



CORPORATE GOVERNANCE GUIDELINES



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1. Introduction

- 1.1 The Board of Directors ("the Board") of the Bahrain Telecommunications Company B.S.C. ("Batelco" or "the Company") has resolved to adopt this Corporate Governance Guidelines document which outlines the key corporate governance principles of the Central Bank of Bahrain ("CBB") Rulebook Volume 6 High Level Controls Module ("HC Module") and the Corporate Governance Code ("the Code") issued by the Bahrain Ministry of Industry and Commerce ("MOIC").
- 1.2 The policies and practices set out in this Corporate Governance Guidelines document are intended to provide a framework for the efficient corporate governance of Batelco. Batelco shall comply with the principles and themes outlined in this document. The Board shall investigate any non-compliance or deviations from this document.
- 1.3 The Executive Committee of the Board shall 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.
- 1.4 To obtain further clarity on the Board and Board Committees roles and responsibilities with respect to corporate governance, this document should be read in conjunction with the Board and Board Committee Charters.
- 1.5 If any shareholder of the Company would like to see the full corporate governance guidelines of the Company, the concerned shareholder should contact the Corporate Secretary.

2. Background

- 2.1 The Bahrain MOIC issued a Corporate Governance Code in 2010 outlining key corporate governance principles. The Code applies to all joint stock companies incorporated under the Bahrain Commercial Companies Law and the Code has been enforced since January 1, 2011.
- 2.2 Simultaneously, the CBB issued a revised HC Module in the CBB's Rulebook Volume 6 in July 2011 which presents the requirements that have to be met by listed companies and commercial market service providers with respect to:
 - The corporate governance principles issued by the MOIC in the Code; and
 - Best practice corporate governance principles in line with the recommendations of International Organization of Securities Commission (IOSCO) and the Organization for Economic Cooperation and Development (OECD).
- 2.3 The aforementioned corporate governance laws and guidelines are relevant to Batelco and Batelco is actively revising its corporate governance framework to ensure compliance with these laws and guidelines.

3. Batelco and Corporate Governance

- 3.1 Batelco is committed to principle-based, value-driven corporate governance. The key elements of Batelco's corporate governance goals are good governance, transparency, integrity, performance, and conformance.
- 3.2 Batelco's commitment to achieving the highest standards of corporate governance is reflected by its approach which embraces the governance principles outlined by the CBB and the MOIC.
- 3.3 Batelco's Board of Directors maintains an effective oversight of organisational performance and conformance by regularly monitoring key business activities and providing directives to business through Board Committees.



4. Principle 1: Batelco will be headed by an effective, collegial, and informed Board.

The Board of Directors

4.1 The Board is responsible for establishing and promoting Batelco's business and organisational objectives. The Board oversees Batelco's business affairs and integrity, works with management to determine Batelco's mission and long-term strategy, and exercises direct oversight over the strategic risks to Batelco.

The Board's roles and responsibilities

4.2 All directors on the Board shall understand the Board's roles and responsibilities under the Bahrain Commercial Companies Law or any other laws or regulations that may govern their responsibilities from time-to-time.

4.3 In particular, all directors shall understand:

- The Board's role as distinct from the role of the shareholders; and the role of officers; and
- The Board's fiduciary duties of care and loyalty to Batelco and its shareholders.

4.4 The Board shall comply with the roles and responsibilities as identified in the HC Module Section 1.2.

Decision making process

4.5 The Board shall be collegial and deliberative, to gain the benefit of each individual director's judgment and experience and shall comply with the decision making requirements of HC Module Section 1.3.

Independence of judgment

4.6 Each director shall comply with the requirements of HC Module Section 1.4 and shall bring independent judgment to bear in decision-making. No individual or group of directors shall be allowed to dominate the Board's decision-making and no one individual shall have unfettered powers of decision.

Representation of all shareholders

4.7 The Board shall comply with the representation of all shareholders requirements as identified in the HC Module Section 1.5.

4.8 Each director shall consider himself / herself as representing all shareholders and shall act accordingly. The Board shall avoid having representatives of specific groups or interests within its membership and shall not allow itself to become a battleground of vested interests.

Director's access to independent advice

4.9 The Board and its Committees shall have the right, at any time, to retain independent outside auditors and financial, legal, or other advisors.

4.10 Batelco will provide appropriate funding, as determined by the Board or any Committee, to compensate those independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its Committees in carrying out their duties.

4.11 Directors shall also comply with the additional requirements of HC Module Section 1.6.

**Directors communication with management**

4.12 The Board shall encourage participation by management regarding matters the Board is considering and shall comply with the requirements of HC Module Section 1.7.

Committees of the Board

4.13 The Board has created the following specialised Committees:

- **Audit Committee:** The Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of Batelco.
- **Nomination and Remuneration Committee:** The Nomination and Remuneration Committee assists the Board in formulating a framework for nominating and appointing the directors and senior management of the Company and the remuneration policies.
- **Executive Committee:** The Executive Committee assists the Board in establishing Batelco's strategy, performance goals, financial performance, capital expenditure, and investment portfolio. The Executive Committee is also responsible for monitoring the performance of Batelco's corporate governance framework and its compliance with the applicable laws.
- **Donations Committee:** The Donations Committee makes recommendations for Batelco's social and charitable donations in line with the Company's social responsibilities.

4.14 The Board may create additional new Committees or remove existing Committees as it deems advisable in the fulfilment of its responsibilities. Each Committee shall perform its duties as assigned by the Board in compliance with the Committee's charter.

4.15 The Chairman of each Committee is responsible for developing, together with relevant Company managers, the Committee's general agenda and objectives and for setting the specific agenda for Committee meetings. The Chairman and Committee members shall determine the frequency and length of Committee meetings in accordance with the Committee's Charter.

4.16 The Board and Board Committees shall also comply with the requirements of HC Module Section 1.8.

Evaluation of the Board, Board Committees, and individual directors

4.17 At least annually, the Board shall conduct an evaluation of its performance and the performance of each Committee and each individual director. The Board shall conduct the periodic evaluations in accordance with the requirements of HC Module Section 1.9.



5. Principle 2: The Directors and Officers of Batelco shall have full loyalty to the Company.

Personal accountability and avoidance of conflict of interest

- 5.1 The directors and officers of Batelco shall comply with the requirements of HC Module Section 2.2 and 2.3.
- 5.2 Each director and officer shall understand that under the Commercial Companies Law, he/she is personally accountable to the Company and the shareholders if he/she violates his/her legal duty of loyalty to the company, and that he/she can be personally sued by the Company or the shareholders for such violations.
- 5.3 Each director and officer shall make every practicable effort to arrange his/her personal and business affairs to avoid a conflict of interest with the Company.

Disclosure of conflicts of interest

- 5.4 The directors and officers of Batelco shall disclose conflicts of interest in accordance with the requirements of HC Module Section 2.4.
- 5.5 Each director and officer shall inform the entire Board in writing of conflicts of interest immediately as they arise and abstain from voting on the matter in accordance with the relevant provisions of the Commercial Companies Law.
- 5.6 Batelco shall disclose to its shareholders in the Annual Report any abstention from voting motivated by a conflict of interest and shall disclose to its shareholders any authorisation of a conflict of interest contract or transaction in accordance with the Commercial Companies Law.



6. Principle 3: Batelco's Board shall have rigorous controls for financial audit and reporting, internal controls, risk management, and compliance with the law.

Audit Committee

- 6.1 The Board has established an Audit Committee which assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of Batelco.
- 6.2 The Audit Committee shall comply with the requirements of the HC Module Section 3.2 to 3.3.

CEO and CFO certification of financial statements

- 6.3 In order to encourage management accountability for the financial statements required by the directors, Batelco's CEO and CFO shall state in writing to the Audit Committee and the Board as a whole that the Company's interim and annual financial statements as prepared in accordance with IAS and IFRS present a true and fair view, in all material respects (including providing adequate provisions), of the Company's financial condition and results of operations in accordance with applicable accounting standards.



7. Principle 4: Batelco shall have rigorous procedures for the appointment, training, and evaluation of the Board.

Nomination Committee

- 7.1 The Board has established a Nomination and Remuneration Committee which assists the Board in formulating a framework for nominating and appointing the directors and senior management of the Company.
- 7.2 The Nomination and Remuneration Committee shall comply with the requirements of the HC Module Section 4.2 to 4.3.

Board nominations to the shareholders

- 7.3 All nominations for Board members shall be presented to the shareholders in the form a proposal which shall include the requirements of HC Module Section 4.4.1.
- 7.4 When proposing the re-election of a director, the Chairman of the Board shall comply with the requirements of HC Module Section 4.4.2.

Induction and training of directors

- 7.5 The Chairman of the Board shall ensure that each new director receives a formal and tailored induction to ensure his/her contribution to the Board from the beginning of his/her term.
- 7.6 The Nomination and Remuneration Committee and management are responsible for director orientation programs and for director continuing education programs to assist directors in maintaining the skills necessary or appropriate for the performance of their responsibilities.
- 7.7 Orientation programs are designed to familiarise new directors with Batelco's businesses, strategies, and policies and to assist new directors in developing the skills and knowledge required for their service.
- 7.8 Continuing education programs for Board members may include a combination of internally developed materials and presentations, programs presented by third parties at Batelco, and financial and administrative support for attendance at other independent programs.
- 7.9 The Company shall also comply with the additional induction and training requirements of the HC Module Section 4.5.



8. Principle 5: Batelco shall remunerate directors and officer fairly and responsibly.

Remuneration Committee

- 8.1 The Board has established a Nomination and Remuneration Committee which assists the Board in the remuneration policies for the directors and officers of the Company.
- 8.2 The Nomination and Remuneration Committee shall comply with the requirements of the HC Module Section 5.2 to 5.3.

Standard for all remuneration

- 8.3 Remuneration of both directors and officers shall be sufficient enough to attract, retain and motivate persons of the quality needed to run the Company successfully, but the Company shall avoid paying more than is necessary for that purpose.
- 8.4 The Company shall comply with the remuneration requirements for non executive directors and officers in accordance with the requirements of the HC Module Section 5.5 to 5.6.



9. Principle 6: Batelco's Board shall establish a clear and efficient management structure.

Establishment of management structure

- 9.1 The Board shall appoint officers whose authority shall include management and operation of current activities of the Company, reporting to and under the direction of the Board.
- 9.2 The Board shall ensure that the Company's management structure complies with the requirements of HC Module Section 6.2.

Titles, authorities, duties and reporting responsibilities

- 9.3 The Board shall adopt by-laws prescribing each senior officer's title, authorities, duties and internal reporting responsibilities. This shall be done with the advice of the Nomination and Remuneration Committee and in consultation with the CEO, to whom the other officers shall normally report.
- 9.4 The Company shall also comply with the additional requirements of HC Module Section 6.3.

Executive management

- 9.5 The Nomination and Remuneration Committee shall review the performance of executive management at least annually. The performance evaluation results shall be reviewed and discussed with the Board, and the results shall be communicated to the CEO.
- 9.6 As part of the annual executive management evaluation process, the Nomination and Remuneration Committee shall work with the CEO to develop succession plans for the CEO and other officers, as well as to develop plans for interim succession in the event of an unexpected occurrence. Succession planning may be reviewed more frequently by the Board as it deems warranted.



10. Principle 7: Batelco shall communicate with shareholders, encourage their participation, and shall adhere to their rights.

Shareholders' rights and conduct of shareholders' meetings

- 10.1 All shareholders shall be treated equally. The Board and Corporate Secretary shall encourage the attendance of shareholders at all shareholder meetings in order for shareholders to exercise their right to vote at such meetings.
- 10.2 Basic shareholders rights include but are not limited to:
- Secure methods of ownership registration;
 - The transfer of shares;
 - Obtaining relevant and material information on the corporation on a timely and regular basis;
 - Participating and voting in general shareholder meetings;
 - Electing and removing members of the Board;
 - Sharing in the profits of the corporation;
 - Presentations by independent advisers; and
 - Participating in corporate events.
- 10.3 The Company shall also comply with the additional requirements of HC Module Section 7.2 and 7.3.
- 10.4 Shareholders' meetings shall be conducted in accordance with the requirements of HC Module Section 7.4.

Direct shareholder communication

- 10.5 The Chairman of the Board (and other directors as appropriate) shall maintain continuing personal contact with major shareholders to solicit their views and understand their concerns. The Chairman shall ensure that the views of shareholders are communicated to the Board as a whole and shall discuss governance and strategy with major shareholders.
- 10.6 The Board shall manage the shareholder communication process in accordance with the requirements of HC Module Section 7.5.

Controlling shareholders

- 10.7 The Chairman and other directors shall actively encourage the controlling shareholders to make considered use of their position and to fully respect the rights of minority shareholders.



11. Principle 8: Batelco shall disclose its corporate governance.

Disclosure

11.1 Batelco shall disclose its corporate governance in accordance with the requirements of the HC Module:

- Disclosure of Batelco's corporate governance guidelines shall be performed in accordance with the requirements of HC Module Section 8.2.
- Disclosures in Batelco's annual report shall be performed in accordance with the requirements of HC Module Section 8.3.