

Corporate Governance

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Corporate Governance in Batelco

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; and in line with the Corporate Governance Code 2018 of the Ministry of Industry, Commerce and Tourism (MOICT). 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 ten principles:

- The Company shall be headed by an effective, qualified and expert Board
- The Directors and Executive Management shall have full loyalty to the Company
- The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law
- The Company shall have effective procedures for appointment, training and evaluation of the Directors
- The Company shall remunerate directors fairly and responsibly
- The Board shall establish a clear and efficient management structure with defined job titles, powers, roles and responsibilities.
- The Company shall communicate with shareholders, encourage their participation, and respect their rights
- The Company shall disclose its Corporate Governance.
- The Board shall ensure the integrity of the financial statements submitted to shareholders by appointing External Auditors.
- The Company shall seek through social responsibility to exercise its role as a good citizen.

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.

The Board of Directors and specialized committees of the Company together with its management undertook measures and ensured that for the year ended 31 December 2018 and to the date of the annual report, Batelco was compliant with the provisions of CBB's Corporate Governance requirements and in line with the Corporate Governance Code 2018 of the Ministry of Industry, Commerce and Tourism (MOICT).

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

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 Governance Officer.

Initiatives in 2018

In compliance with the recent changes in the law, the board have taken the responsibility to delegate the Remuneration, Nomination, Donation and Corporate Governance Committee to review the Corporate Governance Guidelines at least once every two years, or as and when required.

Additionally, the Board has made the decision to appoint Ms. Noor Bukamal as the Corporate Governance Officer to ensure continuous monitoring of Corporate Governance and in order to comply with the Code or any other relevant legislation in the Kingdom of Bahrain. Ms. Bukamal was appointed in December 2018 and has an MA in Human Resources Management.

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 authorized the executive committee to determine the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, along with ensuring effective internal controls and compliance which is handled by the Audit Committee. The Board responsibility is to oversee 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 Specialized Committees 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.

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(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. Batelco appreciates the interaction with the shareholders and the overall responsibility for ensuring that there is effective communication with the investors and to understand the views of major shareholders on matters such as governance and strategy rests with the Board.

Group Board Secretary

The Board is supported by the Board Secretary who provides professional and legal support to the board and its committees. Batelco's Acting Group Board Secretary is Mrs. Noora Sulaibeekh who has taken on this role since October 2018. Mrs. Sulaibeekh joined Batelco in 2015; and has over 10 years of experience in providing legal services, also she is currently the Head of Legal and Regulatory in Batelco. Her qualifications include a Masters in International Law from Paris Sorbonne University- Abu Dhabi.

Ownership Structure

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

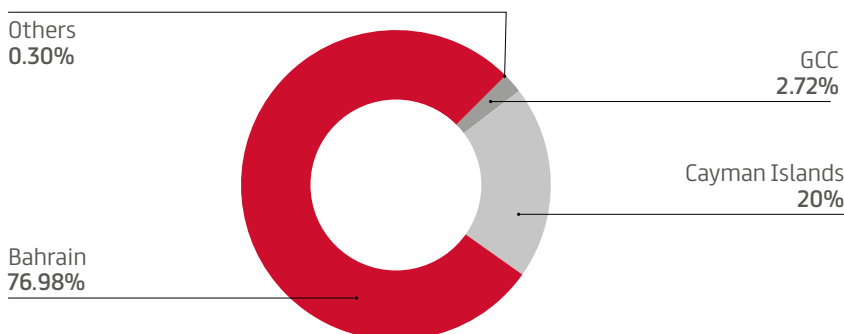
The unique and diversified ownership structure gives Batelco the edge whereby it can seek to pursue the Company's strategies objectively, independently and without bias and as a result aligns interests between Batelco and its shareholders. Below is a detailed statement of ownership as of 31 December 2018.

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	1,280,361,130	76.98%
2 Cayman Islands	332,640,000	20%
3 GCC	45,206,834	2.72%
4 Others	4,992,036	0.30%

Distribution of Shares by Nationality



Corporate Governance

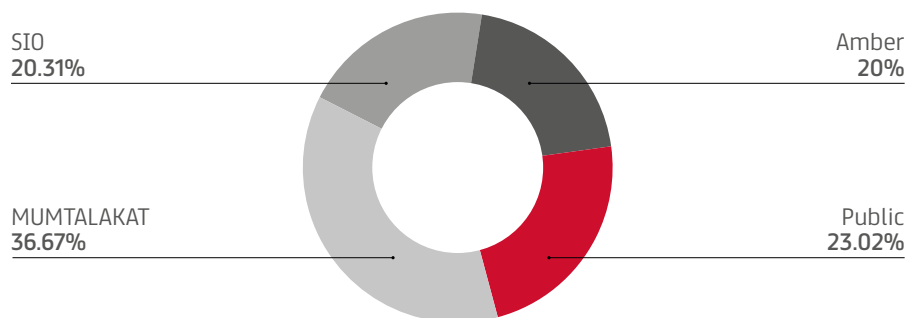
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Ownership Structure by Size

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 Size of Ownership

The table below shows the distribution of Ownership of Batelco shares by Size of Ownership:

Shareholding Amount	Number of Shareholders	Number of shares held	% of shares held
Less than 50,000	10002	31,928,312	1.92%
50,000 to 500,000	631	87,694,138	5.27 %
500,000 to 5,000,000	108	125,177,978	7.53 %
More than 5,000,000	10	1,418,399,572	85.28%

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:

A. Government Entities

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%

B. Directors

Directors	Number of Shares	% of shares held
Abdulrahman Yusuf Fakhro	220,752	0.013%
Ahmed Ateyatalla Al Hujairy	31,470	0.0019%
Arif Haider Rahimi	31,170	0.0019%
Khulood Rashid Al Qattan	30,010	0.0018%
Raed Abdulla Fakhri	3,710	0.0002%

C. Executive Management

Executive Management	Number of Shares	% of shares held
1. Dr. Ghassan Murad	103,950	0.0063%
2. Maha Khaled Yusuf Abdulrahman	115,500	0.0069%

Directors and Senior Management trading during the year 2018

Name	Date of Trading	Number of shares purchased
Abdulrahman Yusuf Fakhro	20 January 2018	50,000

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.

All Board Members Directorships in Committees or any of the Group Subsidiary Board's is reviewed on an annual basis by the Remuneration, Nomination, Donation and Corporate Governance Committee and all changes are approved at a board level. This is to ensure that all directors during their term of directorship are exposed to taking on different roles and responsibilities to which does not affect their independence ultimately.

The Board of the Company comprises of 10 Non Executive Directors, 9 of which are Independent, including the Chairman whose role and responsibilities are separate from the Chief Executive Officer.

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

	Shaikh Abdulla bin Khalifa Al Khalifa Chairman	Mr. Abdulrahman Yusuf Fakhro Deputy Chairman
Appointed by/ Status	Mumtalakat / (Non – Executive Independent)	Social Insurance Organization/ (Non – Executive Independent)
Committee membership	Chairman of the Remuneration, Nomination, Donation and Corporate Governance Committee	Chairman of the Executive Committee Remuneration, Nomination, Donation and Corporate Governance Committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since June 2018. He was appointed on the board on 3rd June 2018 as a non-executive Independent director until the end of the term. • Chief Executive Officer at Osool Asset Management • Started his career at the Arab Banking Corporation B.S.C • Served as Head of Wealth Management at Standard Chartered Bank, Bahrain. • Bachelor of Science in Business Administration from the George Washington University, USA. 	<ul style="list-style-type: none"> • Has been serving on Batelco Board since April 2012. He was re-appointed at the AGM in 2017, as a non-executive Independent director for a period of 3 years. • University of Cairo, Faculty of Commerce.
Years of Experience	Over 20 years of experience.	Over 53 years in the investment and insurance sector.
Board Representation	<ul style="list-style-type: none"> • Chairman of National Broadband Network "NBNetco"(Bahrain) • Chairman of Sure Group Company (UK) • Chairman of SICO Investment Bank • Board Member of Bank of Bahrain and Kuwait • Board Member of Amanat Holding PJSC. 	<ul style="list-style-type: none"> • Chairman of Umniah Mobile and Telephone Company (Jordan) • Deputy Chairman of Dhiraagu Telecommunications Company (Maldives) • Chairman of Bahrain Commercial Facilities Company (BSC) and Yusif bin Yusif Fakhro B.S.C. • Deputy Chairman of Social Insurance organization (SIO) • Deputy Chairman Osool Asset Management • Chairman of Bahrain Marina • Chairman of Amlak.

Corporate Governance
(Continued)**Board Structure (Continued)**

	Mr. Raed Abdulla Fakhri Director	Mrs. Khulood Rashid Al Qattan Director
Appointed by/ Status	Mumtalakat / (Non- Executive Independent)	(Non – Executive Independent)
Committee membership	Executive Committee Deputy Chairman of Remuneration, Nomination, Donation and Corporate Governance Committee	Deputy Chair of Audit Committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since March 2014. He has been re-appointed by the shareholders in the AGM 2017, as a non-executive Independent director in the Board for a period of 3 Years. • Mumtalakat Vice President Investments since March 2013 • Co-founded BDI Partners in 2010 and headed the firm as a Managing Director. • Head of Investment Department in Capivest Investment Bank. • Batelco Senior Manager in New Business Development Unit. • Control Systems Engineer and Project Engineer in Gulf Petrochemical Industries Company (GPIC). • 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. 	<ul style="list-style-type: none"> • Has been serving on Batelco Board since March 2014. 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. • General Manager of Prime Advisory WLL. • She has experience in capital and money market instruments in the local, regional and international markets and also in portfolio management. • Head of Investment Department Bank of Bahrain & Kuwait • Has had experience with ADDax Investment Bank, Abu Dhabi Investment House and Evolvence Capital (Dubai). • Bachelor Degree in Accounting from Ayn Shams University, Cairo.
Years of Experience	Over 24 years of experience in business development and investments.	Over 26 years of experience in banking and investment.
Board Representation	<ul style="list-style-type: none"> • Board Member in National Broadband Network Company "NBNetco" (Bahrain) • Board member of Etihad Atheeb (Saudi Arabia) • Board member in Gulf Air Group • Board member in Investrade • Board member in BDI Partners • Board Member in Cranemere Group • Board Member in Bahrain Duty Free Company 	<ul style="list-style-type: none"> • Board member and Chairperson of Audit Committee in Umniah Mobile and Telephone Company (Jordan) • Board member and Chairperson of the Audit Committee in Dhiraagu Telecommunication Company (Maldives) • Board member in SICO Financial Services Company (SFS) • Board Member in Bahrain Business Woman Society • Member of the Advisory Board for the Master of Accounting and Finance at Applied Science University.

Corporate Governance

(Continued)

Board Structure (Continued)

	Mr. Arif Haider Rahimi Director	Mr. Ahmed Ateyatalla Al Hujairy Director
Appointed by/ Status	(Non- Executive Independent)	(Non- Executive Independent)
Committee membership	Executive Committee	Audit Committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since March 2014. 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. • Managing Partner for the Masar Group of Companies and Director for Venture Projects WLL. • Held the post of Managing Partner of BDO Jawad Habib Consulting, leading their corporate finance consulting division • A Certified Public Accountant, Board of Accountancy, Oregon, USA. 	<ul style="list-style-type: none"> • Has been serving on Batelco Board since March 2014. 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. • Founder and CEO of Gulf Future Business S.P.C. and group of companies. • 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 • Member of the Bahrain Society for Training and Development. • Vice Chairman, Technology Committee. Bahrain Chamber of Commerce and Industry • B.Sc. Electrical Engineering – Telecommunications Major. King Fahad University of Petroleum and Minerals. Dhahran. • He holds an executive MBA (Distinguished Honours) from DePaul University, Chicago, USA.
Years of Experience	Over 27 years of experience in financial services.	Over 35 years of experience in Information Technology and Communications, Business, and Management.
Board Representation	<ul style="list-style-type: none"> • Board member and Chairman of the Audit Committee of Quality Net Company (Kuwait) • Chairman of the Bahrain International Circuit (BIC) • Member in Bahrain Judicial Committee for Stalled Real Estate Projects. 	<ul style="list-style-type: none"> • Deputy Chairman of Quality Net Company (Kuwait).

Corporate Governance
(Continued)**Board Structure (Continued)**

	Mr. Oliver McFall Director	Mr. Jean Christophe Durand Director
Appointed by/ Status	Mumtalakat/ (Non- Executive Dependent)	(Non – Executive Independent)
Committee membership	Chairman of the Audit Committee	Deputy Chairman of the Executive Committee Remuneration, Nomination, Donation and Corporate Governance Committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since March 2014. He was re-appointed at the AGM in 2017 by the shareholders as a non-executive Dependent director in the Board 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. 	<ul style="list-style-type: none"> • He was elected by the shareholders at the AGM in 2017, as a non-executive Independent director in the Board and will hold the post for a period of 3 years. • Chief Executive Officer of National Bank of Bahrain • Previously Global Head of the BNP Paribas MEA (Middle East & Africa) region for Corporate and Institutional Banking and Asset Management for over 15 years • Spent 28 years in Bahrain working with Banque Indosuez and BNP Paribas • Established BNP as one of the key financial institutions in the region of GCC countries and Africa. • Graduated from ESSEC (Ecole Superieure des Sciences Economiques et Commerciales), French Business School in Paris
Years of Experience	More than 32 years of experience in International Management Consulting	More than 37 years of experience in Banking and Finance Sector.
Board Representation	<ul style="list-style-type: none"> • Board member and Chairman of the Audit committee of Sure Group Company (UK) • Board Member in Dhiraagu Telecommunication Company (Maldives) • Advisor to a number of SME's in Denmark 	<ul style="list-style-type: none"> • Board member in Umniah Mobile and Telephone Company (Jordan) • Board member in Gulf Air • Board member in BIBF • Chairman of the French Chamber of Commerce and Industries in Bahrain (FCCIB)

Corporate Governance

(Continued)

Board Structure (Continued)

	R. Adm Yousif Ahmed Malalla AlSabt Director	Shaikh Ali Bin Khalifa AlKhalifa Director
Appointed by/ Status	Amber Holdings (Non-Executive Independent)	Amber Holdings/ (Non – Executive Independent)
Committee membership	Executive Committee	Audit Committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on the Board since May 2017. He was appointed on the 15th May 2017 as a non-executive Independent director in the Board until the end of term. • Assistant Chief of Staff for Logistics & Supplies at the Bahrain Defence Force • Graduated from the Naval war college for Staff course at New Port, RI. USA in 1985. • 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. • Graduated from the Naval Academy in Egypt in 1978. 	<ul style="list-style-type: none"> • Has been serving on Batelco Board since June 2018. He was appointed on the 3rd June 2018 as a non-executive Independent director in the Board until the end of term. • He joined the Bahrain Defense Force in June 1996 and currently holds the rank of Lieutenant Colonel. He has held various positions within the organization • President of Bahrain Football Association • Member of Asian Football Association Executive Committee • Member of the Bahrain Olympic Committee • President of Bahrain Cycling Association • Member of FIFA Competitions Committee. • Graduated with a Bachelor of Science in Mechanical Engineering from The George Washington University, D.C. • Holds a Master Degree in Business Administration from DePaul Graduate programme at the BIBF, Bahrain
Years of Experience	40 years of experience	Over 22 years of experience
Board Representation	<ul style="list-style-type: none"> • Board member and Audit committee member in Umniah Mobile and Telephone Company (Jordan) • Board member and Audit committee member in Quality net Company (Kuwait) • Board Member in National Broadband Network Company “NBNetco” (Bahrain) • Chairman of the Military Consumer and & Economic Association 	<ul style="list-style-type: none"> • Chairman of Quality Net Company (Kuwait) • Deputy Chairman in National Broadband Network Company “NBNetco” (Bahrain) • Board Member in Sure Group Company (UK)

Corporate Governance

(Continued)

Board Structure (Continued)

Previous board members who served in 2018:

	Shaikh Mohamed bin Khalifa Al Khalifa Chairman	Dr. Ahmed Ebrahim Abdulqader Al Balooshi Director
Appointed by/ Status	Mumtalakat / (Non – Executive Independent)	Amber Holdings/ (Non- Executive Independent)
Previous Committee membership	Chairman of the Remuneration, Nomination and Donations Committee	Audit Committee
Qualifications and Experience	<ul style="list-style-type: none"> Has been serving on Batelco Board since 28th 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 in the Board for a period of 3 years. He resigned from his position as Chairman of the Board in June 2018. 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. 	<ul style="list-style-type: none"> Has been serving on Batelco Board since March 2014. He was re-appointed at the AGM in 2017 as a non-executive Independent director in the Board for a period of 3 years. He resigned from his position as a Board Member in June 2018. Founder and 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 Surrey UK, MBA and BSc. from University of Bahrain and is a Certified Public Accountant (CPA) - USA. 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.
Years of Experience	Over 47 years of experience.	29 years of experience

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 executive management
- Preparation and fair presentation of the financial statements in accordance with the applicable financial reporting standards.
- Supervision of 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 **9** times on the following dates.

Board Meeting Attendance in 2018

Members	22 Feb	20 Mar	29 Mar	3 May	5 Jun	4 Jul	19 Jul	1 Nov	6 Dec
Sh. Abdulla Al Khalifa (Chairman)	-	-	-	-	☐	☐	☐	☐	☐
Mr. Abdulrahman Fakhro (Member)	☐	☐	☒	☐	☐	☐	☐	☐	☐
Mr. Raed Fakhri (Member)	☐	☐	☐	☐	☐	☐	☐	☐	☐
Mrs. Khulood Al Qattan (Member)	☒	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Arif Rahimi (Member)	☐	☐	☐	☐	☐	☒	☒	☐	☐
Mr. Ahmed Al Hujairy (Member)	☐	☐	☐	☒	☐	☐	☐	☐	☐
Mr. Oliver McFall (Member)	☐	☐	☐	☐	☒	☐	☐	☐	☐
Mr. Jean Christophe Durand (Member)	☐	☐	☐	☐	☐	☐	☐	☐	☐
R. Adm Yousif Ahmed Al Sabt (Member)	☐	☐	☐	☐	☒	☐	☐	☐	☒
Sh. Ali Al Khalifa (Member)	-	-	-	-	☒	☐	☐	☐	☐
Sh. Mohamed Al Khalifa (Previous Member)	☐	☐	☐	☐	-	-	-	-	-
Dr. Ahmed AlBalooshi (Previous Member)	☐	☒	☐	☐	-	-	-	-	-

☐	Attended	☒	Did not attend
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Appointment of New Board members 3 June 2018

Directorship changes were executed 19 July 2018

Corporate Governance

(Continued)

Major Issues discussed by the Board in 2018

Date	Subject
22 February 2018	<ul style="list-style-type: none"> • 2017 Year-end Financial Performance and Dividend Recommendation • ERP Additional Budget • Organizational Structural Changes • Call Center Additional Headcount • Data Center Additional Budget • Business continuity and information security policies • Global Business Growth Strategy • Approval of 2018 AGM agenda and Board Remuneration • 2017 Staff Bonus approval and 2018 KPI's • Batelco Treasury Shares • Authorized Bank Signatories • Al Waha EDB Fund • Board Travel and Expenses Policy
20 March 2018	<ul style="list-style-type: none"> • Review of Major Potential Projects
29 March 2018	<ul style="list-style-type: none"> • Batelco Treasury Shares • Board Directorship Changes
3 May 2018	<ul style="list-style-type: none"> • Q1 Financial Performance 2018 and Strategy Dashboard • Batelco Pearl Business Case • Licenses Renewal Business Case • Donations Budget Review • Grading Structure – Succession and Progression Planning Framework
5 June 2018	<ul style="list-style-type: none"> • Appointment of Chairman and Deputy Chairman • Batelco Bank Authorized Signatories List • Authorized Signatory
4 July 2018	<ul style="list-style-type: none"> • Review and Discussion of Strategy Proposal
19 July 2018	<ul style="list-style-type: none"> • June and YTD 2018 Performance /Dashboard and Interim Dividend • Kiosk Fraud Insurance claim • Umniah Management Fee discount • Sale of Thuraya shares • External Auditors 2018 fees • Whistleblowing Policy • Revision of Board Charter • Board Directorship Changes • Treasury Shares Offer • Treasury Policies Approval • 2018 KPI's

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(Continued)

Date	Subject
1 November 2018	<ul style="list-style-type: none"> • Q3 financial Performance • Asset Disposal • Pearl Project final approval • Appointment of GM consumer Division • Appointment of Acting Board Secretary • Appointment of Compliance and Risk Management Officer • SIVA STel Settlement Offer • Umniah Jepco JV project • Project Oscar Kuwait • Excess Liquidity Options • Treasury Shares • Treasury Policy • Board of Directors Gift Policy • Corporate Governance Reporting Line
6 December 2018	<ul style="list-style-type: none"> • Batelco 2019 Budget and 5 year Business plan • Donation Financial Authority Matrix • BMIC Limited Directorship changes • Appointment of Corporate Governance Officer

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 and the Nomination from some major shareholders which is filtered through the Remuneration, Nomination, Donation, and Corporate Governance Committee.

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. The appointment letter also clarifies to the directors the importance of their loyalty and commitment to the organization as directors and their liability when it comes to making decision on behalf of the organization. All appointment letters are issued upon any director's joining in the company and the allocation of his/her directorship within the committees or subsidiaries across the group.

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(Continued)

Induction and Training of Directors

The Chairman in conjunction with the Nomination Committee is responsible for ensuring that induction and training programs are provided. The Board Secretary should also take full responsibility to ensuring that all directors are provided with a thorough induction and training upon joining the company and during their term of appointment.

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 senior 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', Directors Individual performance and the performance of Executive Management takes place on an annual basis and is conducted within the terms of reference of the Remuneration and Nomination Committee with the aim of improving the effectiveness of the Board and its Committees, individual contributions and the Company's performance as a whole.

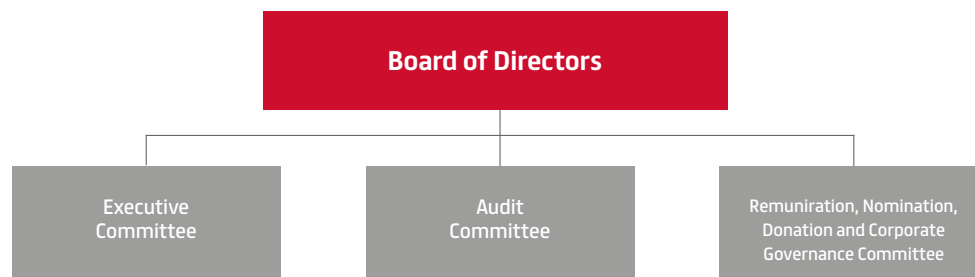
The evaluation is designed to determine whether the Board, its Committees, Individual Directors and Executive Management continue to be capable of providing the high level judgment required and are informed and up to date with the business and its goals and understand the context within which it operates.

All directors have effectively completed their performance evaluations and the next performance evaluation of the Board, its Committees, and the performance of the Directors and Executive Management performance is scheduled for 2019.

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.



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
- Risk recognition and assessment to ensure that the Company's operations, are measured, monitored and controlled by appropriate, effective and prudent risk management systems.
- Assist the Board in the effective discharge of its responsibilities for business, financial, operational, and 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 2019-2023
- Discussion and approval of Key Projects
- Review and Discussion of Risk and Compliance Reports

Executive Committee Meeting Attendance in 2018

Members	4 Feb	19 Feb	17 May	25 Sep	31 Oct	5 Dec
Mr. Abdulrahman Fakhro (Chairman)	☐	☐	☐	☐	☐	☐
Mr. Jean Christophe Durand (Member)	☐	☐	☐	☐	☐	☐
Mr. Raed Fakhri (Member)	☐	☐	☒	☐	☐	☐
Mr. Arif Rahimi (Member)	☐	☐	☐	☎	☐	☐
R.Adm Yousif Ahmed Al Sabt (Member)	☐	☐	☐	☒	☐	☐

☐	Attended	☒	Did not attend	☎	Conference Call
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Appointment of New Board members 3 June 2018

Directorship changes were executed 19 July 2018

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;

Corporate Governance

(Continued)

Audit Committee (continued)

- 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 **5** 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 2018

Members	18 Feb	2 May	18 July	3 Sep	30 Oct
Mr. Oliver McFall (Chairman)	☐	☐	☐	☐	☐
Mrs. Khulood Al Qattan (Member)	☐	☐	☐	☐	☐
Mr. Ahmed Al Hujairy (Member)	☎	☒	☐	☐	☐
Sh. Ali Al Khalifa (Member)	-	-	-	☐	☒
Mr. Ahmed Al Balooshi (Previous Member)	☐	☐	-	-	-

☐	Attended	☒	Did not attend	☎	Conference Call
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Appointment of New Board members 3 June 2018

Directorship changes were executed 19 July 2018

Remuneration, Nomination, Donation, and Corporate Governance Committee

The Remuneration, Nomination, Donation and Corporate Governance Committee is formed to handle the Nomination and Remuneration of Board of Directors and Senior Executives, Donation requests, and all responsibilities of Corporate Governance which has been recently added as part of the committee's responsibilities. The primary duties and responsibilities of this committee are as follows:

- 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.
- Examining 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 and,
- The Committee is also in charge of maintaining sound Corporate Governance across the organization and ensuring that the duties of the Corporate Governance Officer are met according to the standards and laws issued by the regulators i.e. (CBB and MOICT). The Corporate Governance Officer is responsible to report to the committee any non-compliance issues to the laws whilst adhering to disclose to the regulators any of those matters mentioned. And the role of the committee is to primarily supervise the duties of the Corporate Governance Officer and ensures that governance in the organization is applied accordingly.

Corporate Governance

(Continued)

Remuneration, Nomination, Donation, and Corporate Governance 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 Committee 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 Career Development and Succession Planning plan across the Group
- Review and Approval of company performance of staff and executives bonus plan and KPI's across the Group
- Review and Approval of New Grading Structure
- Discussion of Management Remuneration and Retention Plan
- Review and Approval of Board Performance Evaluation and Self-Assessment Results and Board Remuneration
- Discussion and Approval of Board Directorship Changes
- Review and Approval of Board Travel and Expenses Policies.
- Review and Approval of Corporate Governance reporting line and appointment of Corporate Governance Officer
- Review of Batelco's Donation and CSR objectives and plan
- Discussion and Approval on Annual Committed Donations
- Discussion and Approval of Budget and Donation Requests.
- Review of Board Independence

Remuneration, Nomination, Donation, and Corporate Governance Committee Meeting Attendance in 2018

Members	16 Jan	13 Feb	15 Feb	5 Apr	12 Apr	8 Jul	23 Sep	2 Dec
Sh. Abdulla Al Khalifa (Chairman)	-	-	-	-	-	☐	☐	☐
Mr. Raed Fakhri (Member)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Abdulrahman Fakhro (Member)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Jean Christophe Durand (Member)	☐	☐	☐	☐	☐	☐	☐	☐
Sh. Mohamed Al Khalifa (Previous Member)	☐	☐	☐	☐	☐	-	-	-

☐	Attended	☒	Did not attend
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Appointment of New Board members 3 June 2018

Directorship changes were executed 19 July 2018

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.

Corporate Governance (Continued)

Conflict of Interest (Continued)

During the year, the below conflict of interests were declared by the Board members and they have abstained from voting on the below mentioned cases:

#	Date	Meeting	Conflict of Interest Matter	Declared by
1	13 th Feb 2018	Remuneration, Nomination, Donation and Corporate Governance Committee Meeting	Donation Request from Mumtalakat	Mr. Raed Fakhri
2	3 rd May 2018	Board Meeting	Distribution of Ramadhan vouchers	R. Adm. Yousif Al Sabt
3	17 th May 2018	Executive Committee Meeting	Deposit Limits with Islamic Banks	Mr. Jean Christophe Durand
4	19 th July 2018	Board Meeting	Fraud Insurance Claim	Sh. Abdulla Al Khalifa
5	19 th July 2018	Board Meeting	Treasury Shares Offer	Sh. Abdulla Al Khalifa
6	25 th Sep 2018	Executive Committee Meeting	TRA Guarantee	Mr. Jean Christophe Durand
7	1 st Nov 2018	Board Meeting	Treasury Shares	Sh. Abdulla Al Khalifa Mr. Jean Christophe Durand Mrs. Khulood Al Qattan

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

Key Persons Policy

As part of their policies to maintain a fair, orderly and transparent securities market, the Bahrain Bourse and the Central Bank of Bahrain (CBB) enforced the stipulation of "Key Persons' Dealing Policy".

The policy regulates the trading of securities by members of the Board of Directors, Management staff and others persons in the company. The Directors have access to sensitive information that if exposed to the market, may directly or indirectly effect the value or price of the securities.

Batelco insures to adhere to the Key Persons Policy and reports on a regular basis to the CBB and Bahrain Bourse on any irregular activities that may occur from a key person within the company.

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 2018, 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.

Corporate Governance (Continued)

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 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 30 (Directors' Remunerations) of the financial statements for the details of Directors' Remuneration and Committees setting fees.

Remuneration Policy for Executive 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 Remuneration Committee 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 Remuneration Committee 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 Remuneration and Nomination Committee is responsible for administering the employee performance process.

Please refer the note 30 (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 2018	BHD 88,825
Non-Audit Services Fees for 2018	BHD 46,503

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. The Partner In charge of auditing Batelco's Accounts is Mr. Mahesh Balasubramanian, and he has been serving as partner for Batelco for the past 5 years.

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.
Muna Al Hashemi Deputy Group Chief Executive Officer	Oct 2017
Joined Batelco	1990
Previous roles/Experience	Chief Executive Bahrain – Batelco Board Member- Umniah General Manager Consumer Division- Batelco Senior Manager, Mobile Product Marketing and Development- Batelco Senior Manager, Marketing & Branding and Segmentation- Batelco
Qualifications/Achievements	Msc. (Eng.) in Electronics & Communication BSc. (Honours) in Electrical & Electronic Engineering Associated Diploma in Electrical & Electronic Engineering

Corporate Governance

(Continued)

Key Management Personnel (Continued)

Mohamed Bubashait Batelco Bahrain Chief Executive Officer		October 2017
Joined Batelco	1999	
Previous roles/Experience	<ul style="list-style-type: none"> • General Director, Bahrain Telecommunication Regulatory Authority (TRA) • General Manager Products and Services, Bahrain Telecommunications Company (Batelco) • General Manager Networks and IT Strategy, Bahrain Telecommunications Company (Batelco) 	
Qualifications/Achievements	<ul style="list-style-type: none"> • Executive Diploma from Darden Graduate School of Business Administration University of Virginia, USA. • Post Graduate degree, MSc. Information & Communication Technology from Glasgow University. • BSc. MATH & COMPUTER SCIENCE from University of Bahrain. • Certified PRINCE 2, British standard for project management and competent PMP Program Manager. 	
Baha Tuncer Batelco Bahrain Chief Financial Officer		September 2017
Joined Batelco	2017	
Previous roles/Experience	CFO at Vodafone Portugal Head of Finance at Vodafone Group in the UK Head of Finance at Vodafone Turkey CFO at Lifecell Ukraine Director of Corporate Finance Financial Audit for Siemens North America	
Qualifications/Achievements	Bachelor Degree in Business Administration from Bosphorus University, Turkey Financial Executives Programme by Marshall School of Business at University of Southern California Certified Public Accountant (California, USA) and a Chartered Global Management Accountant.	