CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

Overview

As a Bahrain-based Company, Batelco is subject to the corporate governance standards of the Central Bank of Bahrain (CBB) and the Bahrain Commercial Companies Law. Batelco aspires to the highest standards of ethical conduct based on sound corporate governance. In accordance with its commitment to both meeting legal and regulatory requirements and adhering to international best practices, Batelco has put in place a comprehensive Corporate Governance framework to maximize operational efficiency and protect shareholders' rights. Batelco regards the guiding principles of its Corporate Governance framework to be fairness, transparency, accountability and responsibility.

Batelco' s corporate governance practices have been structured around the following eight principles:

- The Company shall be headed by an effective, collegial and informed Board
- The directors and officers shall have full loyalty to the Company
- Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law
- The Company shall have rigorous procedures for appointment, training and evaluation of the Board
- The Company shall remunerate directors fairly and responsibly
- The board shall establish a clear and efficient management structure
- Company shall communicate with shareholders, encourage their participation, and respect their rights
- The Company shall disclose its corporate governance code and its compliance to it.
- While placing the paramount importance to the code, the board has ensured that the governance framework adopted and implemented across all levels of the organization, exhibits the principles of fair dealings, honesty, environment of effective oversight and strong accountability.

To ensure the above, the Board has delegated some of its responsibilities to specialized committees with a definite mandate to make certain that all facets of good governance are implemented and monitored on an ongoing basis

While placing the paramount importance to the code, the board has ensured that the governance framework adopted and implemented across all levels of the organization, exhibits the principles of fair dealings, honesty, environment of effective oversight and strong accountability.

The Board of Directors of the Company together with its management undertook measures and ensured that for the year ended 31 December 2016 and to the date of the annual report, Batelco was compliant with the provisions of CBB's Corporate Governance requirements.

The Board has resolved that it shall investigate any non-compliance or deviations from these Corporate Governance Guidelines.

The Executive Committee of the Board is responsible to review the Corporate Governance Guidelines document at least once every two years, or as and when required, in order to comply with the Code or any other relevant legislation in the Kingdom of Bahrain.

The Corporate Governance Guidelines approved by the Board are available on the Company's website. Shareholders of the Company can obtain the copy of the Corporate Governance Guidelines of the Company from the Corporate Secretary.

Developments in 2016

Batelco was the first telecommunications company in the Middle East to be awarded with ISO 9001:2015 certification from the BSI Group (British Standards Institution). In addition to being the first telecom company in the Middle East to receive the certification, Batelco has the honour of being the first company in Bahrain to achieve this standard.

Batelco was recognised by Speedtest by OOKLA for its outstanding performance as Bahrain's Fastest Mobile Internet provider.

Batelco, in line with its commitment to enable the Kingdom of Bahrain's future vision, launched Bahrain WiFi. The Nationwide WiFi rollout, which will make Bahrain as one home with internet access includes a number of Hotspots located all key locations throughout the Kingdom.

Umniah - Telecommunication Company Launched its 4G high-speed Internet services for individuals and its LTE fixed services for households and businesses

Qualitynet- Telecommunication Company Was awarded as the best internet services provider in Kuwait, at the Arabian Business Achievement Awards

Dhiraagu- Telecommunication Company Became the first operator to introduce Smart Home solutions in The Maldives.

CORPORATE GOVERNANCE (Continued)

Communication with Investors and Shareholders

To encourage transparency and foster the culture of active communication, the Board strives to maintain an open communication channel with its investors and shareholders at all times.

The Board is committed to communicate its strategy and activities clearly to the stakeholders and, to that end, maintains an active dialogue with stakeholders through planned activities.

By policy, the Company is committed to publicly disclose to all its stakeholders fair, transparent, comprehensive and timely relevant information. To support this principle of transparency, Batelco's financial statements are maintained on its website at all times thus ensuring all material facts are made available to shareholders prior to any vote.

The principal communication with investors and shareholders is through the annual report of the Company and the AGM, an occasion which is attended by all directors and at which all shareholders present are given the opportunity to question the Board.

Overall responsibility for ensuring that there is effective communication with investors and to understand the views of major shareholders on matters such as governance and strategy rests with the Chairman, who makes himself available to meet shareholders for this purpose.

Management Statement (risk management)

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value. In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Audit Committee as well as the Executive Committee who in turn report to the Board on the Company's key risks and the extent to which it these risks are being adequately managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with identified risks. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

Please refer to note 4 of the Financial Statements for further details.

Ownership Structure

Batelco's principle shareholders include institutional investors, Sovereign Wealth Fund Institutes (SWF's) and general public.

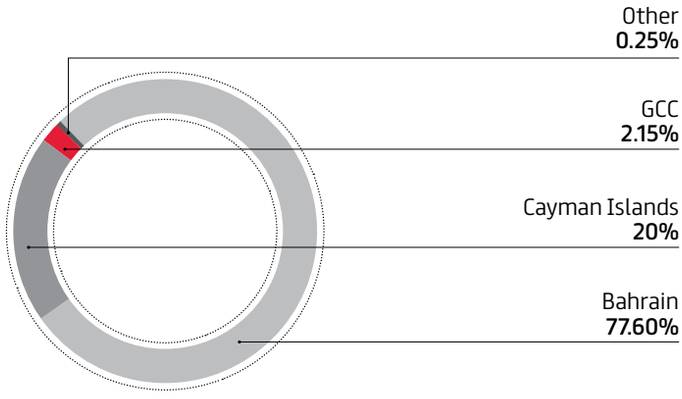
The unique and diversified ownership structure gives Batelco the edge whereby it can seek to pursue the Company's strategies objectively, independently and without bias and as a result aligns interests between Batelco and its shareholders.

Ownership Structure by Nationality

The table and illustration shows the distribution of ownership of Batelco shares by nationality:

Nationality	Number of Shares	% of shares held
1. Bahrain	1,290,645,272	77.60%
2. Cayman Islands	332,640,000	20%
3. GCC	35,826,868	2.15%
4. Others	4,087,860	0.25%

Distribution of Shares by Nationality

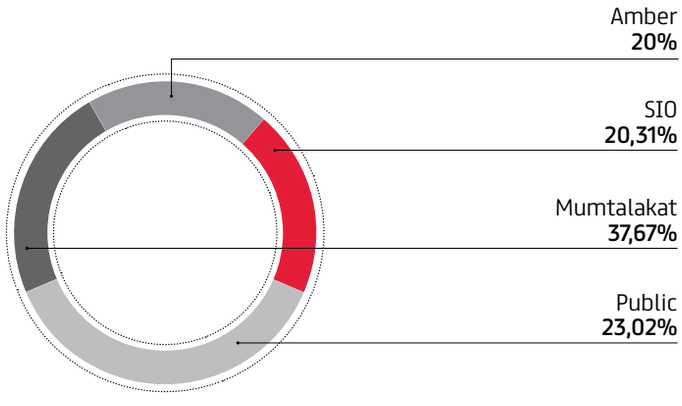


Ownership Structure by Size

The table and illustration shows the distribution of ownership of Batelco shares by size (5% and above):

Owner	Number of Shares	% of shares held
1. Mumtalakat Holding Company	609,840,000	36.67%
2. Amber Holding Company	332,640,000	20%
3. Social Insurance Organization	337,835,705	20.31%
4. Public	382,884,295	23.02%

Distribution of Shares by Size



CORPORATE GOVERNANCE (Continued)

Ownership Structure by Category

The table below shows the distribution of ownership of Batelco shares by the government entity (ies), directors and executive management:

Government Entity(ies)	Number of Shares	% of shares held
1. Mumtalakat Holding Company	609,840,000	36.67%
2. Amber Holding Company	332,640,000	20%
3. Social Insurance Organization	337,835,705	20.31%

Directors	Number of Shares	% of shares held
1. Shaikh Mohamed bin Khalifa Al Khalifa	57,570	0.003%
2. Abdul Razak Abdulla Al Qassim	577,815	0.03%
3. Abdul Rahman Yusif Fakhro	170,752	0.010%
4. Ahmed Ateyatalla Al Hujairi	31,470	0.0019%
5. Arif Haider Rahimi	31,170	0.0019%
6. Khulood Rashid Al Qattan	30,010	0.0018%
7. Raed Abdulla Fakhri	3,710	0.0002%

Executive Management	Number of Shares	% of shares held
1. Dr. Ghassan Murad	103,950	0.0062%

Directors and Senior Management trading during the year 2016

No trading was done by Directors nor Senior Management in the year of 2016.

Board Structure

The Board has the final responsibility for the overall conduct of the Company's business, providing direction by exercising objective judgment on all matters independent from executive management.

The Board of Directors of the Company is accountable to shareholders for the proper conduct of the business and also for ensuring the effectiveness of and reporting on the corporate governance framework in place.

The Board of the Company comprises of 10 Directors. In addition to the Chairman whose role and responsibilities are separate from the Chief Executive Officer, there are 10 Non-Executive Directors, 7 of which are Independent.

The detailed information about the directors in the Board of Batelco is set out below:

	Shaikh Mohamed bin Khalifa Al Khalifa Chairman	**Shaikh Hamad bin Abdulla Al Khalifa** Chairman (Sep 2006 – 19 October 2016)
Appointed by/ Status	Mumtalakat / (Non – Executive Independent)	Mumtalakat / (Non – Executive Independent)
Committee membership	Chairman of the Donation committee Chairman of the Nomination and Remuneration Committee	Chairman of the Donation committee Chairman of the Nomination and Remuneration Committee
Qualifications and Experience	• Has been serving on Batelco Board since 28 December 2016. He was appointed by Mumtalakat until the end of the term. • Obtained a Bachelor's degree in Business Administration from Arab University – Lebanon. • Used to serve as President of Customs Affairs at the Ministry of Interior. • Assistant Undersecretary for Financial, Administrative and Minor's Estate Affairs at the Ministry of Justice and Islamic Affairs. • A previous Board Member of Batelco and Gulf Air.	• Has been serving on Batelco Board since 09/2006. He was re-appointed by the shareholders in the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. Shaikh Hamad resigned as chairman of the Board on 19 October 2016 • Obtained a Bachelor's degree in Aeronautic Science from the University of King Faisal in 1976 and an MBA in the same field from the US in 1985. • He was a founder of the Bahraini Royal Air Force and became the commander of the Royal Air Force before he retired in 2003. • He was a member of the TRA Board.
Years of Experience	• Over 46 years of experience.	• Over 40 Years of experience in the business sector
Board Representation	• Chairman of Umniah Telecommunication (Jordan) • Chairman of Sure Chanel islands and Isle of Man (UK) • Chairman of Quality net Telecommunication(Kuwait)	• Chairman of Umniah Telecommunication (Jordan) • Chairman of Sure Chanel islands and Isle of Man (UK) • Chairman of Quality net Telecommunication(Kuwait)

	Mr. Abdul Razak Abdulla Al Qassim Deputy Chairman	**Mr. Abdulrahman Yusuf Fakhro** Director
Appointed by/ Status	(Non- Executive Independent)	Social Insurance Organization/ (Non – Executive Dependent)
Committee membership	Chairman of the Executive Committee Deputy Chairman of Nomination and Remuneration Committee	Deputy Chairman of the Executive Committee
Qualifications and Experience	• Has been serving on Batelco Board since 02/2008. He was re-elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. • Chief Executive Officer of National Bank of Bahrain. • Holds a Master's degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology), USA. • Joined NBB in 1977 after nine years with Chase Manhattan Bank and Standard Chartered Bank.	• Has been serving on Batelco Board since 04/2012. He was re-appointed at the AGM in 2014. He holds the role as a non-executive Dependent director for a period of 3 years. • Chairman of Bahrain Commercial Facilities Company (BSC) and Yusif bin Yusif Fakhro B.S.C. © • University of Cairo, Faculty of Commerce.
Years of Experience	• Over 39 years in the Banking sector	• Over 51 years in the investment and insurance sector.
Board Representation	• Deputy Chairman of Umniah Telecommunications company (Jordan) • Deputy Chairman of Sure Chanel islands and Isle of Man telecommunications company (UK) • Deputy Chairman of Quality net Telecommunications company (Kuwait) • Chairman of Benefit Company • Chairman of Bahrain Association of Banks • Board member of National Bank of Bahrain • Board member of The Crown Prince International Scholarship Program • Board member of Deposit and URIA Protection at Central Bank of Bahrain	• Deputy Chairman of Dhiraagu Telecommunications company (Maldives). • Deputy Chairman of Social Insurance organization (SIO) • Deputy Chairman Osool Asset management • Chairman of Bahrain Marina • Chairman of Amlak.

CORPORATE GOVERNANCE (Continued)

	Brigadier Khalid Mohammed Al Mannaei Director	**Mr. Raed Abdulla Fakhri** Director
Appointed by/ Status	Amber Holdings / (Non – Executive Dependent)	Mumtalakat / (Non- Executive – Dependent)
Committee membership	Donations Committee	Executive Committee Nomination and Remuneration Committee Chairman of NBN founding committee
Qualifications and Experience	• Has been serving on Batelco Board since 8/2012. He was re-appointed at the AGM in 2014. He holds the role as a non-executive Dependent director for a period of 3 years. • General Manager & Board member of the Military Pension Fund • Holds a Master's degree in Business Administration from Sheffield Hallam University (UK). • Joined the Military Pension Fund in February 2011 following a long service with Bahrain Defense Force. • He is one of the founders of the GCC Expanded Military Pension Coverage committee.	• Has been serving on Batelco Board since 03/14. He has been appointed in the AGM 2014 and holds a role as a non-executive Dependent director in the Board for a period of 3 Years. • Mumtalakat Vice President Investments since March 2013 • Holds an Executive MBA from the University of Bahrain, and Bachelor of Science in Electronics Engineering Technology from the University of Central Florida, Orlando, USA. • Co-founded BDI Partners in 2010 and headed the firm as a Managing Director. • Spent 3 years in Capivest Investment Bank, heading the Investment Department. • Batelco Senior Manager in New Business Development Unit. • Spent 3 years with Gulf Petrochemical Industries Company (GPIC) as a Control Systems Engineer and Project Engineer.
Years of Experience	37 years of experience	Over 22 years of experience mainly in business development and investment banking.
Board Representation	• Board member in Umniah Telecommunication (Jordan) • Board member in Sure Diego Garcia Limited • Deputy Chairman of Bahrain Islamic Bank • Board member in Social Insurance Organization (SIO) • Board member in Osool Asset Management • Board member and General manager in Military Pension Fund	• Board member and Audit committee member in Umniah telecommunication Company (Jordan) • Board member in Dhiraagu Telecommunication company (Maldives) • Board member in McLaren Technology Group Limited • Board member in Investrade • Board member in BDI Partners

	Dr. Ahmed Ebrahim Abdulqader Al Balooshi Director	**Mr. Arif Haider Rahimi** Director
Appointed by/ Status	Amber Holdings/ (Non- Executive – Independent)	(Non- Executive Independent)
Committee membership	Chairman of the Audit Committee	Executive Committee Deputy Chairman of NBN Founding committee
Qualifications and Experience	• Has been serving on Batelco Board since 03/14. He was appointed at the AGM in 2014. He holds the role as a non-executive independent director for a period of 3 years. • Currently, the CEO of Smarteam Consultancy. • Attained the role of Assistant Professor at the College of Business Administration, UOB in early 2014. • Held the post of Undersecretary, Regulatory and Performance Audit, National Audit Office, from 2005 to 2013. • He holds a Ph.D in Accounting from the University of Surry, UK and is a Certified Public Accountant (CPA) - USA. • Used to hold a post of Senior Manager with Ernst and Young, and Director of Audit at the Ministry of Finance and Head of Computer Audit, Ministry of Finance.	• Has been serving on Batelco Board since 03/14. He was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. • Managing Partner for the Masar Group of Companies and Director for Venture Projects WLL. • A Certified Public Accountant, Board of Accountancy, Oregan, USA • Held the post of Managing Partner of BDO Jawad Habib Consulting, leading their corporate finance consulting division.
Years of Experience	• 28 years of experience	• Over 25 years of experience in financial services.
Board Representation	• Board member in Sabafon telecommunication (Yemen) • Board member and Chairman of the Audit committee in Dhiraagu Telecommunication company (Maldives) • Board member in Ibdar Bank Bahrain, and chairman of the audit, risk and compliance committee • Chairman of UOB Alumni • Member of Alba Audit committee • Member of Falcon Group Audit Committee	• Board member and Chairman of the Audit committee of Quality Net Telecommunications company (Kuwait) • Board Member of BTC Sure South Atlantic Limited (UK and Falkland Islands) • Chairman of the Bahrain International Circuit (BIC) • Member in Bahrain Judicial Committee for Stalled Real Estate Projects.

CORPORATE GOVERNANCE (Continued)

	Mr. Ahmed Ateyatalla Al Hujairy Director	**Mrs. Khulood Rashid Al Qattan** Director
Appointed by/ Status	(Non- Executive Independent)	(Non – Executive Independent)
Committee membership	Audit Committee NBN Founding Committee	Deputy Chairperson of Audit Committee Donation Committee
Qualifications and Experience	• Has been serving on Batelco Board since 03/14. He was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. • Founder and CEO of Gulf Future Business S.P.C. and group of companies. • He holds an executive MBA (Distinguished Honours) from DePaul University, Chicago, USA • He began his career with Riyadh Bank, Saudi Arabia • He attained the post of Director in the Health Information Directorate. • Held the role as Acting CEO, Advisor to the Bahrain Minister of Health on Health Economics at Salmaniya Medical Complex • Held the role of General Manager at Gateway Gulf B.S.C. • Senior Advisor to the Board of Bahrain Technology Companies Society. Advisor and Founder of Bahrain Internet Society and a member of the Bahrain Society for Training and Development.	• Has been serving on Batelco Board since 03/14. She was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. • General Manager of Prime Advisory WLL and Managing Director of Green FX WLL. • She holds a Bachelor Degree in Accounting from Ayn Shams University, Cairo • She started her career as a trader in the US & European equities and has experience in capital and money market instruments in the local, regional and international markets and also in portfolio management. • Early career started with Bank of Bahrain & Kuwait where she worked her way to Head of Investment Department • She widened her experience with ADDax Investment Bank, Abu Dhabi Investment House and Evolvence Capital.
Years of Experience	• Over 33 years of experience in Information Technology and Communications, Business, and Management.	• Over 24 years of experience in banking and investment.
Board Representation	• Board member and Chairman of the Audit committee in Umniah Telecommunications company (Jordan).	• Board member of Etihad Atheeb Telecommunications (Saudi Arabia) • Board member and Deputy Chairperson of Audit committee in Umniah Telecommunications company (Jordan) • Board member in Sico Financial Services company (SFS) • Member in Committee for the Young Women Entrepreneur award

	Mr. Oliver McFall Director
Appointed by/ Status	(Non- Executive Independent)
Committee membership	Nomination and Remuneration Committee
Qualifications and Experience	• Has been serving on Batelco Board since 03/2014. He was appointed at the AGM in 2014 by the shareholders representing Mumtalakat and he holds the role as a non-executive independent director for a period of 3 years. • Vice President of Roland Berger Strategy Consultants Middle east office • Senior Partner and member of the Executive Team with AT Kearney. • Senior Project Manager with McKinsey & Company. • Client base include major industrial corporations, telecom, energy and metals in Europe, Middle East and North America.
Years of Experience	More than 30 years of experience in international management Consulting
Board Representation	• Board member of Etihad Atheeb Telecommunications (Saudi Arabia) • Board member and Deputy Chairman of Audit committee in Umniah Telecommunications company (Jordan) • Board member in Sico Financial Services company (SFS) • Board member in Gulf Aviation Academy • Member in Committee for the Young Women Entrepreneur award From Last Year

Mandate of the Board

The principle responsibilities of the Board, as set out in its Charter, are as follow:

- Represent the shareholder interests and optimizing long term financial returns.
- Establishing the Company's policies and strategy and regularly monitoring the performance of executive management against it.
- Oversight, performance evaluation and succession planning of directors and executive management
- Preparation and fair presentation of the financial statements in accordance with the applicable financial reporting standards.
- Risk recognition and assessment to ensure that the Company's operations, are measured, monitored and controlled by appropriate, effective and prudent risk management systems.
- Approve and monitor the progress of major capital expenditure, capital management, loans, and acquisitions, including the sale of movable and immovable property, granting permission for withdrawal of money and securities owned by Batelco
- Establishing policies to manage potential conflicts of interest including matters such as related party transactions.
- Establishing and disseminating to all employees and appointed representatives of the Company a corporate code of conduct

Board Meetings

As per the Charter of the Board, the directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

During the year, the Board of Directors met 10 times on the following dates and discussed the below mentioned significant items.

The summary of significant items discussed during the meetings is also stated below:

- Discussion and approval of Quarterly and YTD financial performance and dividend payout
- Discussion of Budget and business plan 2017-2021
- Discussion and approval of Key Projects

Board Meeting Attendance in 2016:

Members	3 Feb	15 Feb	24 Feb	10 Mar	28 Apr	5 May	4 Aug	11 Sep	19 Oct	2 Nov
Sh. Hamad Al Khalifa (C)	✓	✓	✓	✓	✓	✓	✓	✓	✓	×
Mr. Abdul Razak Al Qassim (M)	✓	✓	✓	×	✓	✓	×	✓	✓	
Mr. Abdulrahman Fakhro (M)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Brig. Khalid Al Mannaei (M)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Raed Fakhri (M)	✓	✓	✓	✓	✓	×	×	✓	×	×
Dr. Ahmed AlBalooshi (M)	✓	×	✓	✓	✓	×	✓	✓	×	✓
Mr. Arif Rahimi (M)	✓	✓	✓	×	✓	✓	✓	✓	✓	×
Mr. Ahmed Al Hujairy (M)	✓	✓	✓	✓	✓	✓	✓	✓	×	✓
Mrs. Khulood Al Qattan (M)	✓	✓	×	✓	✓	✓	✓	✓	×	✓
Mr. Oliver McFall (M)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

C = Committee Chairman, M = Committee Member, PM= Previous Member

Directorship changes were executed 28th April 2016

✓	Attended	×	Did not attend

Elections of Directors

There are formal, rigorous and transparent procedures for the appointment of new directors to the Board.

Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender.

The current directors of the Company are appointed by the General Shareholders Meeting from among candidates proposed by the Board on the recommendation of the Nomination and Remuneration Committee (NRC).

CORPORATE GOVERNANCE (Continued)

Director Appointment Letter

As a member of the Board, each Director has signed a formal written appointment letter which covers among other things, the Director's duties and responsibilities in serving on the Board, the terms and conditions of their directorship, the annual remuneration, and entitlement to reimbursement of expenses and access to independent professional advice when needed.

Induction and Training of Directors

The Chairman in conjunction with the NRC is responsible for ensuring that induction and training programs are provided.

Individual directors are also expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a Director.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director.

On appointment, individual Directors undergo an induction program covering, amongst other things:

- The business of the Company;
- Their legal and regulatory responsibilities as Directors;
- Briefings and presentations from relevant executives; and
- Opportunities to visit business operations.

Throughout their period in office the Directors are continually updated on the Company's businesses and the regulatory and industry specific environments in which it operates.

These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

Termination of Directors

The membership of the Directors is terminated upon the expiry of the term upon which he/she needs to be subject to re-election.

The termination of directorship can also take effect if any Director is in breach of the applicable governing laws and requirements of the Articles of Association.

Performance Evaluation

Performance evaluation of the Board, Board Committees' individual Directors and executive management takes place on an annual basis and is conducted within the terms of reference of the NRC with the aim of improving the effectiveness of the Board and its Committees, individual contributions and the Company's performance as a whole.

The evaluation is designed to determine whether the Board, its Committees, individual Directors and executive management continues to be capable of providing the high level judgment required and are informed and up to date with the business and its goals and understand the context within which it operates.

The next performance evaluation of the Board, its Committees, individual Directors and executive management is scheduled for 2017.

Board Committees Structure

In order to assist the Board in discharging its duties effectively and efficiently, the Board has established the following sub-committees:

The Board ensured that the Board Committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. Each Board Committee has access to such information and advice, both from within the Company and externally, at the Company's cost as it deems necessary.

Executive Committee

The Executive Committee's primary duties and responsibilities are to:

- Review of Batelco's operational performance, at least once every financial quarter and direct management to develop and implement various initiatives to achieve the Annual Operating Plan
- Obtain reports at least once every financial quarter about the operating performance of joint ventures and associated companies and review the achievement of key financial targets and objectives
- Review of Batelco's 'Available For Sale' investment portfolio at least once every financial quarter
- Approve or recommend to the Board, all requests for the 'write-off' of an investment
- Approve or recommend to the Board any budgeted and unbudgeted capital expenditure
- Monitor the implementation of an effective corporate governance framework, with particular reference to the Corporate Governance Code of Bahrain (the "Code") and the requirements of the Central Bank of Bahrain ("CBB") Rulebook Volume 6
- Assist the Board in the effective discharge of its responsibilities for business, financial, operational, and reputational risk management and for the management of Batelco's compliance obligations

Executive Committee Meetings

As per the Charter of the Executive Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

During the year, the Executive Committee met on 12 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Discussion and approval of monthly, Quarterly and YTD financial performance
- Discussion of Budget and business plan 2017-2021
- Discussion and approval of Key Projects

Executive Committee Meeting Attendance in 2016:

Members	19 Jan	14 Feb	28 Feb	24 Mar	20 Apr	4 May	31 May	3 Aug	28 Sep	1 Nov	28 Nov	25 Dec
1. Mr. Abdul Razak Al Qassim (C)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mr. Abdulrahman Fakhro (M)	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Mr. Raed Fakhri (M)	✓	✓	✓	✓	✓	×	✓	✓	✓	✓	✓	✓
4. Mr. Arif Rahimi (M)						✓	×	×	✓	×	✓	✓
5. Mr. Oliver McFall (PM)	✓											

C = Committee Chairman, M = Committee Member, PM= Previous Member

Directorship changes were executed 28th April 2016

✓	Attended	×	Did not attend

Audit Committee

The Company's internal audit function reports to the Audit Committee. The Audit Committee's primary duties and responsibilities are:

- The integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls;
- The annual independent audit of the Company's financial statements, the engagement of the external auditors and the evaluation of the external auditors' qualifications, remuneration, independence and performance;
- The appointment of Head of Internal Audit and the regular review of the activities and performance of internal audit function; and
- Compliance by the Company with legal and regulatory requirements, including the Company's disclosure of controls and procedures.

CORPORATE GOVERNANCE (Continued)

Audit Committee Meetings

As per the Charter of the Audit Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively. During the year, the Audit Committee met on 6 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Discussion and approval of Quarterly and YTD financial performance
- Discussion and approval of External Auditors assessment of Financial performance
- Discussion and approval of annual audit plan and quarterly updated internal audit reports.

Audit Committee Meetings in 2016:

Members	10 Feb	2 May	19 Jun	2 Aug	30 Oct	4 Dec
1. Mr. Ahmed AlBalooshi (C)	✓	✓	✓	✓	✓	✓
2. Mr. Ahmed Al Hujairy (M)	✓	✓	✓	✓	✓	✓
3. Mrs. Khulood Al Qattan (M)	✓	✓	✓	✓	✓	✓
4. Mr. Arif Rahimi (PM)	✓					

C = Committee Chairman, M = Committee Member, PM= Previous Member

Directorship changes were executed 28th April 2016

✓	Attended	×	Did not attend

Nomination and Remuneration Committee (NRC)

- The Nomination and Remuneration Committee (NRC) primary duties and responsibilities are to:
- Identify persons qualified to become members of the Board and executive management of the Company;
- Make recommendations to the Board regarding candidates for Board membership to be included by the Board of Directors on the agenda for the next AGM;
- Review the Company's remuneration policies for the Board and executive management, and submit for approval to shareholders;
- Remunerate Board members based on their attendance and performance.
- Administer the performance evaluation process for the Board and Board Committees and executive management.

Nomination and Remuneration Committee Meetings

As per the Charter of the NRC, the Directors are required to meet at least 2 times in a given financial year to discharge its responsibilities effectively.

During the year, the NRC met on 7 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Approval and recruitment of key Executives to the Bahrain and Group operation
- Review and discussion of the Succession planning plan for the organization
- Review and approval of company performance and bonus plan
- Approval of change of Directorship roles for Batelco Group operations & Committees.

Nomination and Remuneration Committee Meeting Attendance in 2016:

Members	9 Feb	25 Feb	19 Apr	2 Jun	27 Jul	19 Sep	14 Dec
1. Shaikh Hamad Bin Abdulla al Khalifa (C)	✓	✓	✓	✓	✓	✓	×
2. Mr. Abdul Razak Al Qassim (M)	✓	✓	✓	✓	✓	✓	✓
3. Mr. Raed Fakhri (M)	✓	✓	✓	✓	✓	✓	✓
4. Mr. Oliver McFall (M)				✓	✓	✓	✓
5. Brig. Khalid Al MAnnaei (PM)	✓	×	×				

C = Committee Chairman, M = Committee Member, PM= Previous Member

Directorship changes were executed 28th April 2016

✓	Attended	×	Did not attend

Donations Committee

The Donations Committee's primary duties and responsibilities covers, examining donation requests made to Batelco from time to time; determining whether to approve the donation requests; assess the quantum of the approved donation requests and overseeing the administration of the funding allocated by the Board for such donations;

Donations Committee Meetings

As per the Charter of the Donations Committee, the Directors are required to meet at least 2 times in a given financial year to discharge its responsibilities effectively.

During the year, the Donations Committee met on 2 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Discussion and approval on annual committed donations
- Discussion and approval of budget and donation requests.

Donation Committee Meetings in 2016:

Members	9 Feb	14 Aug
1. Sh. Hamad Al Khalifa (C)	✓	✓
2. Brig. Khalid Al Mannaei (M)	✓	✓
3. Mrs. Khulood Al Qattan(M)		✓
4. Mr. Abdulrahman Fakhro (PM)	✓	

C = Committee Chairman, M = Committee Member, PM= Previous Member

Directorship changes were executed 28th April 2016

✓	Attended	×	Did not attend

National Broadband Network (NBN) Founding Committee

Oversee, support and direct the Batelco Group Executive Management Team to continue Batelco Group' s discussion with the Bahrain Government regarding all key matters relating to a potential national broadband network.

National Broadband Network (NBN) Founding committee meetings

During the year, the NBN Committee met on 10 occasions on the following dates and discussed the below mentioned significant items:

- Discussion and review of the requirements regarding the Bahrain Government's fourth National Telecommunications Plan
- Discussion and review of the timeline and tasks required to meet the Bahrain Government's fourth National Telecommunications Plan's objectives

National Broadband Network (NBN) founding committee meeting attendance:

Members	6 Mar	20 Mar	28 Apr	11 May	5 Jun	5 Oct	7 Nov	14 Nov	28 Nov	14 Dec
1. Mr. Raed Fakhri (C)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mr. Arif Rahimi (M)	✓	✓	✓	✓	✓	✓	×	✓	✓	✓
3. Mr. Ahmed Al Hujairy (M)	✓	✓	✓	✓	✓	×	✓	✓	×	✓

C = Committee Chairman, M = Committee Member, PM= Previous Member

✓	Attended	×	Did not attend

Code of Conduct and Whistle Blowing Policy

The Board has adopted a formal code of conduct and whistle blowing policies that apply to the Directors and all employees of the Company to guide them in their conduct and promote ethical behavior, honesty and integrity in their normal daily activities in order to safeguard and uphold the reputation of the Company at all times. The code of conduct and whistle blowing policies developed and implemented are in accordance with the applicable regulations and leading industry practice.

CORPORATE GOVERNANCE (Continued)

Conflict of Interest

At all times, the Directors have a duty to avoid circumstances which may result in interests that conflict with those of the Company, unless that conflict is duly approved by the Board.

It is the obligation of the Board to assess, determine and authorize any such potential conflicts, taking into account all the circumstances.

This includes potential conflicts that may arise when a Director takes up a position with another company or when the Company enters into transactions or agreements in respect of which a Director or executive officer has a material interest.

Where the existing Director wishes to take up an external appointment, they are under an obligation to inform and obtain prior approval from the Board before doing so.

Each external appointment of the Director is considered by the Board individually, taking into account the expected time commitment and any relationships.

During the year, no issues of conflict of interest were experienced or authorized by the Board and no Director of the Board abstained from voting due to this reason.

Related Party Transactions and Directors Trading of Company Shares

It is the policy and practice of the Company that all related party and intra-group transactions are done on an arm's length basis in the ordinary course of business and are approved by the Executive Management of the Company.

By reason of being a listed Company, the Directors, executive management and the employees are eligible to trade in the shares of the Company and are monitored by relevant authority in the Company to ensure that no trade is made with the material information still not made public.

Please refer the note 26 (Transactions with Related Parties) of the financial statements for the details of related party transactions Directors trading of the Company shares during the year.

Internal Controls

The Board has overall responsibility for ensuring that management maintains an effective system of internal control and for reviewing its effectiveness. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action.

Management is required to apply judgment in evaluating the risks in achieving the objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks materializing, in identifying the ability to reduce the incidence and impact on the business of risks that do materialize and in ensuring that the costs of operating particular controls are proportionate to the benefit.

Throughout the year ended 31 December 2016, and to date, the Company has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations.

Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

The Board regularly reviews these processes through its principal Board Committees. The effectiveness of controls is periodically reviewed within the business areas and regular reports are made to the Audit Committee by the Internal Audit Department.

Remuneration Policy for Directors

The Company follows a transparent process with regards to the remuneration policy pertaining to the Directors in the Board.

The remuneration for the services rendered in the capacity of Director of the Company is based on the amount approved in last AGM recommended by the Board.

Any subsequent revisions to the remuneration will be based on the approval obtained from the shareholders in the next AGM.

The remuneration for Directors is principally based on the attendance in Board meetings, and are reduced on a pro-rata basis depending on actual attendance of Board meetings in the previous calendar year.

In addition to the above, the Company reimburses the Directors for all direct and indirect expenses, accommodation and travelling expenses, reasonably incurred during the term of their appointment.

Please refer the note 26 (Directors' Remunerations) of the financial statements for the details of Directors' Remuneration and Committees setting fees.

Remuneration Policy for Management

The remuneration principles of the Company are based on the following principles:

- Attract and retain human resources with ability, talent, skill and knowledge to deliver quality
- Aligning the reward of employees with the returns of the shareholders
- Implement incentive framework which challenges employees to deliver sustained, high quality consistent performance at all times

The NRC is responsible for devising the remuneration policy for the executive management of the Company with an objective to achieve a balance between offering market competitive remuneration to retain talent, and optimizing current and future shareholder returns.

The NRC utilizes the analytical tools, qualitative and quantitative measures and comparative studies by experts to formulate remuneration and compensation packages for the management of the Company.

In addition to this, the Company has also a framework in place to monitor and evaluate the performance of the executive management and employees of the Company.

An equitable and transparent system of limits and performance metrics is in place which is used to reward the employees of the Company for their accomplishments during the year.

The executive management under the guidance of the Supervisory Committee is responsible for administering the employee performance process.

Please refer the note 26 (Key Management Personnel Compensation) of the financial statements for the details of Executives Remunerations.

Stock Options and Performance linked incentives for executives

(Not Applicable to Batelco)

Auditors

The Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Company, including monitoring the Company's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors.

Details with regards to the audit and non-audit fees for the Parent Company Bahrain Telecommunications Company BSC as a legal entity are stated here below:

Audit Fees for 2016	**BHD 72,250**
Non-Audit Services Fees for 2016	**BHD 104,050**

KPMG Fakhro has been the Company's auditors since 1993. Having reviewed the independence and effectiveness of the external auditors, the Audit Committee has not considered it necessary to change the external auditors.

The Audit Committee has recommended to the Board that the existing auditors, KPMG Fakhro, be reappointed.

KPMG Fakhro have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorizing the Directors to set their remuneration will be proposed in next AGM.

CORPORATE GOVERNANCE (Continued)

Key Management Personnel

Ihab Hinnawi	
Group Chief Executive Officer	Feb 2015
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Enterprise Division General Manager Batelco Jordan CEO Umniah Operations Director (2004-2007) Umniah Chief Executive Officer (2009- 2015)
Qualifications/Achievements	BA Business Administration
Faisal Qamhiyah	
Group Chief Financial Officer	2013
Joined Batelco	2012
Previous roles/Experience	Chief Financial Officer Umniah and Batelco Bahrain Chief Operating Officer – Zain Jordan Investments Director – Ern Capital Finance Director / CFO – Zain Jordan Group Internal Auditor – EDGO Group
Qualifications/Achievements	BA in Economics, CPA , EDP from Kellogg School of Management, USA.
Shaikh Ahmed bin Khalifa Al Khalifa	
Group GM HR & Development	2008
Joined Batelco	1997
Previous roles/Experience	Batelco Bahrain General Manager HR Bahrain Batelco Bahrain Senior Manager Employee Retention
Qualifications/Achievements	University of Virginia, US, Darden School of Business – Executive Development Program University of Glamorgan, Wales, UK – Masters of Business Administration information and Business Systems Technology – Diploma
Ahmed Al Janahi	
GM Corporate Affairs & Batelco Group Board Secretary	2004
Joined Batelco	2003
Previous roles/Experience	Gulf Air Public Relations Manager World Travel Service – Asst. General Manager Arab Exchange – General Manager
Qualifications/Achievements	American College, Atlanta, US – BA Business Administration
Bernadette Baynie	
Batelco Group General Counsel	2008
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Senior Commercial Legal Counsel National Australia Bank Limited – Head of Legal and Compliance National Australia Bank Limited – Principal Counsel
Qualifications/Achievements	Bachelor of Laws – Sydney University

Ali Sharif	
Group Chief Internal Auditor	2010
Joined Batelco	1989
Previous roles/Experience	Chief Internal Auditor Internal Audit Manager
Qualifications/Achievements	CIA (USA) CISA (USA) St. Edwards University, Austin, Texas, US- BA Finance (Hons)
Ian Kelly	April 2014
CEO, Sure South Atlantic & Diego Garcia	
Joined Batelco	August 2007
Previous roles/Experience	2007-2014: Group Director, Mergers & Acquisitions, Batelco Group 2003–2007: Managing Director, Pink Capital (International Corporate Development Consulting), Australia and Singapore
Qualifications/Achievements	Master of Business Administration (Class of 2000), Melbourne Business School, University of Melbourne, Australia Corporate Finance Program (1998), University of Michigan, USA Bachelor of Arts (Psychology- 1990) , Monash University, Australia
Dr. Ghassan Murad	
Group General Manager, Mergers & Acquisitions	January 2013
Joined Batelco	November 1996
Previous roles/Experience	Chief Financial Officer - Batelco Bahrain Senior Manager, Mergers & Acquisitions – Batelco Group Research Associate, Department of Engineering - University of Leicester (UK)
Qualifications/Achievements	Doctor of Philosophy (PhD.) - Control Systems Theory, University of Leicester (UK) Master of Science (MSc.) - Control Systems, Imperial College of Science, Technology and Medicine (London, UK) BEng. (Hons) – Control Engineering
Haytham Fatayer	
Group General Manager , Strategic Projects	2011
Joined Batelco	February 2011
Previous roles/Experience	Umniah CTO , Technical Director /Partner at Ciscom , Senior Engineer at Philips
Qualifications/Achievements	BSc degree in Electronics / Telecom Engineering 1993 from the Maritime Academy/ Alexandria Egypt
Karan Ponnudurai	July 2016
Group Chief Digital Officer	
Joined Batelco	July 2016
Previous roles/Experience	Chief Innovation Officer at Axiata Digital, Malaysia
Qualifications/Achievements	BSc in Electrical Engineering from Stanford University, USA Master of Engineering with specialisation in Communication Systems from University of Malaya, Kuala Lumpur.
Ahmed Abdel-Latif	October 2016
Group Chief Wholesale Officer	
Joined Batelco	October 2016
Previous roles/Experience	Vice President, Business Development for Middle East & Africa (MEA) for a global provider of wholesale & enterprise Telecoms services
Qualifications/Achievements	Bachelor's degree in Telecommunications & Electronics Engineering from Ain Shams University (Cairo, Egypt) Master of Science degree in Computer Science from the University of Louisville (KY, USA) Master's degree in Business Administration (with Distinction) from The Maastricht School of Management (Maastricht, The Netherlands); with a focus on Globalization.