million (5 crore) internet users in next five years, in line with our ambition of "Internet for All".

The shift in subscriber usage from voice to data services has been a gradual one. Historically, voice and SMS have been the predominant revenue streams for the telecom providers. But innovation has changed the customers' need patterns and the market slowly steps into voice to data transition. We see continued growth in mobile data as more and more smart devices with the capability to access the Internet wirelessly, enter the market.

Our focus in 2015 will be to drive the take-up of services for our customers. We will also continue to expand our content line-up across all platforms, so that our customers can further experience the benefits and value for money products and innovative services. We will also strive to maintain our leading position in network quality and ensure better customer experience. We believe that 2015 will be a prospective year for us and we have all the elements in place to see us through the year and beyond.

## Appreciations

The year-end performance of GP in 2014, even with so many challenges confronted, demonstrates the resolves and determination of the Board, Management and overall the peoples in the Company. The outstanding achievement of the year is more than a tribute to the 50 million (5 crore) subscribers of the Company upfront, with numerous stakeholders backstage. At this context, the Board also recognizes that its' journey to attainments during the year was possible because of the cooperation, positive support, and guidance that it had received from the Government of Bangladesh, the Ministry of Posts and Telecommunications (MoPT), Bangladesh Telecommunication Regulatory Commission (BTRC), Bangladesh Railway (BR), Bangladesh Bank (BB), Board of Investment (BOI), Registrar of Joint Stock Companies & Firms (RJSC), Chief Controller of Export & Import, Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE), Central Depository Bangladesh Limited (CDBL), GP's Bankers, insurers and financial institutions, vendors and other business partners during the year under report. Accordingly, the Board records its profound gratitude to all of them. The Board would also thank each and every customer for their continued trust and support to the Company and making GP brands as their preferred choices.

We would also like to thank all of our people for their relentless contribution along the way in taking GP to greater heights. It is their hard work, commitment and leadership that enabled us to mark our stronger presence in the Telecommunication arena. The Board trusts that such towering attachment to the Company by its people would continue in the days ahead.

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



**Sigve Brekke**

Chairman

February 08, 2015

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**Annexure-I**

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

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

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.	<b>Board of Directors (BoD)</b>			
1.1	Board's Size (number of Board members – minimum 5 and Maximum 20)	✓		There are 10 (Ten) members in the Company Board
1.2	<b>Independent Directors</b>			
1.2 (i)	At least one fifth (1/5) of the total number of Directors shall be Independent Directors	✓		There are 2 (Two) Independent Directors (ID) out of total 10 (Ten) Directors
1.2 (ii)	<b>Independent Director means a director:</b>			
1.2 (ii) (a)	who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	✓		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 the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company	✓		- do -
1.2 (ii) (c)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		- do -
1.2 (ii) (d)	who is not a member, director or officer of any stock exchange	✓		- do -
1.2 (ii) (e)	who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		- do -
1.2 (ii) (f)	who is not a partner or executive or was not a partner or an executive during the preceding 3 (three) years of the company's statutory audit firm	✓		- do -
1.2 (ii) (g)	who shall not be an independent director in more than 3 (three) listed companies	✓		- do -
1.2 (ii) (h)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	✓		- do -
1.2 (ii) (i)	who has not been convicted for a criminal offence involving moral turpitude	✓		- do -
1.2 (iii)	Independent Director(s) shall be appointed by BoD and approved by the shareholders in the Annual General Meeting (AGM)	✓		The appointments are duly approved
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days	None		No vacancy occurred
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	✓		There is a written Code of Conduct and all Board members and employees are obliged to comply with.

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		The IDs are in their regular term of office
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	✓		The qualification and background of IDs justify their abilities as such
1.3 (ii)	Independent Director should be a Business Leader/Corporate leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences	✓		- do -
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.
1.5	<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)	Utilization of proceeds from public issues, rights issues and/or through any other instruments	✓		- do -
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO)	None		- do -
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements & Management explanation thereof	None		- do -
1.5 (x)	Remuneration to directors including independent directors	✓		- do -
1.5 (xi)	The financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity	✓		- do -
1.5 (xii)	Proper books of account have been maintained	✓		- do -
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 -

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Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.5 (xvi)	Going Concern (ability to continue as a going concern)	✓		- do -
1.5 (xvii)	Highlight and explain significant deviations from the last year's operating results	✓		- do -
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	✓		Given on Page 48 of the Annual Report
1.5 (xix)	Reason for non declaration of Dividend	None		Does not arise
1.5 (xx)	The number of Board meetings held during the year and attendance by each director	✓		Included in the Directors' Report
1.5 (xxi)	<b>Pattern of shareholding and name wise details (disclosing aggregate number of shares):</b>			
1.5 (xxi) (a)	Parent/Subsidiary/Associated Companies and other related parties	✓		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 -
1.5 (xxii)	<b>In case of the appointment/re-appointment of a director, disclose:</b>			
1.5 (xxii) (a)	a brief resume of the director	✓		Given on Page 25 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 28 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
3	<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 Audit Committee Charter duly approved by the Board.
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members	✓		Audit Committee comprises of 3 members
3.1 (ii)	The BoD shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director	✓		One member of the Audit Committee is Independent Director

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
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)	None		No vacancy occurred
3.1 (v)	The Company Secretary shall act as the secretary of the Audit Committee	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director	✓		
3.2 (i)	The BoD shall select the Chairman of the Audit Committee, who shall be an Independent Director	✓		
3.2 (ii)	Chairman of the audit committee shall remain present in the AGM	✓		Was present in the AGM held in 2014
3.3	<b>Role of Audit Committee</b>			
3.3 (i)	Oversee the financial reporting process	✓		The Audit Committee Charter clearly defines the role of the Audit Committee 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 utilized for the purposes other than those stated in the prospectus	None		No IPO was made in the year 2014
3.4.1 (i)	Reporting to BoD on the activities of the Audit Committee	✓		
3.4.1 (ii) (a)	Reporting to BoD on conflicts of interests	None		
3.4.1 (ii) (b)	Reporting to BoD on any fraud or irregularity or material defect in the internal control system	None		
3.4.1 (ii) (c)	Reporting to BoD on suspected infringement of laws	None		
3.4.1 (ii) (d)	Reporting to BoD on any other matter	None		

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Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
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 46 of the Annual report
4.00	<b>External / Statutory Auditors</b>			
4.00 (i)	Non-engagement in appraisal or valuation services or fairness opinions	✓		As declared by Auditors
4.00 (ii)	Non-engagement in designing and implementation of Financial Information System	✓		- do -
4.00 (iii)	Non-engagement in Book Keeping or other services related to the accounting records or financial statements	✓		- do -
4.00 (iv)	Non-engagement in Broker-Dealer services	✓		- do -
4.00 (v)	Non-engagement in Actuarial services	✓		- do -
4.00 (vi)	Non-engagement in Internal Audit services	✓		- do -
4.00 (vii)	Non-engagement in any other services that the Audit Committee determines	✓		- do -
4.00 (viii)	No partner or employees of the external audit firms shall possess any share of the company during the tenure of their assignment	✓		- do -
4.00 (ix)	Non-engagement in audit/certification services on compliance of corporate governance as required under clause (i) of condition no. 7	✓		- do -
5	<b>Subsidiary Company</b>			
5 (i)	Provisions relating to the composition of the BoD of the holding company shall be made applicable to the composition of the BoD of the subsidiary company	Not applicable		GP does not have any subsidiary company as on reporting date
5 (ii)	At least 1 (one) Independent Director on the BoD of the holding company shall be a director on the BoD of the subsidiary company.	Not applicable		- do -
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	Not applicable		- do -
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also	Not applicable		- do -
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	Not applicable		- do -
6	<b>The CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:</b>			
6 (i) (a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		The CEO and CFO have duly certified to the Board

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	✓		- do -
6 (ii)	there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	✓		- do -
7 (i)	Obtaining certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the BSEC and include in the Annual Report	✓		Given on page 69 of the Annual Report
7 (ii)	Directors statement in the directors' report whether the company has complied with these conditions	✓		Detailed status of compliance given in the Compliance Schedule as published in the Directors' Report

#### Annexure-II

Board Meeting and attendance during the year ended December 31, 2014

Name of Directors	Number of meetings held whilst a Board member	Meetings attended	Remarks
Mr. Sigve Brekke	10	9	
Mr. Hans Martin Hoegh Henrichsen	9	9	(Appointed on 22 January 2014)
Mr. Tore Johnsen	10	8	
Mr. Hakon Bruaset Kjol	10	8	
Mr. Pal Wien Espen	10	8	
Mr. M Shahjahan	10	9	
Mr. Md. Ashraful Hassan	10	10	
Ms. Parveen Mahmud	10	9	
Dr. Jamaluddin Ahmed FCA	10	6	
Ms. Rokia Afzal Rahman	10	5	
Mr. Per Erik Hylland	1	1	(Nomination withdrawn on 22 January 2014)



**Annexure-III**

The Pattern of Shareholding as on December 31, 2014

<b>Name of Shareholders</b>	<b>Status</b>	<b>Shares Held</b>	<b>Percentage</b>
<b>i) Parent/Subsidiary/Associate Companies</b>			
Telenor Mobile Communications AS	-	753,407,724	55.80%
Nye Telenor Mobile Communications II AS	-	215	0.00%
Nye Telenor Mobile Communications III AS	-	215	0.00%
Telenor Asia Pte. Ltd.	-	215	0.00%
Grameen Telecom	-	461,766,409	34.20%
Grameen Kalyan	-	22	0.00%
Grameen Shakti	-	22	0.00%
<b>ii) Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouses and minor children</b>			
Mr. Sigve Brekke	Chairman	-	-
Mr. Hans Martin Hoegh Henrichsen	Board Member	-	-
Mr. Pal Wien Espen	Board Member	-	-
Mr. Hakon Bruaset Kjol	Board Member	-	-
Mr. Tore Johnsen	Board Member	-	-
Mr. M Shahjahan	Board Member	-	-
Mr. Md. Ashraful Hassan	Board Member	-	-
Ms. Parveen Mahmud	Board Member	-	-
Dr. Jamaluddin Ahmed FCA	Board Member	-	-
Ms. Rokia Afzal Rahman	Board Member	-	-
Mr. Rajeev Sethi	Chief Executive Officer	-	-
Mr. Dilip Pal	Chief Financial Officer	-	-
Mr. Hossain Sadat	Company Secretary	376	0.00%
Mr. Emadul Hannan	Head of Internal Audit	-	-
<b>iii) Executives (as explained in the BSEC's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 )</b>			
Mr. Allan Bonke	Chief Marketing Officer	-	-
Mr. Erlend Prestgard	Head of Strategy	-	-
Mr. Medhat El Husseiny	Chief Technology Officer	-	-
Mr. Marcus Adaktusson	Directors-Communications	-	-
Mr. Quazi Mohammad Shahed	Chief Human Resources Officer	-	-
<b>iv) Shareholders holding ten percent or more Voting Interest</b>			
Telenor Mobile Communications AS	-	753,407,724	55.80%
Grameen Telecom	-	461,766,409	34.20%

## ANNEXURE-IV

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

**Business Office:**  
Block : F, Rania Avenue  
Apurba Gardenia  
House # 530, (5th floor)  
Bashundhara R/A, Dhaka - 1229  
Bangladesh

Phones : 01730 340 340  
01552 108 522  
e-mail : akamuqtadir@gmail.com  
muqtadir@muqtadirbd.com  
URL : www.muqtadirbd.com  
VAT Reg : 19041063900

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

(As required under the BSEC Corporate Governance Guidelines)

We have examined compliance to the BSEC guidelines on Corporate Governance by Grameenphone Ltd. for the year ended 31<sup>st</sup> December 2014. These guidelines relate to the Notification no. SEC/CMRRCD/2006-158/134/Admin/44 dated 7<sup>th</sup> August 2012 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

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

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

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

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

Dhaka, February 08, 2015

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