



Corporate Governance

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Annual Report Disclosures



OVERVIEW

Sound corporate governance principles are the foundation upon which the trust of stakeholders is built. These principles are critical to increasing and maintaining the reputation the Company has established over the period as a company dedicated to excellence in both performance and integrity.

The Board considers that good governance is fundamental to achieving the Company's objectives which is to maximize the shareholder value and deliver satisfaction to the customers of the Company.

We are committed to high standards of corporate governance which is critical to our business integrity and to maintaining investors' trust in us. We expect all our directors, employees and suppliers to act with honesty, integrity and fairness.

While placing the paramount importance to it, the board has ensured that a 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 through the management ensures that the corporate governance framework is embedded in all the activities of the Company and applied consistently throughout.

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.

Not only do the directors endeavor to comply with all the governance requirements of the regulators, but have taken an additional step and have resolved to instigate the best corporate governance practice to maintain the high standards as expected by the stakeholders and preserve the reputation of the Company.

The Board of Directors of the Company together with its management undertook measures and ensured that for the year ended 31 December 2012 and to the date of the annual report, Batelco was compliant with the provisions of CBB's Corporate Governance requirements.

As stipulated by the Central Bank of Bahrain ("CBB") and the Ministry of Industry and Commerce ("MOIC"), the framework for an efficient corporate governance for Batelco has already been set and practiced within the Corporate Governance Guidelines.

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 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 and 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.

CEO'S STATEMENT

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

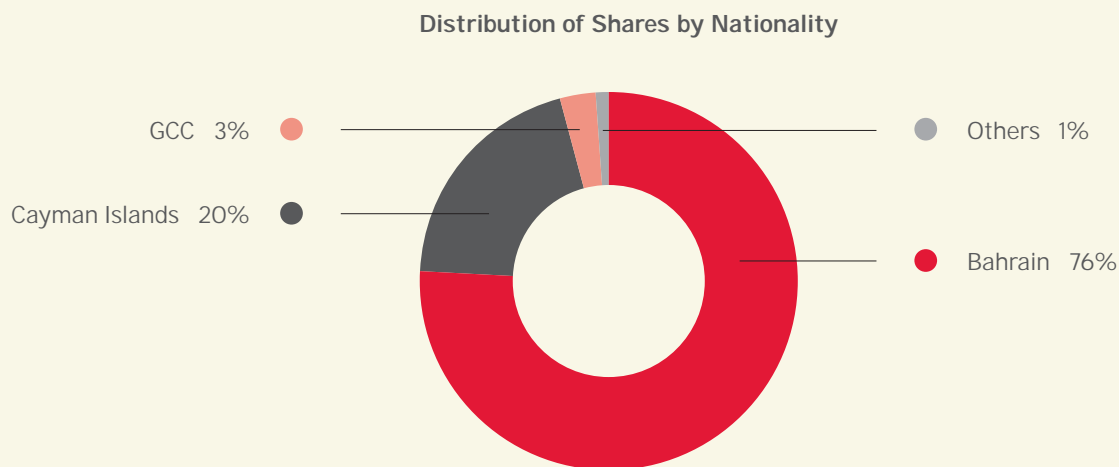
Please refer to note 4 of the Financial Statements for further details.

OWNERSHIP STRUCTURE

Batelco’s principle shareholders include institutional investors, SWFs 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:

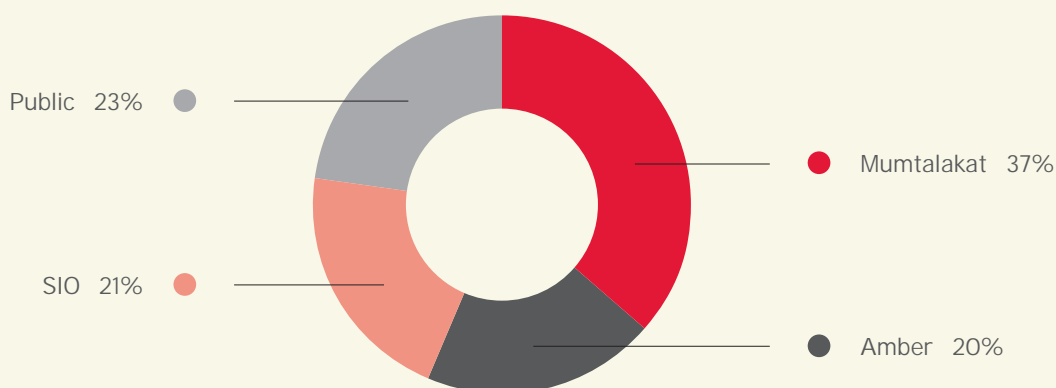
Nationality	Number of Shares	% of shares held
1 Bahrain	1,100,559,212	76%
2 Cayman Islands	288,000,000	20%
3 GCC	47,967,705	3%
4 Others	3,473,083	1%

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	528,000,000	36.67%
2 Amber Holding Company	288,000,000	20%
3 Social Insurance Organization	296,098,447	20.56%
4 Public	327,901,553	22.77%

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:

Govt Entity(ies)	Number of Shares	% of shares held
1 Mumtalakat Holding Company	528,000,000	36.67%
2 Amber Holding Company	288,000,000	20%
3 Social Insurance Organization	296,098,447	20.56%

Directors	Number of Shares	% of shares held
1 Murad Ali Murad	2,766,127	0.192%
2 Adel Hussain Al Maskati	249,160	0.017%
3 Abdul Razak Al Qassim	500,274	0.035%
4 Ali Yousif Engineer	385,200	0.027%
5 Abdul Rahman Fakhro	104,547	0.007%

Executive Management	Number of Shares	% of shares held
1 Peter Kaliaropoulos	9,180	0.001%
2 Ghassan Murad	90,000	0.006%

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.

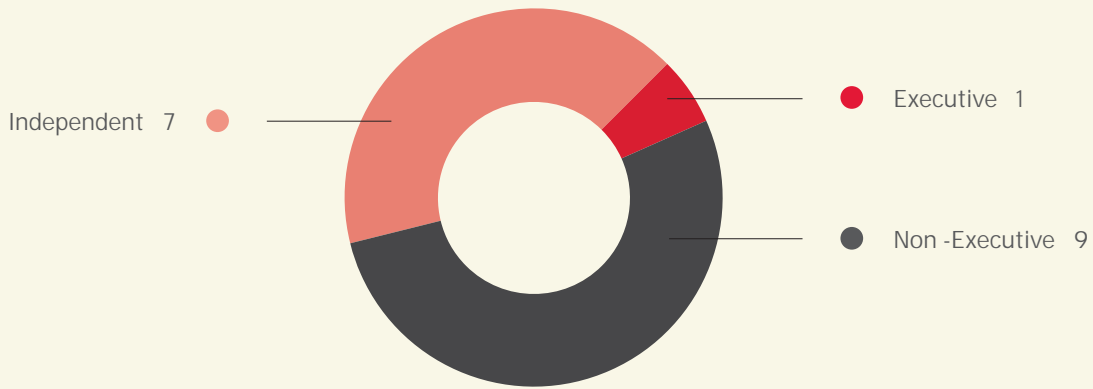
The Board of Directors of the Company is accountable to shareholders for the proper conduct of the business and also for ensuring the effectiveness of and reporting on the corporate governance framework in place.

The Board of Company comprises of 10 Directors.

In addition to the Chairman whose role and responsibilities are separate from the Chief Executive Officer, there is 1 Executive Director and 8 Non-Executive Directors, 7 of which are Independent.

Status of Executive, Non- Executive Directors and Independent Directors as at year end 2012

Status of Executive, Non- Executive Directors and Independent Directors as at year end 2012



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



Shaikh Hamad bin Abdulla Al Khalifa
(Independent) – Chairman

Brief History / Biography

Shaikh Hamad bin Abdulla Al Khalifa obtained a Bachelor degree in Aeronautic Science from the University of King Faisal in 1976 and an MBA in the same field from the US in 1985. He was a founder of the Bahraini Royal Air Force and became the commander of the Royal Air Force before he retired in 2003. He has been a member of the TRA Board till his appointment to the new post. He enjoys a wealth of experience, knowledge and professionalism in the business sector

Term of Office

Shaikh Hamad was appointed by the shareholders in the AGM in 2011, as a Non-Executive Independent Director in the Board in 02/2011 for a period of 3 Years. Shaikh Hamad has been serving on the Board since 09/2006

Business Title & Professional experience in years

Chairman of Batelco Board of Directors
36 Years

Committee Membership

Nomination and Remuneration Committee
Donations Committee



Mr. Murad Ali Murad
(Independent) – Deputy Chairman

Brief History / Biography

Mr. Murad Ali Murad holds a degree from the Chartered Institute of Management Accountants (CIMA), UK and is a fellow member of the institute since 1993. Mr. Murad has over 40 years of experience in the fields of Banking and Finance. He is the Chairman of BBK since 2002 till today and has held the position of CEO of BBK from 1987 till 2002. In addition, he has held the chairmanship of BBK's wholly owned subsidiaries by the Bank. In addition, Mr. Murad also holds a number of memberships in Community Service Societies such as Chairman of Human Resources Development Fund in Banking Sector since 2004 and Member of Council of Vocational Training in Banking Sector – Bahrain Institute of Banking and Finance since 1987. Mr. Murad has a special interest in the fields of banking, finance, economics, and technology.

Term of Office

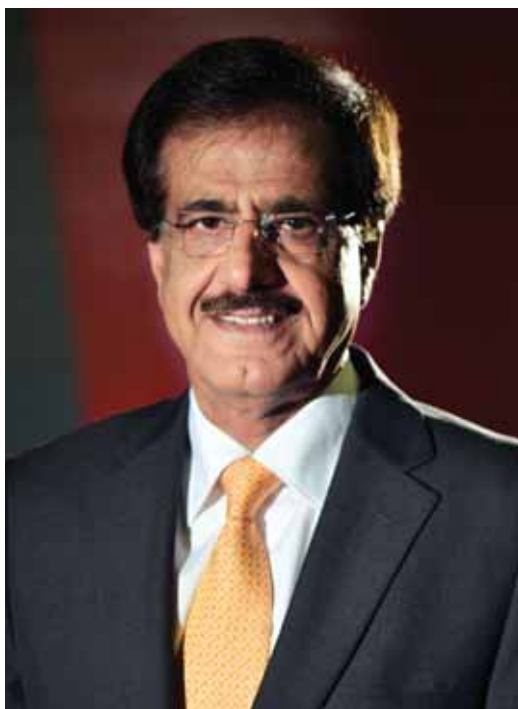
Mr. Murad was elected by the shareholders in the AGM in 2011, as a Non-Executive Independent Director in the Board in 02/2011 for a period of 3 Years. Mr. Murad has been serving on the Board since 03/1990

Business Title & Professional experience in years

Chairman of Bank of Bahrain & Kuwait
41 Years

Committee Membership

Audit Committee
Nomination and Remuneration Committee



Mr. Abdul Razak Abdulla Al Qassim
(Independent) – Director

**Brief History /
Biography**

Mr. Abdul Razak Abdulla Al Qassim holds a Master's degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology, USA). Mr. Al Qassim joined NBB in 1977 after nine years with Chase Manhattan Bank and Standard Chartered Bank. Chairman of Benefit Company; Chairman of Board of Trustee of Ahlia University; Deputy Chairman of Eskan Bank; Deputy Chairman and Chairman of Executive Committee of Oasis Capital Bank B.S.C; Deputy Chairman and Chairman of Executive Committee of the Arab Academy for Education and Research; Board Member and Chairman of Executive Committee of Bahrain Telecommunication Company; Board Member of Umniah; Member of the Board of the Crown Prince International Scholarship Programme. He assumed his present position in 2008.

Term of Office

Mr. Al Qassim was elected by the shareholders in the AGM in 2011, as a Non-Executive Independent Director in the Board in 02/2011 for a period of 3 Years.
Mr. Al Qassim has been serving on the Board since 02/2008

**Business Title
& Professional
experience in years**

Chief Executive Officer and Managing Director of National Bank of Bahrain
35 Years

**Committee
Membership**

Executive Committee
Donations Committee
Nomination and Remuneration Committee



Dr. Zakaria Ahmed Hejres
(Independent) – Director

**Brief History /
Biography**

Dr. Zakaria Ahmed Hejres holds a Ph.D. in Economic Development from the University of Durham, United Kingdom. He also obtained a Master's Degree in Economic Development from the University of Strathclyde, Scotland, United Kingdom in 1985. His postgraduate Diploma was in Economic and Social Planning from the University of Wales, Swansea, United Kingdom with a Bachelor's Degree in Sociology from the University of Alexandria in Egypt.

Dr. Hejres past work experience includes being a Director of Economic Planning, and the Assistant Undersecretary for Economic Affairs in the Ministry of Finance and National Economy. Dr. Hejres also held the position of Deputy Chief Executive in the Economic Development Board (EDB) for six years from October 2003 until October 2009.

Term of Office

Dr. Hejres was appointed by the shareholders in the AGM in 2011, as a Non-Executive Independent Director in the Board in 02/2011 for a period of 3 Years.
Dr. Hejres has been serving on the Board since 01/2004

**Business Title
& Professional
experience in years**

Owner of FYI-C Consultancy
31 Years

**Committee
Membership**

Executive Committee



Mr. Nedhal Saleh Al-Aujan
(Independent) – Director

Brief History / Biography

Mr. Nedhal Saleh Al-Aujan is a career banker with an extensive experience of 29 years in all the facets of banking and held senior positions in different domestic and international banks. He joined Bahrain Development Bank in 2000 and became the Chief Executive Officer of the Bank in 2007. Mr. Al-Aujan served as a Chairman of Gulf Diabetes Center and Arabian Taxi Company as well as member of the Board of Directors in Venture Capital Bank, Retail Arabia (Geant) and Gulf Membrane & Coating Industries WLL.

Term of Office

Mr. Al-Aujan was appointed by the shareholders in the AGM in 2011, as a Non-Executive Independent Director in the Board in 02/2011 for a period of 3 Years.
Mr. Al-Aujan has been serving on the Board since 01/2004

Business Title & Professional experience in years

Chief Executive Officer of Bahrain Development Bank
30 Years

Committee Membership

Executive Committee



Mr. Adel Hussain Al Maskati
(Independent) – Director

Brief History / Biography

Mr. Adel Hussain Al Maskati holds a Master's degree in Engineering since 1977. Mr. Al Maskati worked in the Oil Industry from 1978 to 1993. Mr. Al Maskati joined Maskati Commercial Services in 1993, a company that manages manufacturing plants, trades in industrial products and manages investment portfolios. He served on the Board of Directors and Board Committees in Bahrain Petroleum Co (Bapco), Bahrain Tourism Co BSC, United Packaging Industries Co BSC (c), Abu Dhabi Paper Mill Co, Bahrain Chamber Of Commerce and Industry, Labor Market Regulatory Authority, Bahrain Economic Development Board, Gulf Air and National Health Regulatory Authority.

Term of Office

Mr. Al Maskati was elected by the shareholders in the AGM in 2011, as a Non-Executive Independent Director in the Board in 02/2011 for a period of 3 Years.
Mr. Al Maskati has been serving on the Board since 02/2005

Business Title & Professional experience in years

Managing Director, Maskati Commercial Services BSC ©,
35 Years

Committee Membership

Audit Committee



Mr. Waleed Ahmed Al Khajah
(Executive) – Director

**Brief History /
Biography**

Mr. Waleed Ahmed Al Khajah obtained a Bachelor degree in Business Administration from North Texas State University in 1985. He joined SIO in 2005 after 19 years with Ministry of Finance. Mr. Al Khajah served on the Board of Directors and Board Committees in Bahrain Tourism Co BSC, Seef Properties and AMAK & Sons. He enjoys a wealth of experience, knowledge and professionalism in the business sector

Term of Office

Mr. Al Kahajah was appointed by the shareholders in the AGM in 2011, as an Executive Director in the Board in 02/2011 for a period of 3 Years.

Mr. Al Khajah has been serving on the Board since 04/2007

**Business Title
& Professional
experience in years**

Executive Director in SIO

27 Years

**Committee
Membership**

Executive Committee



Mr. Ali Yousif Engineer
(Independent) – Director

**Brief History /
Biography**

Mr. Ali Yousif Engineer obtained a Bachelor degree in Business Administration from United Kingdom in 1967. Mr. Engineer has been chairing board of a number of family owned business and establishments. Board member of TRAFCO and Vice Chairman of Arabian Taxi Company. He enjoys a wealth of experience, knowledge and professionalism in the business sector.

Term of Office

Mr. Engineer was elected by the shareholders in the AGM in 2011, as a Non-Executive Independent Director in the Board in 02/2011 for a period of 3 Years.

Mr. Engineer has been serving on the Board since 02/2008

**Business Title
& Professional
experience in years**

Chairman of several family owned business.

45 Years

**Committee
Membership**

Audit Committee
Nomination and Remuneration Committee



Mr. Abdulrahman Yusif Fakhro
(Dependent) – Director

Brief History / Biography

Mr. Abdulrahman Yusif Fakhro studied commerce at the University of Cairo. Mr. Fakhro has served on the board of various companies including Bahrain Kuwait Insurance Company (BSC), BMMI, National Motors, Bahrain Flour Mills and Seef Properties (BSC). He is also a member of the Board of Directors of the SIO, Innovest (BSC) and American Mission Hospital. He has more than 47 years experience in the business, investment and insurance sector.

Term of Office

Mr. Fakhro was nominated by the Social Insurance Organisation (SIO) as their representative on the Batelco Board of Directors. He was appointed by the Board of Directors as a Non-Executive Dependant Director for the remaining term of his predecessor. Mr. Fakhro has been serving on the Board since 04/2012

Business Title & Professional experience in years

Chairman of Bahrain Commercial Facilities Company (BSC) and Yusif bin Yusif Fakhro Group of Companies.
47 Years

Committee Membership

Nomination and Remuneration Committee



Brigadier Khalid Mohammed Al Mannaai
(Dependent) – Director

Brief History / Biography

Brigadier Khalid Mohammed Al Mannaai holds a Master's degree in Business Administration from Sheffield Hallam University (UK) and National Diploma in MIS from Sheffield Hallam University (UK). Brigadier Al Mannaai joined the Military Pension Fund in February 2011 after 30 years of experience with the Bahrain Defense Force. He is one of the founders of GCC Expanded Pension Coverage Committee, Board member at SIO, Board member of Naseej Company and member of the Board of Directors of Asool (Assets Management Company).

Term of Office

Brigadier Al Mannaai was nominated by Amber Holding Company as their representative on the Batelco Board of Directors. He was appointed by the Board of Directors as a Non-Executive Dependant Director for the remaining term of his predecessor. Brigadier Al Mannaai has been serving on the Board since 08/2012

Business Title & Professional experience in years

General Manager of Military Pension Fund
33 Years

Committee Membership

TBD

MANDATE OF THE BOARD

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

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

BOARD MEETINGS

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

During the year, the Board of Directors met for 12 times on following dates and discussed the below mentioned significant items. The Board agreed not to consider the first two non attendance by any director due to the volume of meetings.

The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
05/01/2012	Re-instatement of dismissed employees JV short term financing	Update Approved
23/01/2012	2011 end of year Financials Recommendation to AGM Revised Group Plan 2012 Review of NRC Self Assessment Results	Approved Approved Approved Approved
13/02/2012	STel Operations	Update
22/02/2012	Appointment of Committees' members and Boards' members of Subsidiaries Merging the Regulatory Committee with Executive Committee M&A Update	Approved Approved Update
26/04/2012	Q1 2012 Group Financial Performance New Policies Appointment of new Director in Board and Committee	Approved Approved Approved
10/05/2012	Acquisition (Update) Appointment of an Internal Consultant for Business Transformation (Dr. Dashkouni excused himself from the meeting due to conflict of interest) Acceptance of Board Member Resignation	Update Approved Approved
13/06/2012	Acquisition (Update) Appointment of an External Consultant for Business Transformation	Update Approved
26/07/2012	Second Quarter Financials Acquisition (Update)	Approved Approved
18/10/2012	STel Update Ratification of appointment of new Board Member	Update Approved
23/10/2012	Third Quarter Financials Restructuring of Board Committees and JVs Board Membership New M&A	Approved Approved Update
29/11/2012	New M&A	Approved
03/12/2012	New M&A Funding Group Strategy and Three years Group Business Plan	Discussed Approved

The members of the Board during the year 2012, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Sh. Hamad bin Abdulla Al Khalifa	Non- Executive	12	12/12
Mr. Murad Ali Murad	Non-Executive	12	11/12
Mr. Abdul Razak Abdulla Al Qassim	Non-Executive	12	10/12
Dr. Zakaria Ahmed Hejres	Non-Executive	12	10/12
Mr. Nedhal Saleh Al-Aujan	Non-Executive	12	11/12
Mr. Adel Hussain Al Maskati	Non-Executive	12	12/12
Mr. Waleed Ahmed Al Khajah	Executive	12	11/12
Mr. Ali Yousif Engineer	Non-Executive	12	11/12
Mr. Abdulrahman Yusif Fakhro	Non-Executive (Dependant)	8	8/8 Appointed after the 4th meeting
Brigadier Khalid Mohammed Al Mannaei	Non-Executive (Dependant)	4	3/4 Appointed after the 8th meeting
Dr. Yousif Ahmed Dashkouni	Non-Executive	6	6/6 Resigned after the 6th meeting

Dr. Yousif Ahmed Dashkouni was a Board member and served as Board member till his new appointment as Group GM on 1 June 2012.

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 NRC.

Currently, the size of the Board of the Company is 10 Directors.

All of the current Directors of the Company were appointed and elected at Annual General Meeting of Shareholders for a three year term that will expire at the 2014 Annual General Meeting of Shareholders.

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 Nomination and Remuneration Committee (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

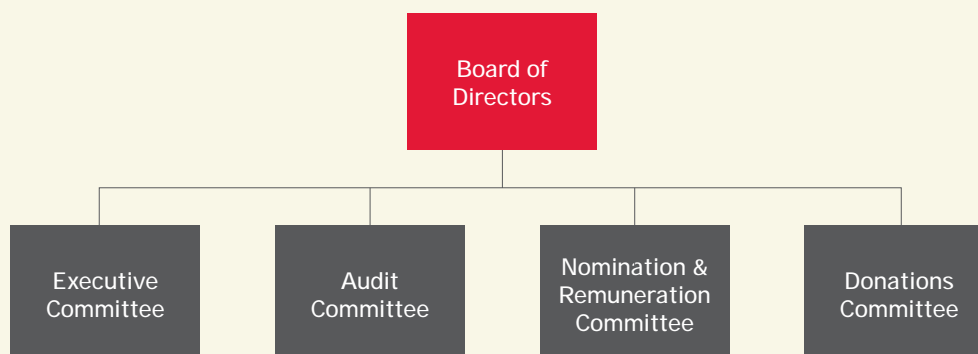
Performance evaluation of the Board, Board Committees' individual Directors and executive management takes place on an annual basis and is conducted within the terms of reference of the NRC with the aim of improving the effectiveness of the Board and its Committees, individual contributions and the Company's 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 2013.

BOARD COMMITTEES STRUCTURE

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



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

EXECUTIVE COMMITTEE

The Executive Committee 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 for 8 times on 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:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
20/02/2012	Financial & Business Performance M&A Project JV Performance Dividends & Appropriation Policy	Approved Submitted to Board Update Needs further Discussion
22/03/2012	ATHEEB Funding M&A Project Group Financial Performance Sabafone Financials	Approved Needs further Discussion Approved Approved
25/04/2012	Group Financial Performance Dividends & Appropriation Policy Update of Key Persons Policy JV Performance	Approved Submitted to Board Submitted to Board Update
15/05/2012	Group Financial Performance M&A Project Privacy Policy JV Performance	Approved Update Submitted to Board Update
20/06/2012	Group Financial Performance Revised Capex Budget JV Performance	Approved Update Needs further Discussion
22/07/2012	Group Financial Performance Bank Authorization Signatories JV Performance	Approved Approved Update
26/09/2012	Group Financial Performance M&A Project JV Performance	Approved Submitted to Board Update
02/12/2012	Group Financial Performance	Approved

The members of the Executive Committee during the year 2012, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Mr. Abdul Razak Abdulla Al Qassim	Non-Executive	8	7/8
Dr. Zakaria Ahmed Hejres	Non-Executive	8	7/8
Mr. Nedhal Saleh Al-Aujan	Non-Executive	8	8/8
Mr. Waleed Ahmed Al Khajah	Executive	7	6/7 Transferred to Executive Committee after the 1st meeting
Sh. Mohamed bin Isa Al Khalifa	Management	8	8/8



EXECUTIVE COMMITTEE MEMBERS (from left to right)

Mr. Abdul Razak Abdulla Al Qassim, Dr. Zakaria Ahmed Hejres, Mr. Nedhal Saleh Al-Aujan, Mr. Waleed Ahmed Al Khajah, Sh. Mohamed bin Isa Al Khalifa

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 for 4 times on 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:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
22/01/2012	2011 Group Financials Nomination of External Auditor Internal Audit Plan Compliance with Corporate Governance Code	Reviewed and Submitted to Board Submitted to Board Approved Update
25/04/2012	Q1 Group Financials Impairment Report of JVs Internal Audit and Compliance Update	Reviewed and Submitted to Board Noted Noted
24/07/2012	H1 Group Financials Internal Audit and Compliance Report	Approved Noted
22/10/2012	Q3 Group Financials Internal Audit and Compliance Report Bidding for Impairment process Bidding for External Auditor	Approved Noted Approved Approved

The members of the Audit Committee during the year 2012, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Mr. Murad Ali Murad	Non-Executive	4	4/4
Mr. Adel Hussain Al Maskati	Non-Executive	4	4/4
Mr. Waleed Ahmed Al Khajah	Executive	1	1/1 Transferred to Executive Committee after the 1st meeting
Mr. Ali Yousif Engineer	Non-Executive	4	4/4
Dr. Yousif Ahmed Dashkouni	Non-Executive	2	2/2 Resigned after the 2nd meeting

**AUDIT COMMITTEE MEMBERS (from left to right)**

Mr. Murad Ali Murad, Mr. Adel Hussain Al Maskati, Mr. Waleed Ahmed Al Khajah, Mr. Ali Yousif Engineer
Dr. Yousif Ahmed Dashkouni,

NOMINATION AND REMUNERATION COMMITTEE (NRC)

The NRC's 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.

NRC MEETINGS

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

During the year, the NRC met for 9 times on 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:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
21/01/2012	Directors' Remuneration Batelco Group and Bahrain Incentives Directors Self Assessment	Submitted to Board Approved Deferred to next meeting
08/02/2012	Directors Self Assessment Compliance with Corporate Governance Code	Approved / NRC Submitted to Board Discussed
22/03/2012	Nomination of new Board Member representing SIO	Needs further Discussions
18/04/2012	Confirmation of New Board Member Nomination New Group GM Position	Submitted to Board Needs further Discussions
26/04/2012	Recommendation to the Board of Internal Consultancy Agreement for Business Transformation	Submitted to Board
14/08/2012	Nomination of New Board Member representing Amber Holdings	Submitted to Board
02/10/2012	JV CEO Contract New Labor Law Succession Planning Transformation Program	Approved Discussed Deferred to next meeting Deferred to next meeting
18/10/2012	Succession Planning Transformation Program	Update in 2013 Update
09/12/2012	Structure of Group, Bahrain and Umniah	Approved

The members of the NRC during the year 2012, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Sh. Hamad bin Abdulla Al Khalifa	Non- Executive	9	9/9
Mr. Murad Ali Murad	Non-Executive	9	9/9
Mr. Abdul Razak Abdulla Al Qassim	Non-Executive	9	9/9
Mr. Ali Yousif Engineer	Non-Executive	9	8/9
Mr. Abdulrahman Yusif Fakhro	Non-Executive (Dependant)	5	4/5 Appointed after the 4th meeting



NOMINATION AND REMUNERATION COMMITTEE MEMBERS (from left to right)

Sh. Hamad bin Abdulla Al Khalifa, Mr. Murad Ali Murad, Mr. Abdul Razak Abdulla Al Qassim, Mr. Ali Yousif Engineer, Mr. Abdulrahman Yusif Fakhro

DONATIONS COMMITTEE

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

DONATIONS COMMITTEE MEETINGS

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

During the year, the Donations Committee met for 4 times on 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:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
13/02/2012	Review of Donations requests Review of Donation Policy	Approved as per the policy Needs further Discussion
27/05/2012	Review of Donations requests Review of Donation Policy	Approved as per the policy Needs further Discussion
24/09/2012	Donation Policy Approval of Donations requests	Submitted to Board Approved as per the policy
18/10/2012	Review of Donations requests	Approved as per the policy

The members of the Donations Committee during the year 2012, together with a record of their attendance at meetings which they were eligible to attend, are set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Sh. Hamad bin Abdulla Al Khalifa	Non- Executive	4	4/4
Mr. Abdul Razak Abdulla Al Qassim	Non-Executive	4	4/4
Mr. Ali Yousif Engineer	Non-Executive	1	1/1 Appointed after the 3rd meeting
Dr. Yousif Ahmed Dashkouni	Non-Executive	2	2/2 Resigned after the 2nd meeting



DONATIONS COMMITTEE MEMBERS (from left to right)

Sh. Hamad bin Abdulla Al Khalifa, Mr. Abdul Razak Abdulla Al Qassim, Mr. Ali Yousif Engineer, Dr. Yousif Ahmed Dashkouni

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

INTERNAL CONTROLS

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

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

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

Throughout the year ended 31st December 2012, and to date, the Company has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations.

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

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

REMUNERATION POLICY FOR DIRECTORS

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

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

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

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

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

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

REMUNERATION POLICY FOR MANAGEMENT

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

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

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

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

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

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

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

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

STOCK OPTIONS AND PERFORMANCE LINKED INCENTIVES FOR EXECUTIVES

(Not Applicable to Batelco)

AUDITORS

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

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

Audit Fees for 2012	BD 49,250
Non-Audit Services Fees for 2012	BD 9,083

KPMG Fakhro have 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.

There are no contractual obligations restricting the Company's choice of external auditor. 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.

KEY MANAGEMENT PERSONNEL



Shaikh Mohamed bin Isa Al Khalifa Group Chief Executive	2011
Joined Batelco	Deputy Chairman of Batelco Board of Directors 2004-2011
Previous roles/Experience	<p>Social Insurance Organisation – CEO General Organisation Social Insurance (GOSI) – Director General GOSI – Director Finance & Investment Department Represented SIO as:-</p> <ul style="list-style-type: none"> • SICO Chairman • Batelco Vice Chairman • BBK Vice Chairman • Bahrain International Golf Course Company Vice Chairman • Bahrain Commercial Facilities Company Board Director
Qualifications/Achievements	University of Texas, Austin, US - BA Business Administration



Marco Regnier Group Chief Financial Officer	2012
Joined Batelco	2012
Previous roles/Experience	<p>Dubai Holding / EITL - CFO, Tunisia Telecom Wataniya Telecom - CFO, Nedjma Algeria du (EITC) - Management Consultant (Start-up) TIW / Vodafone - Finance Director, Czech Republic TIW (Nasdaq/NYSE) - Interim Finance Director, Brazil Suny / Escem University - Professor / Lecturer E&Y – Manager Advisory Services Exxon Mobil Corp (ESSO Canada) – Financial Analyst</p>
Qualifications/Achievements	<p>ESG Montreal Canada - MBA Canadian Institute of Chartered Accounts - CPA/CA ESG Montreal Canada - Bachelor of Accounting Sciences (BSc) College Edouard Monpetit - Degree Business Administration</p>



Peter Kaliaropoulos CEO Strategic Assignments	2011
Joined Batelco	2005
Previous roles/Experience	<p>Batelco Group CEO SingTel Optus Business (Australia) MD Telstra (Australia) MD Clear (New Zealand) CEO StarHub (Singapore) COO/SVP BT Asia Pacific (Singapore & Australia) Director Sales & Services</p>
Qualifications/Achievements	<p>Macquarie University, Sydney, Australia – MBA University of NSW, Sydney, Australia – Bachelor of Electrical Engineering</p>



Rashid Abdulla Chief Executive Batelco Bahrain	2011
Joined Batelco	1974 (Cable & Wireless)
Previous roles/Experience	Qualitynet, Managing Director 2000 – 2010 General Manager Major Accounts General Manager New Business Development
Qualifications/Achievements	Thames Polytechnic, UK – BSc (hons) Electrical & Electronics Engineering



Dr. Ghassan Murad Chief Financial Officer Bahrain	2010
Joined Batelco	1996
Previous roles/Experience	Batelco Head of Mergers & Acquisitions for MENA University of Leicester Research Associate
Qualifications/Achievements	University of Leicester, UK – PhD Control Systems Theory Imperial College of Science, Technology & Medicine, London, UK <ul style="list-style-type: none"> • MSc in Control Systems theory • BSc Control Engineering



Ihab Hinnawi Umniah Chief Executive Officer	2009
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Enterprise Division General Manager Batelco Jordan CEO Umniah Operations Director (2004-2007)
Qualifications/Achievements	BA Business Administration



Faisal Qamhiyah Umniah Chief Financial Officer	2012
Joined Batelco	2012
Previous roles/Experience	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.



Ahmed Al Janahi GM Corporate Affairs & Batelco Group Board Secretary	2004
Joined Batelco	2003
Previous roles/Experience	Gulf Air Public Relations Manager World Travel Service – Asst. General Manager Arab Exchange – General Manager
Qualifications/Achievements	American College, Atlanta, US – BA Business Administration



Shaikh Ahmed bin Khalifa Al Khalifa Group GM HR & Development	2008
Joined Batelco	1997
Previous roles/Experience	Batelco Bahrain General Manager HR Bahrain Batelco Bahrain Senior Manager Employee Retention
Qualifications/Achievements	University of Virginia, US, Darden School of Business – Executive Development Programme University of Glamorgan, Wales, UK – Masters of Business Administration information and Business Systems Technology – Diploma KLM Aviation College, Netherlands – Aviation Engineering Certificate



Bernadette Baynie Batelco Group General Counsel	2008
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Senior Commercial Legal Counsel National Australia Bank Limited – Head of Legal and Compliance National Australia Bank Limited – Principal Counsel
Qualifications/Achievements	Bachelor of Laws – Sydney University



Ali Sharif Group Chief Internal Auditor	2010
Joined Batelco	1989
Previous roles/Experience	Chief Internal Auditor Internal Audit Manager
Qualifications/Achievements	CIA (USA) CISA (USA) St. Edwards University, Austin, Texas, US- BA Finance (Hons)