

Directors' Report

For the Year Ended 31 December 2020

Dear Shareholders, I welcome you all to the 24th Annual General Meeting (AGM) of Grameenphone Ltd on behalf of the Board of Directors and Management during this most challenging time. We have the pleasure to place the Directors' Report and the Auditor's Report, together with the Company's Audited Financial Statements. The year ended 31 December 2020 for your valued consideration, approval, and adoption.

2020: Accelerating Digital Transformation

2020 has proven to be the most challenging year for all of us worldwide in the face of the Covid-19 pandemic. As a joint force, we stood by society and delivered the mobile industry's vital contribution to social and economic well-being. Bangladesh especially stands out in tackling the Covid-19 pandemic, Cyclone Amphan and subsequent flood and bad weather while at the same time maintaining strong social and economic progress in line with the trajectory of recent years. The challenges of 2020 were unprecedented, but as an economy, Bangladesh continued to deliver at an average rate of 6.8% during the last decade on rising productivity. At the same time, the country recorded considerable improvement across several Human Development Indices (HDIs).

Our role as a connectivity partner to the Digital Bangladesh journey has helped society to tackle challenges of community lockdown by ensuring access to connectivity, which had become a lifeline for many essential services during the Covid-19 pandemic. Collective efforts with credible partners and authorities enabled the government to provide a range of vital services to alleviate the impact of the pandemic on vulnerable individuals and communities.

We overcame significant global and operational challenges over the year to deliver to a higher number of customers in 2020. While Grameenphone reported total revenues of BDT 139.6 billion for FY 2020, it still accounted for an 2.8% de-growth from the previous year. Net Profit After Taxes (NPAT) for the year was BDT 37.2 billion, with 26.6% margin. Earnings per share (EPS) for the year stood at BDT 27.5. The Company also ended the year with 79.0 million total customers, of which 52.2%, or 41.3 million, are data customers. During the year, the Company also registered a promising 14% growth in data revenue brought about from higher dependence on data connectivity due to the pandemic.

During the year, the Company invested BDT 13.8 billion (excluding license & lease) for network coverage, adding 4,172 new 4G sites to its network, which picked up pace through the third quarter. With clearance on NOCs from BTRC secured, the Company could focus on customer experience to a greater degree. The Company has paid BDT 98.2 billion equalling 70.4% of its total revenues, to the National Exchequer in taxes, VAT, duties, fees, 4G license and spectrum assignment.

Grameenphone has taken significant steps this year to diversify its business further, transitioning from a more commodity-based telco to a platform-based digital technology company that offers exciting opportunities and partnerships in IoT and digital content. It is expected that the market will see further acceleration as more and more people adopt data, following the widespread digitisation after effects of the pandemic.

2020 has been a year of exploration and innovation to drive results and at the same time showing resilience and being ready to face any consequences. It was also been a year of collaboration and a year spent unlocking the possibilities of the internet to the unreached. Grameenphone is always committed to stand by the nation, contributing to economic growth and investing to build a quality network to move Bangladesh ahead. In 2020, we have reached the 14,000 4G BTS milestone which opens up even newer possibilities for Bangladesh.

The promise of 'empowering societies' has never carried more weight as the Company's purpose than it had in 2020 given the market uncertainties. Recognised as an essential service against Covid-19 in Bangladesh, Grameenphone has contributed to society through several initiatives, rolled out in close collaboration with credible partners, i.e., regulator, authorities and development partners.

Furthermore, transformation and modernisation within the organisation over the past few years has ensured the Company was able to rapidly adapt to a new way of work with employees working safely work from home.

Telecommunication Industry Scenario

Bangladesh has been maintaining one of the fastest economic growth rates in the world over the last few years, a stable economic performance that has helped to reduce poverty and social inequalities. The country has seen considerable improvement across several Human Development Indices (HDIs), including adult literacy rates, life expectancy at birth, and gender parity in school enrolment. Much of this progress has coincided with the rapid adoption of mobile services and the utilisation of mobile platforms to deliver life-enhancing services.

At the end of 2020, there were 89 million unique mobile subscribers in Bangladesh, whereas total connection numbers reached 169 million, representing connection penetration of more than 100%. The data market has seen a steady growth of around 13.9% with total mobile internet connections standing at 110 million subscribers. With 52.5% unique mobile internet subscribers, there is still strong potential for further growth in data services.

2020 was a unique year for the telecom industry, which has gone through a notable natural and regulatory challenges, however, the industry has played a significant role in keeping the economy and essential services up and running. In addition to providing access to connectivity, which has become a lifeline for many essential services during the Covid-19 pandemic, mobile operators have actively engaged with citizens and the government to provide a range of vital services that have alleviated the impact of the pandemic on vulnerable individuals and communities.

Telecom Regulatory Environment

The Telecom regulatory environment in Bangladesh continued to remain challenging throughout the year. Since the end of the first quarter of 2020, due to Covid-19, mobile internet has become a lifeline for many economic and essential services. However, in the 2020-21 budget, supplementary duty on mobile usage has been increased from 10% to 15% on top of other applicable taxes. As a result, with the new tax ratio, customers now pay 33.25% as tax to the government for mobile phone usage.

In 2020, as per a court order, Grameenphone deposited BDT 20 billion to avoid operational restrictions imposed by BTRC in relation to the disputed BTRC Audit. In June 2020, BTRC imposed SMP directives on Grameenphone. Earlier, Grameenphone had legally challenged SMP directives, but this time, Grameenphone chose to enter into dialogue with the regulator.

Grameenphone implemented the SMP directives but continued discussion with the BTRC to establish the SMP framework based on the principle of market competition and international best practices. Throughout the year there had been several rounds of discussions between the regulator (Ministry and BTRC) and industry on the TowerCo guidelines and operations, up until the new regime became finally operational at the end of 2020. Grameenphone has signed an agreement with one of the TowerCos to roll out new towers under the new regime. At the end of 2020, there had been intensive consultation between the industry and the regulator (both Ministry and BTRC) with respect to the fibre network regime. It became more and more apparent that the current NTTN regime is facing a challenge to drive the country's digitalisation needs. The ministry formed a committee, which included AMTOB (Association of Mobile Operators of Bangladesh) as a member to fix the tariff of the NTTN operators. A report from AMTOB was submitted to the committee highlighting the challenges in the current fibre regime along with the recommendations and pricing principles for NTTN operators. Although the committee was primarily formed to set the tariff, the committee was also delegated to address problems the industry was facing.

At the beginning of 2020, BTRC and the Ministry kicked off consultations regarding 5G launch in 2021, however, this consultation process shall continue further. In the fourth quarter of 2020, BTRC started discussions with the MNOs regarding allocations of spectrum after Robi renewed 11.6 MHz spectrum from 900 MHz and 1800 MHz bands for another 10 years. The Ministry initiated the consultation process for amendment of BTRA (Bangladesh Telecommunication Regulatory Act) where MNO's participated and collectively provided their observations under the AMTOB banner.

The Telecom Regulatory Framework continues to present challenges and the industry continues advocating for amending the BTRA for ensuring predictability and sustainability in the framework.

Capital Market Overview 2020

The Bangladesh stock market witnessed a positive year in 2020, registering a growth of 21.3% after experiencing two consecutive negative years in 2018 and 2019. This was the second-highest return in the world after NASDAQ (43.4%) despite the pandemic. In peer markets, Bangladesh posted the highest returns followed by India's 15.5% and Vietnam's 14.6%. In the DSE, Telecommunication posted the highest gain of 16.6% in 2020, followed by 12.7% gain from Engineering.

The capital market was impacted significantly due to Covid-19. Subsequently, BSEC imposed floor prices to control the free fall. Moreover, both stock markets in Bangladesh remained closed for 66 days during the first half of the year due to the nationwide lockdown measures. The government's declaration of a stimulus package with the national budget announcement had a positive

influence on the market; coupled with several policy changes brought about by the Bangladesh Bank, such as decline in deposit rates, were key to persuading investors to look for alternative investment opportunities. The new regulatory commission made further changes which were investor friendly, such as strict stance on compliance issues, enlistment of reputed companies, regaining faith from local and foreign investors.

On the Dhaka Stock Exchange (DSEX), the broad and free-float weighted DSEX index gained 21.3% powered by the Engineering, Telecommunication and Pharmaceutical sectors. Daily average turnover value increased by 18.57% while market capitalisation increased by 32.01% in 2020, compared to the preceding year. Grameenphone share price increased by 21.4%, closing at BDT 347.1 at year-end with a daily average turnover value of BDT 86.5 million (BDT 8.6 crore). During the year, the highest value of Grameenphone share price was BDT 356.8 and the lowest was BDT 219.5. Grameenphone market capitalisation on 30 December 2020 stood at BDT 468.7 billion (BDT 46,868 crore), representing 10.5% of the DSE's total equity market capitalisation.

**Source: Dhaka Stock Exchange*

Product & Services that Connect People to What Matters Most

During the pandemic, Grameenphone understood the urgency to stand by the nation through these trying times, and quickly shifted focus on utilising its connectivity backbone and digital expertise. Grameenphone began to develop and launch relevant products and services that would meet customer needs and simplified digital eco-system adaption to support the nation and empower the society.

It cannot be argued that while the whole country was under lockdown and mobility was restricted, mobile connectivity played a pivotal role in connecting people to what mattered most to them. People were stressed and needed affordable, seamless connectivity for their communication, news, entertainment, education, work and daily requirements.

At the same time, as the economy suffered, overall income levels had dropped during this period. In response, Grameenphone launched limited time bound offers by reducing voice tariff, increasing recharge validity during the lockdown, introducing discounted data packs and 100% data bonus volumes to make connectivity more affordable and accessible.

In the 2020-21 national budget, supplementary duty (SD) was increased by 5% on all mobile services. Grameenphone took a conscious call to absorb most of the additional SD for the smaller voice packs used by the lower-income segment, and around 80% of the same for the data packs, to support connectivity during the pandemic. Grameenphone introduced affordable communication packs for different educational institutions to empower teachers and students to conduct online classes and ensure the best possible learning journey. The Company supported its corporate customers with right-connectivity value propositions for their business needs while working from home. Moreover, the Company provided financial assistance to small retailers to support them and help them restart their businesses to offset the economic setbacks of the pandemic.

Grameenphone also joined hands with the government and a2i (access to information, a programme of the Bangladesh government's Digital Bangladesh agenda, specialising in introducing citizen-centric public service innovation) to collaborate with our data analytics, research and AI-based solutions. The Company generated analytics data to help the authorities manage Covid-19 situation by developing an AI-based model to facilitate health care for the right people.

Further, Grameenphone conducted online/offline campaigns to make its customers aware of the alternative service channels available through its health, education and donor partners. In collaboration with the ICT Division, a2i and Google, Grameenphone launched the 'Bangladesh Challenge Campaign' that promoted general public to pinpoint important locations such as hospitals, commodity markets, mobile balance recharge points, Nagad/bKash points, and others in their respective locality so as to make the locations easily identifiable by the wider public.

While the pandemic brought unprecedented challenges, it also opened people to the digital eco-systems more than ever. This swift behavioural change helped the Company connect customers and partners digitally, helped customers experience the possibilities of the internet and the efficiency of digital solutions. Grameenphone continued to simplify its digital solutions and build digital adaption awareness in 2020. The Company is constantly striving to come up with products and services that facilitate access to education, skills, marketplaces and other necessities for a better life.

During this pandemic, the distribution operation and maintaining health & safety for the distributor field force were very challenging; but Grameenphone brought innovative tools and techniques like retail-to-retail transfer and retail credit to serve the market in the best possible manner. The Company also took good care of its distribution and retail partners by offering additional financial support (BDT 10 crore safety-net credit scheme for affected retailers), regular hygiene supplies to sales representatives and retailers, as well as hospitalisation and medical support to sales representatives when required.

Transforming the Customer Experience with Innovation

Grameenphone is continuously driving to ensure better experience. Given adverse challenges in 2020, Grameenphone has prioritised uninterrupted services for its customers across the country. Throughout the year the Company has driven its expansion plans to enable its customers with a robust network and connectivity at affordable prices with packages for different segments; ensuring that customers can remain connected from anywhere in the country. Moreover, in consideration of customer safety and security, mainly to provide social distancing, the Company has streamlined customer journey processes in 2020 to give them greater empowerment and control over their connections. Critically these improved processes, over different platforms, have allowed customers to access and enjoy services without unnecessary human interaction.

Additionally, Grameenphone continued pandemic awareness initiatives across different channels throughout the year. As a result of these activities, Grameenphone has successfully retained its industry-leading position in the Net Promoter Score (NPS).

Grameenphone Expanding its 4G Network Across Bangladesh and Enhancing Related Services to Ensure Better Customer Experience

Grameenphone demonstrated its commitment towards ensuring quality mobile broadband by rolling out over 14,000 4G sites, thus also ensuring the widest 4G coverage in the country. The Company is humbled by the fact that within three years of launch, almost 70% of the total national data volume is carried over Grameenphone's 4G network. Substantial growth of data volumes over its 4G network has sustained the country towards a Digital Bangladesh. The capacity of existing 4,500 4G sites were also enhanced to cater to the growing demand of 4G. Traffic steering and optimisation between 2G, 3G and 4G technologies has ensured that subscribers receive the best voice and data experience on the Grameenphone network. As demand for new growth areas in the network increased The Company teamed up with a TowerCo to start building new sites across the country. In parallel, Grameenphone also started to rollout and strengthen its fibre network for future 5G technology readiness.

As a result of VoLTE (Voice over LTE) launched over the 4G network, Grameenphone customers now enjoy voice calls with HD voice quality and reduced (1-2 second) call set up time. More than one million Grameenphone subscribers are now using the VoLTE services.

In line with its digital ambition, Grameenphone also implemented new service bundling capability in 2020 throughout its network; hence, customers can now provision for and enjoy video on demand & communication pack service bundles (i.e. Bioscope, Zee5, Zoom, Google Duo, Teams etc.) on Grameenphone's robust data network. Furthermore, other digital services such as MyGP 4.0, GPAY, Flexiplan, Retail App, and the Franchisee's App have been revamped under a new architecture and User Interface, leading to improved user experiences. MyGP capacity has been enhanced; POL (payment orchestration layer) has been introduced and launched with Recharge capability from MyGP, bKash etc. SSC result registration and other hotline services for health have also been provided to customers.

Grameenphone has also modernised its Credit-control and Invoicing systems to extend better customer experience to post-paid users. A Big Data-based Analytics Enabler Platform (AEP) has also been implemented to fulfil Grameenphone's ambition for AIML-based personalisation services and near real time BI (business intelligence) reporting to get customer insights in granularity.

As soon as the lockdown was lifted in June 2020, the entire telecom industry faced a significantly higher number of fibre cuts in 2020 due to the massive construction projects by the government, which caused great challenges maintaining network availability. Nonetheless, armed with strong surveillance and field teams, the Company has managed to be resilient and been able to limit network downtime.

Altogether, 2020 was a year of strong network growth and great technological advancement, in line with the business growth, against a very challenging economic and unprecedented dysfunctional environment.

Rising to Challenges and Uplifting Customer-Centricity through Modernisation, Agility and an Inclusive Culture

Grameenphone continues its journey on becoming a dynamic technology company by focusing on agility and capability. The Company is continuously up-skilling its resources with relevant skillsets and innovation to stay ahead of the curve in the market. The digital space, alongside ICT, remains the focus for the Company to catalyse its growth as its customers' preferred lifestyle partner.

Capitalising on enhanced HR self-services throughout 2020, Grameenphone introduced of relevant programmes and digital interventions. By building capabilities around future-fit competencies, the Company has been able to develop in-house expertise in critical skill areas such as – Automation, Cyber Security, Data & Analytics, Cloud & Virtualisation etc. To support the organisational agility, HS&S launched a structured agile capability development programme labelled "Distance Leadership" to enable learning during the "work from home" set up.

Like last year, the Company has championed Gender Diversity as a top priority in 2020 as well. 84% external female employees were recruited, including an exclusively female team of Territory Managers in the sales force. Female representation across all Divisional Management teams, involvement of promising females in critical projects are some of the key steps the Company has undertaken. 2020 ended with a Full Time Equivalent employee base of 2,086.

Robotic Process Automation (RPA) has also a key element in the foundation for modernisation in 2020 that has brought in efficiency in business processes, increased employee productivity, faster execution and extend superior experience to customers.

Despite a very challenging year, Grameenphone has had one of its best performance relays in 2020. A collaborative approach towards supporting each other amidst the pandemic has resulted in renewed passion and energy towards the Company's purpose of connecting customers to what matters most to them, and the coming together as a strong team. This has only been possible thanks to a capable and engaged workforce closely aligned with Company's vision of empowering societies and responsible business.

Sustainability Initiatives toward Reducing Inequalities

Grameenphone is committed to reducing inequalities and empowering societies through ensuring access to connectivity, digital & technological inclusion, timely responses and environmental challenges. The ambition is to contribute to UN SDG #10 – Reduced Inequalities, and responsible business practices.

In 2020, as Covid-19 emerged, Grameenphone assessed the situation quickly and developed the Covid-19 response framework in collaboration with the credible partners, i.e. regulator, authorities, development partners, and volunteers to support the nation. Grameenphone's contribution to support the country combat the pandemic ranged from providing 50,000 ICU-grade PPEs (amid the broken global supply chain) to 12 hospitals, in collaboration with DGHS; emergency food support for 100,000 affected families who lost their jobs due to the pandemic, in partnership with Brac, the world's largest NGO, under the "Dakche Amar Desh (My Country Calls)" initiative; and finally, relief support for 100,000 families in 16 districts, in partnership with Bangladesh Red Crescent Society and the Disaster Response Ministry, when the country faced severe flood which bore greater criticality under Covid-19 conditions. Grameenphone also developed and deployed initiatives to create mass awareness on how to remain safe during the Covid-19 pandemic.

Additionally, the Company continued its journey in reducing inequalities through its Child Online Safety program, in partnership with UNICEF and Telenor, to create a safer online experience for children in partnership with UNICEF, a2i, WHO, DGHS.

Grameenphone has further strengthened its commitment to establish a sustainable supply chain by implementing Supplier Conduct Principles (SCP), based on internationally recognised standards around human rights, health and safety, labour rights, environment, and anti-corruption. All suppliers and partners of Grameenphone have endorsed the Supplier Conduct Principles (SCP) and Agreement on responsible Business Conduct (ABC). In 2020, the Company conducted more than 6000 man-hours of capacity building to enhance the supply chain's competence and capabilities. Besides, Grameenphone has performed a total of 755 supply chain inspections throughout the year, monitoring responsible business conduct at partner locations. The Company puts 'People' first and believes in continual improvement to implement and establish a safe working environment and responsible business practices.

For a Green Business and a Green Planet

Grameenphone aims to do its part in making the planet greener and more liveable for generations to come by optimising energy consumption and increasing the use of renewable energy. Grameenphone's priority is to take responsibility for the excess CO₂ emissions generated by its own operations and has set a target to reduce 50% carbon emission (CO₂) by 2030, considering 2019 as the baseline. Grameenphone has launched awareness programmes for employees and stakeholders to make them more conscious of the environment and climate. Moreover, the Company initiated several programmes to enhance environmental sustainability, including reducing dependency on diesel generators, operational travel time, and the use of valuable resources.

The Company is committed to the continuous deployment of enhanced sustainable solutions for an energy-efficient and environment-friendly network. Detailed information on the initiatives of the Company is provided in the Climate Change section of the Annual Report on page 14.

Health, Safety and Security

Grameenphone places utmost priority on promoting HS&S culture. Grameenphone focuses on continuous improvement of HS&S to establish a safe and healthy work environment. Keeping "People First" in mind, routine risk assessments are conducted to identify workplace hazards and enforce control mechanisms as per local legislation, international guidelines and best practices.

Heightened precautionary measures have been taken to prevent the Covid-19 spread amongst the employees by reducing exposure and transmission of the virus. In order to control the pandemic, Grameenphone introduced work from home from

mid-March and implemented digital tools to collaborate and work from home. Business operations were resumed by adopting strict hygiene and health precautions while ensuring rigorous awareness across the value chain in order to serve customers in the best possible and safest manner. Proactive initiatives like HS&S advisory, 24/7 doctor consultation, Covid-control guidelines including use of PPEs, were enforced. To ensure business continuity, as an emergency telecommunication service provider, there has been extensive alignment and cooperation with the authorities. Grameenphone has also ensured emergency medical support (hospitalisation, ambulance etc.) for employees. Distribution of face mask packs and appropriate Covid-control measures have been implemented in Grameenphone establishments for the safekeeping of employees and customers.

In 2020, total 7,976 hours of HS&S training, including online awareness, were carried out for all employees with special focus on Covid-19 prevention and mental health. Safety committees were revamped in alignment with compliance of local legal requirements.

Corporate Governance Approach

Governance is continuously evolving and remains central to long-term business sustainability and value creation. The Company recognises that a robust and sound governance framework is vital in providing a solid foundation for our business's sustainable long-term success and the value creation for Grameenphone's stakeholders. The Board of Directors and Management of Grameenphone are pledge bound to continue implementing the highest standards of Corporate Governance in the Company through a culture of accountability, transparency and well-understood policies and procedures. This aspect is discussed in the "Corporate Governance in Grameenphone" section of the Annual Report on page 39.

In line with the same, the Company has complied with the conditions as stipulated in the Corporate Governance Code issued on 03 June 2018 by BSEC. In this connection, compliance status has been annexed to this report as Annexure-I on page 77. Furthermore, a certificate of compliance from ACNABIN, Chartered Accountants, confirming compliance of conditions of Corporate Governance Code, as stipulated under condition 9(i) of the BSEC Code is also annexed to this report as Annexure-VI on page 97.

Disclosure/Statements according to the Provisions of the BSEC's Corporate Governance Code 2018

● Industry Outlook and Possible Future Developments

While voice revenue trend is declining against increased data growth and adjacent businesses, it still remains the main revenue driver and is expected to remain so over the next few years. The increasing trend of OTT usage is also contributing to decline in voice usage. Through the Covid-19 pandemic, adoption of a digital lifestyle and working culture has accelerated. Mobile telephone services have contributed significantly to these economic activities and other essential services. The government on its part has been supportive in the effort of digitalising public and private services. The government's incentive on assembling mobile phones locally is expected to also facilitate the penetration of mobile internet and smart phones in the country. The emergence of new digital services, convergence of technologies/IoT, and increased financial inclusion are all shaping up the digital transformation journey in Bangladesh.

Further, the government of Bangladesh has reinforced its goals and objectives for a Digital Bangladesh through its 7th Five Year Plan. The campaign is adopting IT practices and tools on a wide scale to enable economic, cultural, and social development. As part of this nation-wide initiative, particular focus is given to greater adoption of e-Governance and e-Services solutions. The government is aiming to digitalise 90% of its service by 2021. As per ICT Division the government has already digitalised 600 public services, moving towards digitalising 2,800 public services in 2021. So far, the government has been serving around 60 million people through 6,790 Digital Centres and is in the process of building 39 IT parks across the country.

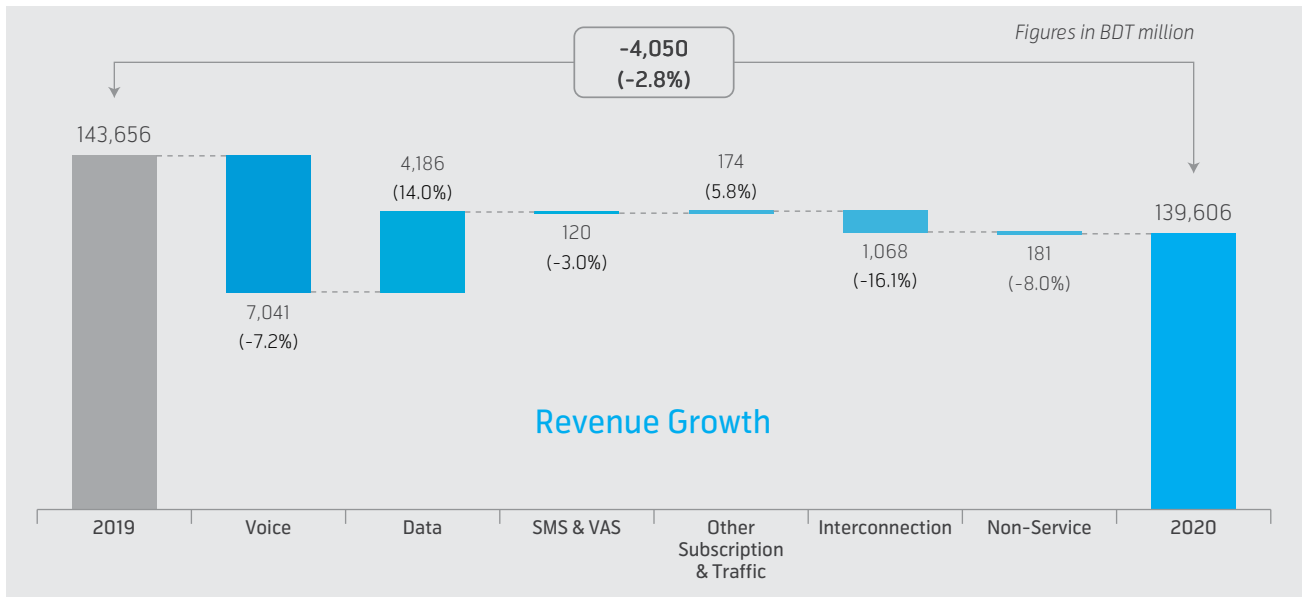
With the increased collaboration between the government and the Telecom Industry, the Digital Bangladesh journey is fast gaining momentum.

● Segment/Product Wise Performance

Grameenphone essentially provides similar products and services to customers across the country; and reviews revenue performance of its services. A relevant disclosure is provided in the notes to the Financial Statements.

Grameenphone posted BDT 139.6 billion of total revenue for the year 2020 with 2.8% decrease compared to the previous year. The decrease in total revenue was mainly driven by lower voice and interconnect revenues, partly offset by growth in data services.

The 7.2% decrease in voice revenue in 2020 was mainly attributed to the lower usage due to the Covid-19 pandemic and unfavourable impact from additional 5% Supplementary Duty implementation in June 2020. Grameenphone added 2.6 million subscribers in 2020 despite number series crisis in the first quarter and retail closure during general holidays under Covid-19. At the end of 2020, Grameenphone's total subscriber base reached at 79 million, with 3.4% growth from last year and 0.3 percentage point improvement in subscription market share.



Data revenue has increased by 14.0% from 2019, mainly driven by 1.7% increase in the number of data users and 60.6% growth in data volume in 2020. The substantial growth in data volume was achieved through rolling-out more than 4,000 4G sites during the year, continued focus on investment for network capacity and coverage expansion as well as bringing competitive product & market offers. At the end of 2020, 52.2% of Grameenphone’s subscriber base were active data users.

‘SMS and VAS’ includes Content service, SMS and MMS revenue, decreased by 3.0% in 2020. ‘Other Subscription & Traffic’ mainly includes revenue from bundled services, outbound roaming services and USSD revenue from mobile-financial services. Growth in this segment was mainly driven by higher bundle services revenue in 2020.

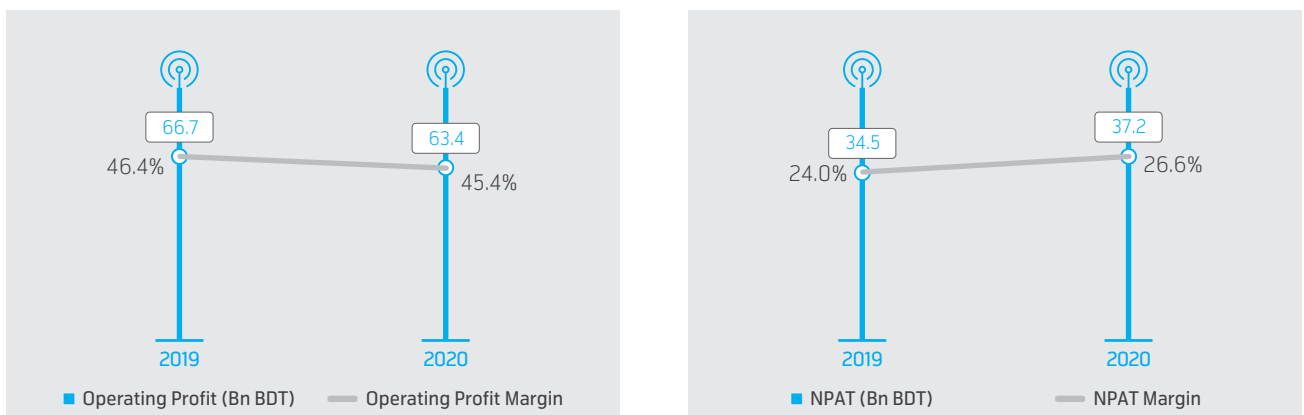
Interconnection revenue, generated from the incoming traffic originating from outside the Grameenphone network, decreased by 16.1% in 2020 from 2019 following a decrease in incoming minutes from international operators owing to the global uptrend of OTT services. Additionally, the interconnect revenue in 2020 had two-fold negative impact from reduction in international call termination rate and implementation of SMP directives (reduction in national call termination rate)

‘Non-Service Revenue’ segment includes customer equipment, i.e. sales of handsets, internet modems and Vehicle Tracking System, and revenue from telecom infrastructure sharing, commission from financial services, etc.

● **Review on Operating Expense, Operating Profit Margin and Net Profit Margin**

Operating expenses consist of cost of material and traffic charges, salaries and personnel cost, operation and maintenance, sales, marketing and commission, revenue sharing, spectrum charges and license fees, depreciation and amortisation expense, and other expenses. Operating expense for 2020 was BDT 76.2 billion with 1.1% decrease compared to last year. The decrease in operating expense mainly came from lower sales, marketing and commission cost, partly offset by higher cost of material and traffic charges and higher CSR cost for Covid-19 and flood. Operating profit for 2020 stood at BDT 63.4 billion, with a margin of 45.4%.

Operating Profit Margin and Net Profit Margin



Net profit after tax for 2020 was BDT 37.2 billion with a margin of 26.6%. BDT 2.7 billion growth in net profit after tax mainly came from BDT 3.8 billion lower tax expense, which was partly offset by BDT 1.1 billion lower profit before tax. As a result, Earnings Per Share (EPS) for the year 2020 stood at BDT 27.54 as compared to BDT 25.56 for the year 2019, registering year-on-year growth of 7.7%.

● Risks & Concerns

Risk Management is always a high priority issue in Grameenphone. The Company recognises that risk management is integral to the achievement of Grameenphone's strategic imperatives and how decisions are made. As with other co-existing companies, Grameenphone's business is also exposed to diverse risks that arise both from the internal and external fronts. Apart from uncertainties stemming from a challenging regulatory regime, the Company has always been prepared for issues such as competing markets, operational challenges, legal knots, interest and exchange rate volatilities, and potential changes in policies at the national or global level. However, Grameenphone has a befitting risk management policy and a periodic monitoring system to address the concerns and uncertainties that are likely to hit the Company's business activities, operations, liquidity and financial position for future performances. This aspect is discussed in the "Enterprise Risk Management" section of the Annual Report on page 55.

● Extraordinary gain or loss

As per IAS 1 Presentation of Financial Statements, no items of income and expenses are to be presented as 'extraordinary gain or loss' in the financial statements. Accordingly, no 'extraordinary gain or loss' has been presented in the Financial Statements.

● Related Party Transactions

All transactions with related parties have been made on a normal course of business. Details of related parties and related party transactions have been disclosed in note 41 to the Financial Statements 2020 as per the relevant IFRS requirements.

● Utilisation of Proceeds from IPO

The Grameenphone Initial Public Offering (IPO) was made in 2009, and the fund raised thereby has already been utilised by 30 June 2010 as reported to the regulators. No other equity instrument has been issued since then.

● Significant Variance of Financial Statements

No significant variations have occurred between quarterly and annual financial performances of the Company during the year 2020 except for a de-growth in revenue which is discussed in "Review of Segment/Product Wise Performance" segment of this report. Besides, during the year Grameenphone has deposited BDT 20 billion to BTRC pursuant to the order of Hon'ble Appellate Division of the Supreme Court of Bangladesh. The details of the dispute are discussed in Note 45 (Contingencies) to the annual financial statements. Other variances from business operation are sufficiently disclosed in the relevant segments of this Annual Report.

● Director Remuneration

No remuneration is given to the Directors of the Board apart from attendance fees in connection with Board and Board Sub-Committee meetings. During the year 2020, attendance fees in connection with Board and Board Sub-Committee meetings were BDT 753,931 (2019: BDT 865,161). Foreign Directors have decided not to receive the attendance fees in connection with Board and Board Sub-Committee meetings.

● Directors' Declaration on the Financial Statements

The Board is responsible for presenting an accurate and fair view of the Company's financial performance and position as a part of good governance. To that end, the Directors confirm to the best of their knowledge that:

- a) The Financial Statements, prepared by the Management of the Company, present its state of affairs, the result of its operations, cash flows and changes in equity fairly;
- b) Proper books of account of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgement;
- d) International Financial Reporting Standards (IFRSs) have been followed in preparation of the Financial Statements and any departure therefrom has been adequately disclosed;
- e) The system of internal control is sound in design and has been effectively implemented and monitored; and
- f) There is no doubt upon the Company's ability to continue as a going concern.

● Declaration of the CEO and the CFO on the Financial Statements

As required under BSEC's Corporate Governance Code, the declaration by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) on Financial Statements 2020 to the Board as prescribed is annexed to this report as Annexure-IV on page 90.

● Minority Interest

Grameenphone believes that good Corporate Governance involves open and trusting cooperation between all stakeholders involved in the Company, including the owners of the Company – the Shareholders. The Board of Directors is committed to ensuring the highest standards of governance designed to protect the interests of all stakeholders, including the rights of its minority shareholders while promoting integrity, transparency and accountability. The Board of Directors shall always act in a manner that will be in the best interest of the Company.

● Management's Discussion and Analysis

Management's Discussion and Analysis signed by the CEO presenting detailed analysis of the Company's position and operations along with a brief discussion of changes in the financial statements and other requirements of the Corporate Governance Code is disclosed in Annexure-V of this report on page 91.

● Other Disclosure

- The Company's financial results have continued to improve since the IPO in 2009 as reflected in the yearly Financial Statements.
- All significant deviations from the previous year in the Company's operating results have been highlighted and reasons thereof have been explained.
- The key operating and financial data for the last six years have been disclosed under Financial Analysis section of this Annual Report on page 64.
- Grameenphone has declared interim dividend and recommended final dividend for the year 2020.
- Grameenphone has not declared Bonus Share as Interim and Final Dividend in 2020.
- During 2020, a total of 12 (twelve) Board meetings were held, which met the regulatory requirements in this respect. The attendance records of the Directors are shown in Annexure-II of this report on page 91.
- Shareholding pattern of the Company as on 31 December 2020 is shown in Annexure-III of this report on page 89.

Annual Results and Allocations

The Directors take pleasure in reporting the financial results of the Company for the year ended 31 December 2020 and recommended the appropriation as mentioned in the 'Appropriation of Profit' table below:

Figures in BDT million

	2020	2019
Profit available for Appropriation		
Profit/ (Loss) after tax	37,187	34,517
Other comprehensive income (loss), net of tax	(470)	77
Un-appropriated profit brought forward from previous year	16,988	15,477
Total Amount available for Appropriation	53,705	50,070
Appropriation		
Final Dividend Paid for Previous Year	(5,401)	(20,930)
Interim Dividend Paid for Current Year	(17,554)	(12,153)
Closing Retained Earnings at year end (before Proposed Final Dividend)	30,750	16,988
Proposed Final Dividend for the year (2020: 145% and 2019: 40% cash)	19,579	(5,401)
Retained Earnings after Proposed Dividend	11,171	11,587

Contribution to the National Exchequer

As one of the largest contributors to the National Exchequer for the last several consecutive years, the collective contribution of Grameenphone from inception up to December 2020 was BDT 853.7 billion. During 2020 alone, the Company contributed BDT 98.2 billion to the national exchequer which represents about 70.35% of Grameenphone's total revenue of 2020. Grameenphone has paid BDT 30.4 billion corporate taxes during 2020.

Dividend

For the year ended 31 December 2020, the Board of Directors of the Company has paid an Interim Cash Dividend @ 130% of the paid-up capital amounting to BDT 17,553,900,286 which was BDT 13 per share of BDT 10 each. Now, the Directors are pleased to recommend a Final Cash Dividend @ 145% of the paid-up capital amounting to BDT 19,579,350,319 which is BDT 14.5 per share of BDT 10 each for the year 2020 out of the divisible profits of the Company for consideration and approval of the Shareholders for distribution. Inclusive of the Interim Dividend of 130% paid already, this would make a cumulative total dividend @ 275% of the paid-up capital of the Company which represents 99.86% of the Profit After Tax for the year 2020 amounting to BDT 37,133,250,605.

The above recommendation of dividend is as per the Board approved dividend policy which is disclosed in the “Dividend Distribution Policy” section of the Annual Report 2020 on page 47.

Board of Directors

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

1. Mr. M Shahjahan, Grameen Telecom, Director
2. Mr. Md. Ashraful Hassan, Grameen Telecom, Director
3. Mr. Håkon Bruaset Kjøl, Telenor Mobile Communications AS, Director
4. Ms. Parveen Mahmud, Grameen Telecom, Director
5. Mr. Øivind Burdal, Telenor Mobile Communications AS, Director
6. Dr. Salehuddin Ahmed, Independent Director
7. Mr. Lars Erik Tellmann, Telenor Mobile Communications AS, Director
8. Mr. Jørgen C. Arentz Rostrup, Telenor Mobile Communications AS, Director and Chair [effective from 09 June 2020]
9. Mr. Abdul-Muyeed Chowdhury, Independent Director [effective from 14 September 2020]
10. Ms. Tone Ripel, Telenor Mobile Communications AS, Director [effective from 18 October 2020]

Changes in the Board, Appointment of New Chairman and New Independent Director

During the period under review, there were several changes in the Board. Grameenphone announced the appointment of Mr. Jørgen C. Arentz Rostrup as Director and Chair of the Board replacing Mr. Petter Boerre Furberg with effect from 09 June 2020 and expected that his dynamic leadership would take the Company to further heights in the future. In April 2020, one of our Independent Directors, Prof (Dr.) Jamilur Reza Chowdhury’s position fell vacant due to his sudden and sad demise. The Company was obliged to fill the vacancy within the regulatory timeline and, accordingly, Mr. Abdul-Muyeed Chowdhury was appointed as Independent Director, with effect from 14 September 2020. The said appointment will be approved by the Shareholder in upcoming 24th Annual General Meeting. Ms. Tone Ripel joined the Board in October 2020 as nominated by Telenor Mobile Communications AS in place of Mr. Irfan Wahab Khan. The Board welcomes Mr. Abdul-Muyeed Chowdhury and Ms. Tone Ripel to the Board and looks forward for their enriching contribution to the governance of the Company.

The Board of Directors would also like to take this opportunity to deeply thank and bid farewell to two esteemed Board members for their invaluable contribution to the Board over the years and help the Board discharge its governance responsibilities towards the Company. The Board wishes them the very best for their futures. The Board also expresses its profound grief and sorrow over the sad and sudden demise of Prof. (Dr.) Jamilur Reza Choudhury on 28 April 2020 who was an Independent Director of Grameenphone Board since 15 June 2016. The Board acknowledges his remarkable contributions to Grameenphone, and to the nation, particularly in the field of education and development.

Directors’ Appointment & Re-Appointment

Regarding 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. Håkon Bruaset Kjøl
2. Mr. Md. Ashraful Hassan
3. Ms. Parveen Mahmud

As per the Corporate Governance Code 2018, after the appointment of Independent Director by the Board, the Shareholders will approve the said appointment in the Annual General Meeting. Accordingly, Mr. Abdul-Muyeed Chowdhury’s appointment is to be vetted and confirmed at the Company’s ensuing 24th AGM.

Brief profiles of the Directors being proposed for re-appointment are given on page 29 of the Annual Report, which fulfils condition 1(5)(xxiv) of the Corporate Governance Code of BSEC.

Appointment of Auditors and Corporate Governance Compliance Auditor

As per the Companies Act 1994 and the Articles of Association of Grameenphone, the statutory auditors of the Company, A Qasem & Co, 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. A Qasem & Co, Chartered Accountants has been the statutory auditors of the Company since 2018. In compliance with the BSEC order, we are required to appoint new statutory auditors for the Company. ACNABIN, Chartered Accountants has offered their willingness to be appointed as statutory auditors of Grameenphone. On the suggestion of the Audit Committee, the Board recommends their appointment for the year 2021 and continuation till the next AGM at a fee of BDT 3 million plus VAT.

In compliance with the BSEC Corporate Governance Code, the Board appointed M/S Al-Muqtadir Associates as Corporate Governance Compliance Auditor of the Company for the year 2021 at a fee of BDT 204,445 and the said appointment will be approved by the Shareholders in the upcoming 24th AGM.

Outlook 2021: Unleash the Potential of Bangladesh and Continue Growing Shareholder Value

The telecom industry is changing to accommodate technological advancements, customer needs and economic progression rapidly. While the Covid-19 pandemic has somewhat accelerated and even shifted the progression roadmap, it is in line with the paradigm shift in the present times' evolving communication needs. Connecting our customers to what matters most to them is at the core of Grameenphone's existence

As a connectivity partner on the Digital Bangladesh journey, Grameenphone's goal is to keep innovating to improve its customers and stakeholders' lives. The Company is committed to creating a brighter digital future to maintain the largest 4G LTE network and introduce innovative solutions. Grameenphone aims to continue investing in the country and building a strong network and distribution ecosystem to deliver value to its shareholders and customers. The Company has built agile capabilities, ensured employee safety and fast-forwarded its transformation agenda to meet and match customers' new-normal requirements and behavioural changes. With this set platform, our resilient network is also getting ready to take on the challenges and opportunities of 2021 when Bangladesh is getting ready to celebrate 50 years of nationhood and its national journey and socioeconomic development to become a middle-income economy.

Appreciation

The Board of Directors expresses their gratitude to all the Company's shareholders, investors, regulators, customers and partners for their trust and support over the years. Moreover, the Board of Directors thanks Grameenphone employees for their enthusiasm and untiring commitment to the Company. 2020 presented many unprecedented challenges that had affected just about every aspect of the business. Yet, the people at Grameenphone had risen to the occasion as always and proven their agility and commitment to duty. Under these trying circumstances, achieving such a result is testament to their hard work, skill, and desire to deliver to the business and our customers. Employees have demonstrated commendable effort in collaborating with our partners to build a sustainable and enterprising organisation such as Grameenphone.

Looking towards 2021 and the plans for the next 12 months, we have a large pipeline of exciting activities already ahead of us.

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



Jørgen C. Arentz Rostrup
Chair

27 January 2021