

Moving Forward by
**ENHANCING OUR
REPUTATION**

Sound Corporate
Governance
principles are critical
to maintaining
the reputation
the Company has
established.



Challenges motivate us to think smarter and drive us to reach for further success.



Delivering a first class service for our customers would not be possible without the dedication and drive of our employees.

Corporate Governance

1. 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 2013 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.

2. 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.

3. Management 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.

4. 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.

5. 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	1,214,085,817	76.65%
2 Cayman Islands	316,800,000	20%
3 GCC	49,875,472	3.15%
4 Others	3,238,711	0.2%

6. 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	580,800,000	36.66%
2 Amber Holding Company	316,800,000	20%
3 Social Insurance Organization	325,708,292	20.56%
4 Public	360,691,708	22.77%

7. 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	580,800,000	36.66%
2 Amber Holding Company	316,800,000	20%
3 Social Insurance Organization	325,708,292	20.56%

Directors	Number of Shares	% of shares held
1 Murad Ali Murad	3,042,732	0.192%
2 Abdul Razak Al Qassim	550,300	0.035%
3 Ali Yousif Engineer	297,000	0.018%
4 Adel Hussain Al Maskati	230,076	0.014%
5 Abdul Rahman Fakhro	115,002	0.007%

Corporate Governance

8. Board Structure

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

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

The Board of the Company comprises of 10 Directors. In addition to the Chairman whose role and responsibilities are separate from the Chief Executive Officer, there is 1 Executive Director and 8 Non-Executive Directors, 7 of which are Independent. After the formation of the Supervisory Committee on 12th May 2013 the structure changed to 2 Non-Executive Directors, 3 Executives and 5 Independent.

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

	<p>Shaikh Hamad bin Abdulla Al Khalifa Chairman Independent</p>	<p>Mr. Murad Ali Murad Deputy Chairman Non- Executive Independent (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)</p>
Brief History / Biography	<p>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 was 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</p>	<p>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 41 years of experience in the fields of Banking and Finance. He has been the Chairman of BBK since 2002 and 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.</p>
Term of Office	<p>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.</p> <p>Shaikh Hamad has been serving on the Board since 09/2006</p>	<p>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.</p> <p>Mr. Murad has been serving on the Board since 03/1990</p>
Business Title & Professional experience in years	<p>Chairman of Batelco Board of Directors 37 Years</p>	<p>Chairman of Bank of Bahrain & Kuwait 42 Years</p>
Committee Membership	<p>Nomination and Remuneration Committee Donations Committee</p>	<p>Nomination and Remuneration Committee Supervisory Committee</p>

8. Board Structure (continued)

	Mr. Abdul Razak Abdulla Al Qassim Director Non- Executive Independent (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	Mr. Adel Hussain Al Maskati Director Independent
Brief History / Biography	Mr. Abdul Razak 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. Mr. Al Qassim is Chairman of Benefit Company; Chairman of Bahrain Islamic Bank and Chairman of Bahrain Association of Banks. Additionally he is a member of the Board of Umniah, (Jordan) Mobile Company; Dhiraagu, (Maldives); SURE Guernsey Limited; SURE Jersey Limited and SURE Isle of Man Limited. He became Chief Executive Officer of National Bank of Bahrain B.S.C. in 2008.	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 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	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	Chief Executive Officer and Managing Director of National Bank of Bahrain 36 Years	Managing Director, Maskati Commercial Services BSC 36 Years
Committee Membership	Executive Committee Nomination and Remuneration Committee Donations Committee Supervisory Committee	Audit Committee

8. Board Structure (continued)

	Dr. Zakaria Ahmed Hejres Director Independent	Mr. Nedhal Saleh Al-Aujan Director Independent
Brief History / Biography	<p>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.</p> <p>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.</p>	<p>Mr. Nedhal Saleh Al-Aujan is a career banker with an extensive experience of 30 years in all the facets of banking and held senior positions in different domestic and international banks. He joined Bahrain Development Bank in 1999 and became the Chief Executive Officer of the Bank in 2007. Mr. Al-Aujan serves 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.</p>
Term of Office	<p>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.</p> <p>Dr. Hejres has been serving on the Board since 01/2004</p>	<p>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.</p> <p>Mr. Al-Aujan has been serving on the Board since 01/2004</p>
Business Title & Professional experience in years	<p>Chief Executive Officer of GBCORP 32 Years</p>	<p>Chief Executive Officer of Bahrain Development Bank 31 Years</p>
Committee Membership	Executive Committee	Executive Committee

8. Board Structure (continued)

	Mr. Waleed Ahmed Al Khaja Director Executive	Mr. Ali Yousif Engineer Director Independent
Brief History / Biography	<p>Mr. Al Khaja obtained a bachelor degree in Business Administration from North Texas State University in 1985. He joined SIO in 2005 after 19 years in the Ministry of Finance. In 2013 he joined his family owned business. Mr. Al Khaja served on the Board of Directors in Seef Properties. He is Vice Chairman of Bahrain Tourism Co BSC, Gulf Educational Projects, Applied Science University and AMAK & Sons.</p> <p>He enjoys a wealth of experience, knowledge and professionalism in the investment business sector.</p>	<p>Mr. Ali Yousif Engineer obtained a Bachelor degree in Business Administration from Exeter, United Kingdom in 1967. Mr. Engineer is the Chairman of Yousuf Abdulrahman Engineer Holding Co., a Bahrain based conglomerate with diversified business activities and investments. He has also served in the board of various companies and currently is the Chairman of NETTS, Vice Chairman of Arabian Taxi Company, and a member of the Board of Directors of TRAFCO. He enjoys a wealth of experience, knowledge and professionalism in the business sector.</p>
Term of Office	<p>Mr. Al Khaja 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.</p> <p>Mr. Al Khaja has been serving on the Board since 04/2007</p>	<p>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.</p> <p>Mr. Engineer has been serving on the Board since 02/2008</p>
Business Title & Professional experience in years	<p>Managing Director of AMAK Property & Development and Managing Partner in AMAK & Sons</p> <p>28 Years</p>	<p>Chairman of Yousuf Abdulrahman Engineer Holding</p> <p>46 Years</p>
Committee Membership	<p>Executive Committee</p> <p>Supervisory Committee</p>	<p>Nomination and Remuneration Committee</p> <p>Audit Committee</p> <p>Donation Committee</p>

Corporate Governance

8. Board Structure (continued)

	Mr. Abdulrahman Yusif Fakhro Director Dependent	Brigadier Khalid Mohammed Al Mannaie Director Dependent
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 48 years experience in the business, investment and insurance sector.	Brigadier Khalid Mohammed Al Mannaie holds a Master's degree in Business Administration from Sheffield Hallam University (UK) and joined the Military Pension Fund in February 2011 after working at Bahrain Defense Force. He is one of the founders of the GCC Expanded Military Pension Coverage Committee. Along with Batelco, Brigadier Al Mannaie currently serves on several boards. He is the Deputy Chairman of Bahrain Islamic Bank, Board member at Social Insurance Organization (SIO), Board member at Osool Asset Management and Board Member at Marina Club.
Term of Office	Mr. Fakhro was appointed by the Board of Directors as a Non-Executive Dependant Director in 04/2012 for the remaining term of his predecessor. Mr. Fakhro has been serving on the Board since 04/2012	Brigadier Al Mannaie was appointed by the Board of Directors as a Non-Executive Dependant Director in 08/2012 for the remaining term of his predecessor. Brigadier Al Mannaie has been serving on the Board since 08/2012
Business Title & Professional experience in years	Chairman of Bahrain Commercial Facilities Company (BSC) and Yusif bin Yusif Fakhro Group of Companies. 48 Years	General Manager of Military Pension Fund 34 Years
Committee Membership	Nomination and Remuneration Committee Audit Committee	Audit Committee

9. Mandate of the Board

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

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

10. 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 16 times on the 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)
14/01/2013	- Mobile Network Expansion (LTE)	- Approved
22/01/2013	- Financial performance for 2012	- Approved
	- CMC Acquisition Financing	- Approved
	- Renewal of short term loan facility (<i>Mr. Murad and Mr. AlQassim excused themselves due to conflict of interest</i>)	- Approved
17/02/2013	- Excess Resources Program (ERP)	- Needs further Discussion
25/02/2013	- Group Structure	- Appointment of a consultant
	- Financing for M&A activities	- Needs further discussion
28/03/2013	- Impact of new law in Maldives	- Noted
14/04/2013	- Bond offering	- Approved
	- Evaluating the performance of Group CEO	- Change of management
07/05/2013	- Establishment of Supervisory Committee	- Approved
08/05/2013	- Batelco Business way forward	- Needs further discussion
13/05/2013	- Q1/2013 Financials	- Approved
	- Governance Report	- Referred to Remuneration committee
	- 3+9 Forecast	- Discussed
	- TOR of Supervisory Committee	- Approved
16/05/2013	- Group structure	- Needs further discussion
26/06/2013	- Board representation on JV's (<i>Mr. Murad & Mr. Al Qassim excused themselves due to conflict of interest being members of supervisory committee, Mr. Al Khaja did not attend the meeting</i>)	- Approved
17/07/2013	- Update on Monaco islands acquisition	- Needs further discussion

Corporate Governance

10. Board Meetings (continued)

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
30/07/2013	<ul style="list-style-type: none"> - Q2/2013 Financials - Ratification of previous Board resolutions (Ratification of appointment of Mr. Khalid Al Mannaie to the Audit Committee) - Revised group target - Annual Banking Review (<i>Mr. Murad and Mr. AlQassim excused themselves due to conflict of interest</i>) 	<ul style="list-style-type: none"> - Approved - Approved - Approved - Approved
25/08/2013	<ul style="list-style-type: none"> - Update on JV's - Appointment of Mr. A. Rahman Fakhro in Audit Committee 	<ul style="list-style-type: none"> - Approved - Approved
30/10/2013	<ul style="list-style-type: none"> - Q3/2013 Financials - Ratification of previous Board Resolutions 	<ul style="list-style-type: none"> - Approved - Approved
27/11/2013	<ul style="list-style-type: none"> - Business Plan 	<ul style="list-style-type: none"> - Approved

The members of the Board during the year 2013, 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	16	15/16
Mr. Murad Ali Murad	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	16	16/16
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	16	16/16
Dr. Zakaria Ahmed Hejres	Non- Executive	16	13/16
Mr. Nedhal Saleh Al-Aujan	Non- Executive	16	14/16
Mr. Adel Hussain Al Maskati	Non- Executive	16	16/16
Mr. Waleed Ahmed Al Khaja	Executive	16	15/16
Mr. Ali Yousif Engineer	Non- Executive	16	11/16
Mr. Abdulrahman Yusif Fakhro	Non-Executive (Dependant)	16	16/16
Brigadier Khalid Mohammed Al Mannaie	Non-Executive (Dependant)	16	12/16

11. Elections of Directors

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

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

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

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 Meetings of Shareholders for a three year term that will expire at the 2014 Annual General Meeting of Shareholders, with the exception of Mr. Al Mannaie and Mr. Fakhro whom were replacements.

12. 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.

13. Induction and Training of Directors

The Chairman in conjunction with the NRC is responsible for ensuring that induction and training programmes 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 programme 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.

14. 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.

15. 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 2014.

16. 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.

17. Executive Committee

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

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

18. 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 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:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
06/01/2013	- Mobile Network Expansion	- Recommended to the Board
20/02/2013	- Group IT future mode operation	- Approved
20/05/2013	- Financial and Business Performance (year to date) April 2013	- Approved
	- Compliance and Risk Management Charter	- Approved
24/07/2013	- Financial and Business Performance (year to date) June 2013	- Approved
	- Approval of proposed 2013 Banking List (<i>Mr. Al Qassim the committee chairman excused himself due to conflict of interest</i>)	- Recommended to the Board
	- 6 + 6 Forecast	- Approved
27/10/2013	- Financial and Business Performance (year to date) October 2013	- Approved

The members of the Executive Committee during the year 2013, 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 (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	5	5/5
Dr. Zakaria Ahmed Hejres	Non- Executive	5	5/5
Mr. Nedhal Saleh Al-Aujan	Non- Executive	5	5/5
Mr. Waleed Ahmed Al Khaja	Executive	5	5/5

19. 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.

20. Audit Committee Meetings

As per the Charter of the Audit Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively. During the year, the Audit Committee met on 7 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
09/01/2013	- Joint (Technical and Commercial) evaluation of external Audit Services	- Needs further discussion
21/01/2013	- Group financial year end - Corporate Governance Report	- Recommended to the Board - Approved
05/05/2013*	- Internal Audit Report	- Forwarded to the Board
21/05/2013	- Group Financial Q1/2013 - Internal Audit activity report	- Recommended to the Board - Approved

(*) Chairman of Batelco Group attended the meeting as an invitee

20. Audit Committee Meetings (continued)

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
29/07/2013	Appointment of Mr. Adel Al-Maskati as Chairman of the Audit Committee (<i>After movement of Mr. Murad to the Supervisory Committee</i>) Group Financial Q2/2013 Internal Audit activity report	Approved Recommended to the Board Approved
31/08/2013	Full Audit of JV's (Etihad Atheeb and S Tel)	Approved
29/10/2013	Group Financial Q3/2013 Internal Audit activity report	Recommended to the Board Approved

The members of the Audit Committee during the year 2013, 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 (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	4	4/4 <i>Moved to Supervisory Committee after the 4th Meeting</i>
Mr. Adel Hussain Al Maskati	Non- Executive	7	7/7
Mr. Ali Yousif Engineer	Non- Executive	7	4/7
Mr. Abdulrahman Yusif Fakhro	Non-Executive (Dependant)	2	2/2 <i>Appointed after the 5th Meeting</i>
Brigadier Khalid Mohammed Al Mannaie	Non-Executive (Dependant)	3	3/3 <i>Appointed after the 4th Meeting</i>

21. 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.

22. 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 on 4 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:

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
20/01/2013	<ul style="list-style-type: none"> - Incentive award for 2012 - Group performance achievement - CEO & Executive Management KPI's & Bonus structure - Board Remuneration - Self Assessment 	<ul style="list-style-type: none"> - Approved - Approved - Differed to next meeting - Approved - Accepted and each committee chairman to be furnished with recommended improvements based on the assessment results.
27/01/2013	<ul style="list-style-type: none"> - Legal opinion of Excess Resources Program (ERP) - Batelco Bahrain Structure 	<ul style="list-style-type: none"> - Recommended to the Board - Approved and recommended to the Board
13/02/2013	<ul style="list-style-type: none"> - Review Chief Executive Strategic Assignments contract and apply standard contract 	<ul style="list-style-type: none"> - Approved
23/06/2013	<ul style="list-style-type: none"> - Supervisory Committee Update - Nomination of Directors in the Boards of Joint Ventures 	<ul style="list-style-type: none"> - Approved - Recommended to the Board

The members of the NRC during the year 2013, 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. Murad Ali Murad	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	4	4/4
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	4	4/4
Mr. Ali Yousif Engineer	Non- Executive	4	3/4
Mr. Abdulrahman Yusif Fakhro	Non-Executive (Dependant)	4	4/4

23. Donations Committee

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

24. Donations Committee Meetings

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

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

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
27/11/2013	Review of donation requests	Approved as per the donation policy
25/12/2013	Review of donation requests	Approved as per the donation policy

The members of the Donations Committee during the year 2013, 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	2	2/2
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	2	2/2
Mr. Ali Yousif Engineer	Non- Executive	2	2/2

25. Supervisory Committee

The primary role of the committee is to Direct and supervise the overall management of Batelco's Group functions. It's primary duty is to closely coordinate with the incumbent Group Chief Executive Officer (GCEO) or in his absence directly with his direct reports (as specified in the approved Group organization structure) all strategic directional and tactical matters as well as managerial affairs of the Group functions in order to ensure efficient and uninterrupted operation for the Group and all its subsidiaries and affiliates and in companies where Batelco has ownership with board representatives.

26. Supervisory Committee Meetings

As per the Terms of Reference of the committee, the members are required to meet twice a week to carry out discussions and daily decisions that affect the daily operations of the company.

During the year the Supervisory committee met 56 times.

Meeting Date	Key Matters Discussed	Final Decision (Approved / Rejected / Put on Hold / Needs further Discussions / Other comments)
From 12/05/2013 to 29/12/2013	A Committee consisting of three members of the Board of Directors assumed the role of the Group Chief Executive Officer on a temporary basis until a new GCEO is appointed.	Daily operations discussion and decisions

The members of the Supervisory Committee met 56 times during the year 2013. A record of their attendance at meetings which they were eligible to attend, is set out below:

Director Name	Status of Director	Meetings Eligible to Attend	Meetings Attended
Mr. Murad Ali Murad	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	56	56/56
Mr. Abdul Razak Abdulla Al Qassim	Non- Executive (From 01/01/2013 to 11/05/2013) Executive (From 12/05/2013 to 31/12/2013)	56	45/56
Mr. Waleed Ahmed Al Khaja	Executive	56	48/56

27. 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.

28. 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.

29. Related Party Transactions and Directors Trading of Company Shares

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

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

Please refer the note 29 (Transactions with Related Parties) of the financial statements for the details of related party transactions Directors trading of the Company shares during the year.

30. 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 2013, 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.

31. Remuneration Policy for Directors

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

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

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

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

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

Please refer the note 29 (Directors' Remunerations) of the financial statements for the details of Directors' Remuneration and Committees setting fees.

32. 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.

32. Remuneration Policy for Management (continued)

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

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

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

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

Please refer the note 29 (Key Management Personnel Compensation) of the financial statements for the details of Executives Remunerations.

33. Stock Options and Performance linked incentives for executives

(Not Applicable to Batelco)

34. 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 2013	BHD 70,956
Non-Audit Services Fees for 2013	BHD 80,506

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.

35. Key Management Personnel

Faisal Qamhiyah	2013
Group Chief Financial Officer	
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.

35. Key Management Personnel (continued)

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
Sameer Altaaf Chief Financial Officer Bahrain	2013
Joined Batelco	2008
Previous roles/Experience	Group Financial Controller, Batelco Group Interim Chief Financial Officer – Batelco Bahrain Head of Budgeting, Planning & Reporting- Mobilink Group Internal Auditor- Kinnevik AB
Qualifications/Achievements	FCA, FCCA
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
Michel Lecavalier Umniah Chief Financial Officer	2013
Joined Batelco	2012
Previous roles/Experience	Financial Advisor and Business Integration in Algeria, Tunisia and the UAE CFO at Telesystem International Wireless (TIW) CFO at Rogers Mobile, Canada
Qualifications/Achievements	Graduate of the Écoles des hautes études commerciales (University of Montreal) and Certified Professional Accountant (CPA) from Canada

35. Key Management Personnel (continued)

Ahmed Al Janahi GM Corporate Affairs & Batelco Group Board Secretary	2005
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)

Moving Forward by
**EXPANDING OUR
GEOGRAPHICAL
PRESENCE**

As Batelco continues to grow in scope and scale, the Group aspires to not only meet but exceed the aspirations of the growing diversified customer base



Moving Forward by further diversifying our business and availing of the opportunity to deliver greater innovation.



We deliver value to our customers across diverse markets.