

## 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 2017 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.

## 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.

## CORPORATE GOVERNANCE (CONTINUED)

### 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 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.

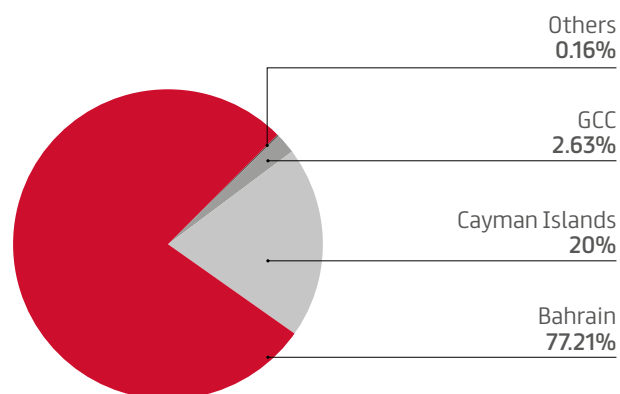
The unique and diversified ownership structure gives Batelco the edge whereby it can seek to pursue the Company's strategies objectively, independently and without bias and as a result aligns interests between Batelco and its shareholders.

### 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	1,284,231,267	77.21%
2 Cayman Islands	332,640,000	20%
3 GCC	43,699,444	2.63%
4 Others	2,629,289	0.16%

Distribution of Shares by Nationality

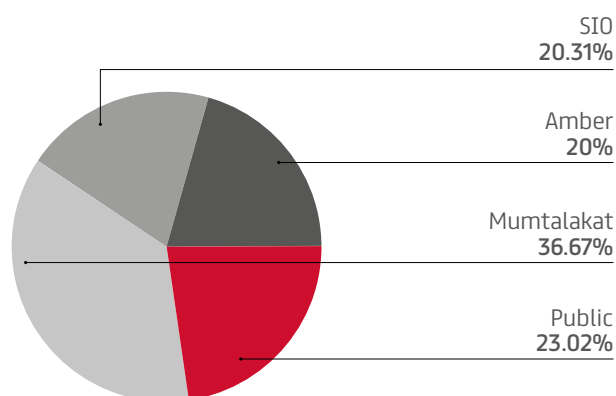


### Ownership Structure by Size

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



### 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 AbdulRahman Yusuf Fakhro	170,752	0.010%
3 Ahmed Ateyatalla Al Hujairi	31,470	0.0019%
4 Arif Haider Rahimi	31,170	0.0019%
5 Khulood Rashid Al Qattan	30,010	0.0018%
6 Raed Abdulla Fakhri	3,710	0.0002%

Executive Management	Number of Shares	% of shares held
Dr. Ghassan Murad	103,950	0.0063%

### Directors and Senior Management trading during the year 2017

No trading was done by Directors nor Senior Management in the year of 2017.

## CORPORATE GOVERNANCE (CONTINUED)

### 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, 8 of which are Independent.

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

	<b>Shaikh Mohamed bin Khalifa Al Khalifa</b> Chairman	<b>Mr. Abdulrahman Yusuf Fakhro</b> Deputy Chairman
Appointed by/ Status	Mumtalakat / (Non – Executive / Independent)	Social Insurance Organization/ (Non – Executive / Dependent)
Committee membership	Chairman of the Nomination, Remuneration and Donations Committee	Chairman of the Executive Committee Nomination, Remuneration and Donations Committee
Qualifications and Experience	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 28 December 2016. He was appointed by Mumtalakat until the end of the term. He was re-appointed at the AGM 2017 as a non-executive Independent director for a period of 3 years.</li> <li>Obtained a Bachelor's degree in Business Administration from Arab University – Lebanon.</li> <li>Used to serve as President of Customs Affairs at the Ministry of Interior.</li> <li>Assistant Undersecretary for Financial, Administrative and Minor's Estate Affairs at the Ministry of Justice and Islamic Affairs.</li> <li>A previous Board Member of Batelco and Gulf Air.</li> </ul>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 04/2012. He was re-appointed at the AGM in 2017. He holds the role as a non-executive Dependent director for a period of 3 years.</li> <li>Chairman of Bahrain Commercial Facilities Company (BSC)</li> <li>Chairman of Yusif bin Yusif Fakhro B.S.C.</li> <li>University of Cairo, Faculty of Commerce.</li> </ul>
Years of Experience	Over 47 years of experience.	Over 52 years in the investment and insurance sector.
Board Representation	<ul style="list-style-type: none"> <li>Chairman of Sure Group Telecommunication Company (UK)</li> <li>Chairman of Quality net Telecommunication Company (Kuwait)</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of Umniah Telecommunications Company (Jordan)</li> <li>Deputy Chairman of Dhiraagu Telecommunications company (Maldives)</li> <li>Deputy Chairman of Social Insurance organization (SIO)</li> <li>Deputy Chairman Osool Asset management</li> <li>Chairman of Bahrain Marina</li> <li>Chairman of Amlak.</li> </ul>

	<b>Mr. Raed Abdulla Fakhri</b> Director	<b>Mrs. Khulood Rashid Al Qattan</b> Director
<b>Appointed by/ Status</b>	Mumtalakat / (Non- Executive / Dependent)	(Non – Executive / Independent)
<b>Committee membership</b>	Executive Committee Deputy Chairman of Nomination, Remuneration and Donations Committee	Chairperson of Audit Committee
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>• Has been serving on Batelco Board since 03/14. He has been re-appointed in the AGM 2017 as a non-executive Dependent director in the Board for a period of 3 Years.</li> <li>• Mumtalakat Vice President Investments since March 2013</li> <li>• 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.</li> <li>• Co-founded BDI Partners in 2010 and headed the firm as a Managing Director.</li> <li>• Spent 3 years in Capinvest Investment Bank, heading the Investment Department.</li> <li>• Batelco Senior Manager in New Business Development Unit.</li> <li>• Spent 3 years with Gulf Petrochemical Industries Company (GPIC) as a Control Systems Engineer and Project Engineer.</li> </ul>	<ul style="list-style-type: none"> <li>• Has been serving on Batelco Board since 03/14. She was re-elected by the shareholders at the AGM in 2017, as a non-executive independent director in the Board for a period of 3 Years.</li> <li>• General Manager of Prime Advisory WLL.</li> <li>• She holds a Bachelor Degree in Accounting from Ayn Shams University, Cairo</li> <li>• She started her career as a trader in the US &amp; European equities and has experience in capital and money market instruments in the local, regional and international markets and also in portfolio management.</li> <li>• Early career started with Bank of Bahrain &amp; Kuwait where she worked her way to Head of Investment Department</li> <li>• She widened her experience with ADDax Investment Bank, Abu Dhabi Investment House and Evolve Capital.</li> </ul>
<b>Years of Experience</b>	Over 23 years of experience mainly in business development and investment banking.	• Over 25 years of experience in banking and investment.
<b>Board Representation</b>	<ul style="list-style-type: none"> <li>• Board member of Etihad Atheeb Telecommunications (Saudi Arabia)</li> <li>• Chairman of National Broadband Network Company</li> <li>• Board member in Gulf Air Group</li> <li>• Board member in Investrade</li> <li>• Board member in BDI Partners</li> </ul>	<ul style="list-style-type: none"> <li>• Board member and Chairperson of Audit committee in Umniah Telecommunications company (Jordan)</li> <li>• Board member and Chairperson of the Audit Committee in Dhiraagu telecommunication Company (Maldives)</li> <li>• Board member in Sico Financial Services company (SFS)</li> <li>• Member in Committee for the Young Women Entrepreneur award</li> </ul>

## CORPORATE GOVERNANCE (CONTINUED)

	<b>Dr. Ahmed Ebrahim Abdulqader Al Balooshi</b> Director	<b>Mr. Arif Haider Rahimi</b> Director
<b>Appointed by/ Status</b>	Amber Holdings/ (Non- Executive / Independent)	(Non- Executive / Independent)
<b>Committee membership</b>	<ul style="list-style-type: none"> <li>Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>Executive Committee</li> </ul>
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 03/14. He was re-appointed at the AGM in 2017 as a non-executive independent director for a period of 3 years.</li> <li>The Founder and CEO of Smarteam Consultancy.</li> <li>Attained the role of Assistant Professor at the College of Business Administration, UOB in early 2014.</li> <li>Held the post of Undersecretary, Regulatory and Performance Audit, National Audit Office, from 2005 to 2013.</li> <li>He holds a Ph.D in Accounting from the University of Surrey UK , MBA and BSc. from University of Bahrain and is a Certified Public Accountant (CPA) - USA.</li> <li>Used to hold a post of Senior Manager with Ernst and Young, Assistant Undersecretary at the National Audit Office and Director of Audit at the Ministry of Finance and Head of Computer Audit, Ministry of Finance.</li> </ul>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 03/14. He was re-elected by the shareholders at the AGM in 2017, as a non-executive independent director in the Board for a period of 3 Years.</li> <li>Managing Partner for the Masar Group of Companies and Director for Venture Projects WLL.</li> <li>A Certified Public Accountant, Board of Accountancy, Oregon, USA</li> <li>Held the post of Managing Partner of BDO Jawad Habib Consulting, leading their corporate finance consulting division.</li> </ul>
<b>Years of Experience</b>	<ul style="list-style-type: none"> <li>29 years of experience</li> </ul>	<ul style="list-style-type: none"> <li>Over 26 years of experience in financial services.</li> </ul>
<b>Board Representation</b>	<ul style="list-style-type: none"> <li>Board member in Sabafon telecommunication (Yemen)</li> <li>Board member and Audit committee member in Sure Group Telecommunication company (UK)</li> <li>Board member in Ibdar Bank Bahrain, and chairman of the audit, risk and compliance committee</li> <li>Chairman of UOB Alumni</li> <li>Member of Alba Audit committee</li> <li>Member of Falcon Group Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>Board member and Chairman of the Audit committee of Quality Net Telecommunications company (Kuwait)</li> <li>Deputy Chairman of the National Broadband Network Company.</li> <li>Chairman of the Bahrain International Circuit (BIC)</li> <li>Member in Bahrain Judicial Committee for Stalled Real Estate Projects.</li> </ul>

	<b>Mr. Ahmed Ateyatalla Al Hujairi</b> Director	<b>Mr. Oliver McFall</b> Director
<b>Appointed by/ Status</b>	(Non- Executive / Independent)	Mumtalakat/ (Non- Executive / Independent)
<b>Committee membership</b>	<ul style="list-style-type: none"> <li>Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>Deputy Chairman of the Audit committee</li> </ul>
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 03/14. He was re-elected by the shareholders at the AGM in 2017, as a non-executive independent director in the Board for a period of 3 Years.</li> <li>Founder and CEO of Gulf Future Business S.P.C. and group of companies.</li> <li>He holds an executive MBA from DePaul University, Chicago, USA</li> <li>He began his career with Riyadh Bank, Saudi Arabia</li> <li>He attained the post of Director in the Health Information Directorate.</li> <li>Held the role as Acting CEO, Advisor to the Bahrain Minister of Health on Health Economics at Salmaniya Medical Complex</li> <li>Held the role of General Manager at Gateway Gulf B.S.C.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 03/2014. He was re-appointed at the AGM in 2017 by the shareholders as a non-executive independent director for a period of 3 years.</li> <li>Vice President of Roland Berger Strategy Consultants Middle east office</li> <li>Senior Partner and member of the Executive Team with AT Kearney.</li> <li>Senior Project Manager with McKinsey &amp; Company.</li> <li>Client base include major industrial corporations, telecom, energy and metals in Europe, Middle East and North America.</li> </ul>
<b>Years of Experience</b>	<ul style="list-style-type: none"> <li>Over 34 years of experience in Information Technology and Communications, Business, and Management.</li> </ul>	<ul style="list-style-type: none"> <li>More than 32 years of experience in international management consulting</li> </ul>
<b>Board Representation</b>	<ul style="list-style-type: none"> <li>Deputy Chairman of the Board in Quality Net Telecommunications company (Kuwait).</li> <li>Board member in the National Broadband Network Company.</li> </ul>	<ul style="list-style-type: none"> <li>Board member and Chairman of the Audit committee of Sure Group Telecommunication Company (UK)</li> <li>Board member in Ballard Europe</li> <li>Executive director in Blue Ocean/HSV (Switzerland); real estate management and development in Europe</li> <li>Board member in Ringford Holding (Switzerland)</li> </ul>



## CORPORATE GOVERNANCE (CONTINUED)

	<b>Mr. Jean Christophe Durand</b> Director	<b>Rear Admiral Yousif Ahmed Malalla AlSabt</b> Director
Appointed by/ Status	(Non – Executive / Independent)	Amber holdings / (Non-Executive / Independent)
Committee membership	<ul style="list-style-type: none"> <li>Deputy chairman of the Executive Committee</li> <li>Nomination, Remuneration and Donations Committee</li> </ul>	<ul style="list-style-type: none"> <li>Executive Committee</li> </ul>
Qualifications and Experience	<ul style="list-style-type: none"> <li>He was elected by the shareholders at the AGM in 2017, as a non-executive independent director for a period of 3 years.</li> <li>Chief Executive Officer of National Bank of Bahrain</li> <li>Graduated from ESSEC (Ecole Superieure des Sciences Economiques et Commerciales), French Business School in Paris</li> <li>Previously Global Head of the BNP Paribas MEA (Middle East &amp; Africa) region for Corporate and Institutional Banking and Asset Management for over 15 years</li> <li>Spent a number of years in Bahrain working with Banque Indosuez and BNP Paribas to grow their business locally and regionally and is credited with establishing BNP as one of the key financial institutions in the region and opening branches in several GCC countries and Africa</li> </ul>	<ul style="list-style-type: none"> <li>R. Adm. AlSabt has been serving on the Board since 05/17. He is an Amber Holding representative on the Board and was appointed on 15 May 2017. He holds the role as a non-executive independent director for a period of 3 years.</li> <li>Assistant Chief of Staff for Logistics &amp; Supplies at the Bahrain Defense Force</li> <li>Graduated from the Naval Academy in Egypt in 1978.</li> <li>Also, Graduated from the Naval war college for Staff course at New Port, RI. USA in 1985.</li> <li>He was appointed as Chief of the Royal Bahraini Naval Force until 2004 when he was appointed as Director of Planning, Organization and IT at the General Head Quarters.</li> </ul>
Years of Experience	<ul style="list-style-type: none"> <li>Over 36 years of experience in banking and finance sector</li> </ul>	<ul style="list-style-type: none"> <li>39 years of experience</li> </ul>
Board Representation	<ul style="list-style-type: none"> <li>Deputy Chairman of Umniah Telecommunication Company (Jordan)</li> <li>Board member in Gulf Air</li> <li>Board member in BIBF</li> <li>Chairman of the French Chamber of Commerce and Industries in Bahrain (FCCIB)</li> </ul>	<ul style="list-style-type: none"> <li>Board member and Audit committee member in Umniah telecommunication Company (Jordan)</li> <li>Board member and Audit committee member in Quality net Telecommunication Company (Kuwait)</li> <li>Board member in the National Broadband Network Company.</li> <li>Chairman of the Military Consumer and &amp; Economic Association</li> </ul>

## Previous board members who served in 2017:

	<b>Mr. Abdul Razak Abdulla Al Qassim</b> Deputy Chairman	<b>Brigadier Khalid Mohammed Al Mannaei</b> Director
Appointed by/ Status	(Non- Executive / Independent)	Amber holdings / (Non – Executive / Dependent)
Previous Committee membership	<ul style="list-style-type: none"> <li>Chairman of the Executive Committee</li> <li>Deputy Chairman of Nomination and Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>Donations Committee</li> <li>Executive Committee</li> </ul>
Qualifications and Experience	<ul style="list-style-type: none"> <li>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 and completed his term on the 29th March 2017.</li> <li>Holds a Master's degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology), USA.</li> <li>Joined NBB in 1977 after nine years with Chase Manhattan Bank and Standard Chartered Bank.</li> </ul>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 8/2012. He was re-appointed at the AGM in 2017 and resigned from his position as a board member in May 2017.</li> <li>Holds a Master's degree in Business Administration from Sheffield Hallam University (UK).</li> <li>Joined the Military Pension Fund in February 2011 following a long service with Bahrain Defense Force.</li> <li>He is one of the founders of the GCC Expanded Military Pension Coverage committee.</li> </ul>
Years of Experience	<ul style="list-style-type: none"> <li>Over 41 years in the Banking sector</li> </ul>	<ul style="list-style-type: none"> <li>39 years of experience</li> </ul>

**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

## CORPORATE GOVERNANCE (CONTINUED)

### 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 15 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 2018-2022
- Discussion and approval of Key Projects

### Board Meeting Attendance in 2017

Members	10 Jan	26 Jan	22 Feb	12 Mar	16 Mar	29 Mar	2 Apr	4 May	13 Jun	10 Jul	17 Jul	20 Jul	30 Oct	23 Nov	13 Dec
Sh. Mohamed Al Khalifa (C)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐
Mr. Abdulrahman Fakhro (M)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☒	☐
Mr. Raed Fakhri (M)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Mrs. Khulood Al Qattan (M)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒
Dr. Ahmed AlBalooshi (M)	☒	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐
Mr. Arif Rahimi (M)	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐
Mr. Ahmed Al Hujairi (M)	☐	☐	☐	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Oliver McFall (M)	☐	☐	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Jean Christophe Durand (M)	-	-	-	-	-	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
R. Adm Yousif Ahmed Al Sabt (M)	-	-	-	-	-	-	-	-	☐	☐	☐	☐	☐	☐	☒
Mr. Abdul Razak Al Qassim (PM)	☐	☐	☐	☐	☐	-	-	-	-	-	-	-	-	-	-
Brig. Khalid Al Mannaai (PM)	☐	☒	☐	☐	☒	☐	☐	☐	-	-	-	-	-	-	-

☐	Attended	☒	Did not attend
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C = Committee Chairman, M = Committee Member, PM= Previous Member

Appointment of New Board in AGM 29<sup>th</sup> March 2017

Directorship changes were executed 2<sup>nd</sup> April 2017

### 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, Remuneration and Donations Committee (NRC).

### 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

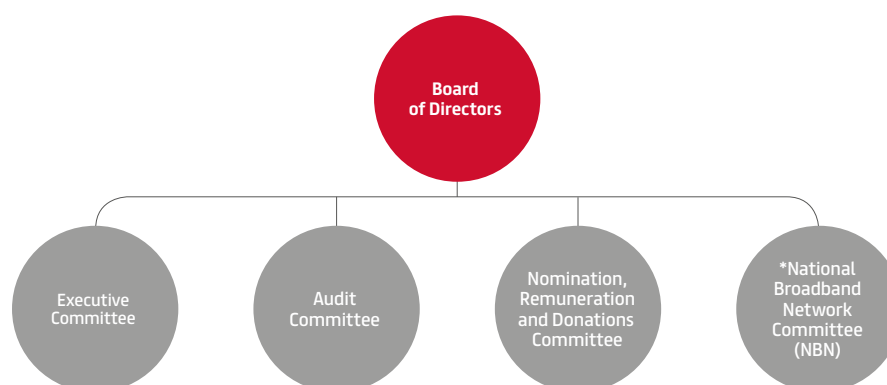
Performance evaluation of the Board, Board Committees' individual Directors and executive management takes place on an annual basis and is conducted within the terms of reference of the NRC with the aim of improving the effectiveness of the Board and its Committees, individual contributions and the Company's 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 2018.

### 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.

\*This committee was dissolved

## CORPORATE GOVERNANCE (CONTINUED)

### 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 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 monthly, Quarterly and YTD financial performance
- Discussion of Budget and business plan 2018-2022
- Discussion and approval of Key Projects

### Executive Committee Meeting Attendance in 2017:

Members	3 May	15 Jun	17 Jul	26 Oct	6 Nov	21 Nov
Mr. Abdulrahman Fakhro (C)	☐	☐	☐	☐	☒	☒
Mr. Jean Christophe Durand (M)	☐	☐	☐	☒	☐	☐
Mr. Raed Fakhri (M)	☐	☐	☐	☐	☐	☐
Mr. Arif Rahimi (M)	☐	☐	☒	☐	☐	☐
R. Adm Yousif Ahmed Al Sabt (M)	-	☒	☐	☐	☐	☐
Brig. Khalid Al Mannaie (PM)	☐	-	-	-	-	-

☐	Attended	☒	Did not attend
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C = Committee Chairman, M = Committee Member, PM= Previous Member.

Appointment of New Board in AGM 29th March 2017

Directorship changes were executed 2nd April 2017

### 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.

### 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 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:

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

### Audit Committee Meeting attendance in 2017:

Members	20 Feb	2 Apr	2 May	19 Jul	17 Sep	29 Oct	4 Dec
Mrs. Khulood Al Qattan (C)	☐	☒	☐	☐	☐	☐	☐
Mr. Oliver McFall (M)	-	☒	☐	☐	☐	☐	☐
Mr. Ahmed Al Balooshi(M)	☐	☐	☐	☐	☒	☐	☐
Mr. Ahmed Al Hujairi (M)	☐	☐	☐	☐	☐	☐	☐

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

☐	Attended	☒	Did not attend
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Appointment of New Board in AGM 29th March 2017

Directorship changes were executed 2nd April 2017

### Nomination, Remuneration and Donations Committee (NRC)

The Nomination and Remuneration and Donations Committee is newly formed to handle both the duties of the Nomination, Remuneration and Donation requests, 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.
- 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.

### Nomination, Remuneration and Donations Committee Meetings

As per the Charter 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 8 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 and KPI's
- Review and approval of Board self-assessment results and Board remuneration
- Approval of change of Directorship roles for Batelco Group operations and committees.
- Review and approval of Board travel and remuneration policies.
- Discussion and approval on annual committed donations
- Discussion and approval of budget and donation requests.

## CORPORATE GOVERNANCE (CONTINUED)

### Nomination, Remuneration and Donations Committee Meeting Attendance in 2017:

Members	19 Feb	21 Feb	19 Mar	4 Apr	24 May	25 May	5 Jul	5 Oct
Shaikh Mohamed Bin Khalifa al Khalifa (C)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Raed Fakhri (M)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Abdulrahman Fakhro (M)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Jean Christophe Durand (M)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Oliver McFall (PM)	☐	☐	☐	-	-	-	-	-
Mr. Abdul Razak Al Qassim (PM)	☐	☐	☒	-	-	-	-	-

☐	Attended	☒	Did not attend
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C = Committee Chairman, M = Committee Member, PM= Previous Member

Appointment of New Board in AGM 29<sup>th</sup> March 2017

Directorship changes were executed 2<sup>nd</sup> April 2017

### 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. The board of directors resolved to dissolve this committee and formed a "NBNetco" Board which handles the responsibilities of this committee.

### National Broadband Network (NBN) Founding committee meetings

During the year, the NBN Committee met on 1 occasion 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 in 2017:

Members	10 Jan
Mr. Raed Fakhri (C)	☐
Mr. Arif Rahimi (M)	☐
Mr. Ahmed Al Hujairi (M)	☐

☐	Attended	☒	Did not attend
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C = Committee Chairman, M = Committee Member, PM= Previous Member

Appointment of New Board in AGM 29<sup>th</sup> March 2017

Directorship changes were executed 2<sup>nd</sup> April 2017

### 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.

### 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 29 (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 2017, 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 29 (Directors' Remunerations) of the financial statements for the details of Directors' Remuneration and Committees setting fees.



## CORPORATE GOVERNANCE (CONTINUED)

### 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 29 (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 2017	BHD 84,800
Non-Audit Services Fees for 2017	BHD 39,408

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.