



## 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. ( Beyon 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 and its amendments (“HC Module”) and the Corporate Governance Code and its amendments (“the Code”) as issued by the Bahrain Ministry of Industry, Commerce and Tourism (“MOICT”).
- 1.2 The Company shall adopt the “Comply” or Explain” approach in complying with the provisions of the Code. The Board shall investigate any non-compliance or deviations from this document.
- 1.3 The Company shall appoint one of its employees as Corporate Governance Officer to carry out the tasks of verifying the Company’s compliance with the Code and its implementation.
- 1.4 The Corporate Governance Officer shall have the authority to request information from the Board, its committees and the executive management of the Company.
- 1.5 The Company shall ensure the maintenance and retention of its records including the Board minutes and electronic documents in the Company’s head office for a period of time not less than ten years.
- 1.6 The Company shall adhere to the to the general provisions of the Code as stipulated in Chapter 1, Section 2.
- 1.7 This document shall outline all the Corporate Governance framework, practices, and procedures that the Company and the Board to apply effective Corporate Governance in the Company.
- 1.8 The policies and practices set out in this Corporate Governance Guidelines document are intended to provide a framework for effective Corporate Governance of the Company.
- 1.9 The Remuneration, Nomination, Donation and Corporate Governance Committee (“Remcom”) of the Board shall review and recommend to the Board the Corporate Governance Guidelines document at least once every two years, or as business may require. The Corporate Governance Guidelines or any amendments to it shall be approved by the shareholders in the Annual General Assembly Meeting (“AGM”).
- 1.10 The Company is committed to principle-based, value-driven Corporate Governance. The key elements of the Company’s Corporate Governance goals are good governance, transparency, integrity, performance, and conformance.
- 1.11 The Company’s commitment to achieving the highest standards of Corporate Governance is reflected in its approach which embraces the governance principles outlined by the CBB and MOICT.
- 1.12 This document should be read in conjunction with the Board and Board committees charters.
- 1.13 The scope of this document shall be applicable to the Board of Directors and Executive Management of the Company where relevant.
- 1.14 The most recent approved Corporate Governance Guidelines shall be made available to the employees and shareholders of the Company and published on the Company’s website. For any more information about this document, employees or shareholders may to contact the Corporate Governance Officer of the Company.



## 2. Principle 1: The Company will be headed by an effective, qualified, and expert Board

### 2.1 The Board of Directors Composition

- 2.1.1 The Company's Board of Directors shall consist of at least 5 directors and in all cases shall not exceed 15 directors. The Board composition shall consist of directors with relevant experience and expertise.
- 2.1.2 The Board must consider the representation of women in the formation of the Board of Directors. The Company shall disclose the membership statistics of its Board of Directors in the annual corporate governance report and classifying these statistics by gender.

### 2.2 The Board of Directors Roles and Responsibilities

- 2.2.1 All Board directors shall understand the Board's roles and responsibilities under the Bahrain Commercial Companies Law, CBB laws and rulebook, any other applicable laws, any responsibilities, and authorities granted under the Articles of Association ("AOA") of the Company, and any regulations that may govern their responsibilities from time-to-time.
- 2.2.2 The Board's roles and responsibilities shall be specified in the appointment letter which is provided to the directors upon joining the Company and as set out in the Board Charter.
- 2.2.3 The Board is responsible for establishing and promoting the Company's business and organizational objectives. The Board shall work with Executive Management to determine and execute the Company's strategy.
- 2.2.4 The Board's role is distinct from the role of the shareholders, or the Executive Management of the Company.
- 2.2.5 The Board of Directors shall have full loyalty and act in the best interest of the Company and its shareholders.
- 2.2.6 The Board shall establish a policy to delegate certain authorities and responsibilities to its Committees or Executive Management. The policy can be in the form of a Delegation of Authority or through establishing Board Committee charters that outline such delegated responsibilities and authorities.
- 2.2.7 The Board shall comply with the roles and responsibilities as identified in the HC Module Section 1.2. and in accordance with the Code Chapter 2, Section 1.

### 2.3 Decision Making Process

- 2.3.1 The Board shall be collegial and deliberative, to gain the benefit of the Directors judgment and experience.
- 2.3.2 The Board and Board Committees shall take its decisions during meetings and shall be recorded as Board resolutions in the minutes of meeting.
- 2.3.3 The Board and Board Committees may take decisions by circulations (except the approval of the financial statements) subject to all Directors' approvals. The decision shall be ratified by the Board in the next Board or Committee meeting and recorded in the minutes of meeting.
- 2.3.4 The Board shall ensure that all Board and Board Committees meeting minutes are recorded, stored, and maintained efficiently.
- 2.3.5 The Board shall comply with the decision-making requirements of HC Module Section 1.3. and in accordance with the Code Chapter 2, Section 1.



## 2.4 Independence of Judgment

- 2.4.1 The Board shall be composed of individuals who have the competence and independence in decision making in order to demonstrate objectivity and impartiality assessing and deciding on the Company's affairs.
- 2.4.2 No individual director or group of directors shall be allowed to dominate the Board's decision-making and no individual shall have unlimited powers of decision.
- 2.4.3 Directors' independency shall be reviewed by the Board at least once a year, in accordance with the criteria set out in Appendix 1 of the Code.
- 2.4.4 Each director shall comply with the requirements of HC Module Section 1.4 and Chapter 2, Section 1 of the Code.

## 2.5 Representation of all Shareholders

- 2.5.1 Each director shall consider himself/herself as a representative of all shareholders and shall avoid representing specific shareholders' interests.
- 2.5.2 Controlling shareholders shall be aware of their responsibilities towards other shareholders, which are separate from the responsibilities of the Board.
- 2.5.3 The Board shall comply with the representation of all shareholders requirements as identified in the HC Module Section 1.5. and Chapter 2, Section 1 of the Code.

## 2.6 Director's Access to Independent Advice

- 2.6.1 The Board and its Committees may engage with external advisors to conduct a specific scope within their authorities. The Company shall bear the funding for such engagement.
- 2.6.2 The Board shall also comply with the additional requirements of HC Module Section 1.6. and Chapter 2, Section 1 of the Code.

## 2.7 Director's Communication with Management

- 2.7.1 The Board and the Management of the Company shall have effective communication and discussions between them and shall comply with the requirements of HC Module Section 1.7 and Chapter 2, Section 1 of the Code.

## 2.8 Committees of the Board

- 2.8.1 The Board has created the following specialized Committees:

**Audit Committee:** Assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the Company's financial performance, accounting, auditing, and reporting practices of the Company.

**Remuneration, Nomination, Donation, and Corporate Governance Committee:** Assists the Board in the process of nomination and appointment of the Directors and Executive Management of the Company, review the Company's remuneration policies, make recommendations for support the Company's donations and corporate social responsibility activities, and oversee the performance of the Company's Corporate Governance framework and its compliance with the applicable laws.

**Executive Committee:** Assists the Board in establishing the Company's strategy, business plan performance goals, capital expenditure, risk management and investment portfolio.

- 2.8.2 The Board may create additional Committees or remove existing Committees as it may be required by applicable laws and/or deems advisable in the fulfillment of its responsibilities. Each Committee



shall perform its duties as assigned by the Board in compliance with the relevant Committee's charter.

- 2.8.3 The Committees of the Board shall not replace the Board in their decision-making responsibility.
- 2.8.4 The Chairman of each Committee is responsible for developing the Committee's scope and objectives.
- 2.8.5 The Board and Board Committees shall also comply with the requirements of HC Module Section 1.8. and Chapter 2, Section 1 of the Code.

## 2.9 Evaluation of the Board, Board Committees, and Individual Directors

- 2.9.1 The Board shall conduct an evaluation of its performance, the performance of each Committee and performance of the directors individually. All directors are obliged to complete their annual performance evaluation surveys and submit it the Corporate Secretary with the timeframe allocated.
- 2.9.2 The Remcom shall ensure that all Board and Board Committees evaluations are completed and shall recommend the results of the evaluation to the Board.
- 2.9.3 The results of the overall Board evaluation shall be presented at the AGM.
- 2.9.4 The Board shall conduct the evaluations at least once a year in accordance with the requirements of HC Module Section 1.9 and Chapter 2, Section 1 of the Code.

## 3. Principle 2: The Directors and Executive management of the Company shall have full loyalty to the Company

### 3.1 Personal Accountability and Liability

- 3.1.1 Directors and Executive Management members shall understand that he/she is personally accountable to the Company and the shareholders and can be personally liable if he/she violates his/her legal duty of loyalty to the Company.
- 3.1.2 Directors and Executive Management shall be personally liable for any damages towards the Company and the shareholders in the event of violation of any of his/her duties towards the Company, to the extent provided for in the Commercial Companies law as set out in Articles 185-187.
- 3.1.3 Directors and Executive Management of the Company shall comply with the requirements of HC Module Section 2.2, Chapter 2, Section 2 of the Code.

### 3.2 Avoidance of Conflict of Interest

- 3.2.1 Directors and Executive Management shall use their best endeavors to his/her personal and business affairs to avoid a conflict of interest with the Company.
- 3.2.2 Directors and Executive Management shall seek the Board's approval prior to commencing any transaction that could result to conflict of interest.
- 3.2.3 The Board shall establish and adhere to the guidelines of the Board of Directors Code of Conduct and Ethics.
- 3.2.4 The Company shall establish a Code of Conduct for all Company Employees including Executive Management and shall include details of the policies and procedures for the identification, reporting, disclosure and prevention, or strict limitation of potential conflicts of interest.



3.2.5 Directors and Executive Management of the Company shall comply with the requirements of the HC Module Section 2.3 and Chapter 2, Section 2 of the Code.

### 3.3 Disclosure of Conflicts of Interest

3.3.1 Members of Executive Management and the Board shall inform the Board of Directors of any potential conflicts of interest on matters presented to the Board for resolution.

3.3.2 Directors shall not be entitled to participate in the deliberation, meeting, discussion and voting on resolutions on which they are conflicted.

3.3.3 The Company or any of its shareholders may apply to the competent court should any Board Member fails to disclose to the Board of Directors their conflict of interests on any contract or transaction and shall be obliged to compensate the Company and its shareholders any benefits or profits gained from such transactions.

3.3.4 The Company shall disclose to its shareholders in the Annual Report any abstention from voting motivated by a conflict of interest and any authorization of a conflicted contract or transaction in accordance with the Commercial Companies Law.

3.3.5 Directors and Executive Management of the Company shall adhere to the guidelines of disclosure of conflicts of interest in accordance with the requirements of HC Module Section 2.4. and Chapter 2, Section 2 of the Code.

### 3.4 Dealing with Related Parties

3.4.1 Directors and Executive Management must complete a related party declaration and Director's acknowledgement form once annually. The form shall provide the Company with details of any related party transaction conducted during the year and shall list all related parties of such Director or member of Executive Management.

3.4.2 The Company shall maintain a record of all the Board's related parties and shall monitor on an annual basis the related party transactions conducted during the year.

3.4.3 The Company shall disclose any related party transactions in the Annual Report, and additionally report on the transactions to the shareholders in the Annual General Assembly Meeting (AGM).

3.4.4 Details of all related party transactions shall also be included in the annual external auditor's report.

3.4.5 The Company shall establish a key person's dealings policy that controls the Directors, Executive Management, and key person's trading of the Company shares.

3.4.6 The Company shall pursue the maximum transparency and clarity with regard to dealing with related parties, in accordance with HC Module Section 3 and Chapter 2, Section 2 of the Code.

## 4. Principle 3: The Company's Board shall have rigorous controls for financial audit and reporting, internal controls, and compliance with the law.

### 4.1 Audit Committee

4.1.1 The Board has established an Audit Committee which assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the Company's financial performance, accounting, auditing, and reporting practices of the Company.



- 4.1.2 The members of the Audit Committee shall comprise of members of the Board of Directors of the Company. The composition of the committee shall be in accordance with the applicable laws and provisions of the Code.
- 4.1.3 The Audit Committee shall establish a charter which states the duties and responsibilities of the Audit Committee and shall get such charter approved by the Board.
- 4.1.4 The Audit Committee shall ensure the Chief Executive Officer's ("CEO"), Chief Financial Officer's ("CFO") or Financial Controller's Certification of the financial statements by reviewing their written statement to the Audit Committee and the Board 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.
- 4.1.5 The Audit Committee shall be responsible for the selection, appointment, and remuneration of the Internal Auditor for the Company.
- 4.1.6 The Audit Committee shall comply with the requirements of the HC Module Section 3.2 to 3.3. and Chapter 2, Section 3 of the Code.

## **5. Principle 4: The Company shall have effective procedures for the appointment, training, and evaluation of the directors**

### **5.1 Nomination Committee**

- 5.1.1 The Board has established a Remuneration, Nomination, Donation and Corporate Governance Committee ("Remcom"). This is a combined committee and one of its main responsibilities is assisting the Board in formulating a framework for nominating and appointing the Directors and Executive Management of the Company.
- 5.1.2 The Nomination Committee shall establish a charter which states the duties and responsibilities of the Nomination Committee and shall get such charter approved by the Board.
- 5.1.3 The Nomination Committee shall be responsible of identifying qualified members to serve as Directors and shall oversee responsibilities related to the nomination, election, and appointment of the Board Members.
- 5.1.4 The Nomination Committee shall present to the Board of Directors a report on the final recommendations of the Board nominees for election to be recommended to the AGM by the Board of Directors.
- 5.1.5 Nominations proposed by the Board to the shareholders for the election or re-election of the Directors shall be accompanied by a recommendation from the Board and a summary on the nominations from the nomination committee. The publication of the information related to the nominations shall be in accordance with the applicable laws.
- 5.1.6 The Company shall ensure communication to the shareholders and provide information about the candidates for Board membership/candidacy on the Company's website including detailed information about the candidates experience in accordance with the Code and applicable laws.
- 5.1.7 The Nomination Committee shall be in charge of nominating members to fill the roles of Chief Executive Officer, Chief Financial Officer, and the Corporate Secretary.
- 5.1.8 The Nomination Committee shall comply with the requirements of the HC Module Section 4.2 - 4.4. and Chapter 2, Section 4 of the Code.





## 5.2 Induction and Training of Directors

- 5.2.1 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 their term.
- 5.2.2 The Remcom and Executive Management are responsible for director orientation programs and for Director continuing education programs to assist them in maintaining the skills necessary for the performance of their responsibilities.
- 5.2.3 The Company shall ensure to provide the Board with relevant training courses on the Company's operations to assist the directors in developing the relevant skills and knowledge about the business that would benefit him/her in their role as a Director.
- 5.2.4 The Company shall also comply with the additional induction and training requirements of the HC Module Section 4.5. and Chapter 2, Section 4 of the Code.

## 6. Principle 5: The Company shall Remunerate Directors, Executive Management, and senior officers fairly and responsibly

### 6.1 Remuneration Committee

- 6.1.1 The Board has established a Remuneration, Nomination, Donation and Corporate Governance Committee. This is a combined committee and one of its main responsibilities is assisting the Board in the remuneration of the Directors and Executive Management of the Company.
- 6.1.2 The Remuneration Committee shall establish a charter which states the duties and responsibilities of the Remuneration Committee and shall get such charter approved by the Board.
- 6.1.3 The Company shall establish remuneration policies for remunerating the Board and Executive Management.
- 6.1.4 Remuneration of both Directors and Executive Management shall be sufficient enough to attract, retain and motivate persons of the quality needed to run the Company successfully.
- 6.1.5 The Company shall disclose annually in its annual corporate governance reports the total remunerations, fees and privileges paid to the Chairman and members of the Board. A comprehensive statement shall also be disclosed in the annual report of the Board of Directors to the general assembly in accordance with the applicable laws and executive regulations.
- 6.1.6 The Company shall disclose annually in its annual corporate governance report and the annual report of the Board of Directors to the general assembly on the total remuneration amounts received by the top six executives in the Company including the CEO and CFO in accordance with the applicable laws and executive regulations.
- 6.1.7 The Remuneration Committee shall comply with the requirements of the HC Module Section 5.2 - 5.3. and Chapter 2, Section 5 of the Code.

## 7. Principle 6: The Company's Board shall establish a clear and efficient management structure for the company and define the job titles, powers, roles, and responsibilities

### 7.1 Establishment of Management Structure

- 7.1.1 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.



- 7.1.2 The Company shall disclose of the management structure annually in the Corporate Governance report including a summary on the key Executive Management profiles and experience.
- 7.1.3 The Board shall ensure that the Company's management structure complies with the requirements of HC Module Section 6.2. and Chapter 2, Section 6 of the Code.

## 7.2 Titles, Authorities, Duties and Reporting Responsibilities

- 7.2.1 The Board shall review and approve Executive Management's title, authorities, duties, and internal reporting responsibilities, this shall be done in accordance with the Remcom's recommendation.
- 7.2.2 The Company shall also comply with the additional requirements of HC Module Section 6.3 and Chapter 2, Section 6 of the Code.

## 7.3 Executive Management

- 7.3.1 The Remcom shall review the performance of Executive Management against the performance objectives at least annually. The results of the performance review shall be recommended to the Board for their final approval.
- 7.3.2 The Remcom and the Board shall ensure that the Company reviews annually the succession plan of the CEO and the Executive Management of the Company.
- 7.3.3 The Company shall also comply with the additional requirements of HC Module Section 6.3 and Chapter 2, Section 6 of the Code.

## 8. Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights

- 8.4 The Company and the Board must ensure to create an environment for shareholders to participate and exercise their rights. Shareholders shall have access to the Board and Executive Management of the Company to raise any inquiries or request for Company information.
- 8.5 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. Shareholder's voting rights shall be in accordance with the Commercial Companies law.
- 8.6 The Company may convene the general assembly meetings and shareholders may participate in their deliberations and vote on their resolutions using the electronic voting system and modern technology in accordance with the regulatory controls stipulated in the commercial companies' law and its executive regulations and the resolutions regulating this matter.
- 8.7 The Chairman of the Board and Directors 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.
- 8.8 The Chairman and Directors shall actively encourage the controlling shareholders to be considerate of their position and to fully respect the rights of minority shareholders.
- 8.9 The Board shall manage the shareholder meetings and communication process in accordance with the requirements of HC Module Section 7.1- 7.5. and Section 7 of the Code.



**9. Principle 8: The Company shall disclose its Corporate Governance**

- 9.4 The Company shall publish annually a Corporate Governance report which shall be produced in accordance with the template provided by MOICT and in adherence with the requirements of the CBB HC module. The report shall be submitted within six months from the end of the Company's financial year along with the Annual Report of the Company.
- 9.5 The Company shall appoint a Corporate Governance Officer whom its duties shall ensure that the Company complies with all Corporate Governance requirements.
- 9.6 The Corporate Governance Officer shall report to the Remcom and the Board on any non-compliance matters during the year.
- 9.7 The Corporate Governance Officer shall also submit annually the report of the Company's compliance to Corporate Governance through the MOICT sijilat system within six months from the date of the end of the Company's financial year.
- 9.8 The Board shall ensure that the Company's Corporate Governance disclosure is in accordance with the requirements of HC Module Section 8, and Chapter 2, Section 8 of the Code.

**10. Principle 9: The Company Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors**

- 10.1 The Audit Committee and the Board shall recommend to the AGM the appointment of the Company's external auditors.
- 10.2 The appointment of the external auditor shall be for one financial year only, such appointment may be renewed for a similar period and shall not exceed five consecutive years.
- 10.3 The same external auditor may not be appointed thereafter except after the lapse of two consecutive financial years.
- 10.4 The partner responsible for auditing the Company shall be rotated once every three years at a maximum.
- 10.5 The Audit Committee shall ensure that the external auditors achieve their obligations towards the Company.
- 10.6 The external auditor must annually provide the Board with their professional opinion regarding the Company's financial report and financial position.
- 10.7 The Company shall appoint the external auditors in accordance with the Code, Chapter 2, Section 10.

**11. Principle 10: The Company shall seek through social responsibility to exercise its role as a good citizen**

- 11.1 The Company shall establish a social responsibility policy and disclose of its social responsibility activities in the Annual Report.
- 11.2 The Company shall also develop an annual plan to implement the corporate social responsibility towards the community.
- 11.3 The Company shall seek to exercise social responsibility in accordance with the Code, Chapter 2, Section 11.

