



POLICIES, STANDARDS AND PROCEDURES FOR BOARD MEMBERSHIP

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DISCLAIMER:

This English version of this policy is a translation of the original Arabic document and has been made for information purpose for Non-Arabic speakers. In case of any discrepancy or misinterpretation, the original Arabic document of the said policy shall prevail.



1 INTRODUCTION

The Policies, Standards and procedures for the membership of the Board of directors of Dr. Sulaiman Al Habib Medical Services Group (hereinafter also referred to as “**HMG,**” the “**Company,**” or the “**Group**”) have been issued to comply with the Corporate Governance Regulations (**CGR**) issued by the Capital Market Authority (**CMA**) Board in regards to preparation of policies, standards and procedures for membership in the board of directors (herein referred to as the “**Board**” or the “**Board of Directors**”).

2 CONDITIONS AND STANDARDS OF HMG’S BOARD MEMBERSHIP

The General Assembly (the “**GA**”) shall take into account, when electing members to the Board, the recommendations of the Nomination and Remuneration Committee and the availability of the personal and professional capabilities required to perform their duties effectively. The member shall have the following qualifications in particular:

- 2.1 The nominee shall not have been previously convicted of a crime prejudicial to honor, honesty, or trust, declared bankruptcy or insolvency, or deemed unfit for the board membership in accordance with any law or instructions applied in the Kingdom.
- 2.2 The nominee shall not be a member of the boards of more than five listed joint stock companies at the same time.
- 2.3 The Board member shall represent all shareholders of the Company and shall abide by what meets the interests of the Company in general and its shareholders, while protecting the rights of the other stakeholders and not what serves the interests of the group that elected him.
- 2.4 Independent Board members of HMG shall not be less than one-third of the total Board members, or two independent members, whichever is greater, in line with the Corporate Governance Regulations.
- 2.5 The majority of the Board members should be comprised of non-executive members, in line with the CGR.
- 2.6 Independent Board members shall enjoy complete independence in his/her position and decisions and not having any independence conflicts stipulated in the CGR issued by the CMA.
- 2.7 A member of the Board shall be professionally capable and has the required experience, knowledge, skill and independence which enable them to perform their duties efficiently. A member of the Board shall have the following qualifications in particular:



Ability to lead: The member shall enjoy leadership skills, which enable him/her to delegate powers in order to enhance performance and apply best practices in effective management and compliance with professional ethics and values as well as being able to communicate effectively, plan and think strategically.

Competency: The member shall have the academic qualifications and proper professional and personal skills as well as an appropriate level of training and practical experience related to the current and future businesses of the Company and the knowledge of management, economics, accounting, law or governance, as well as the desire to learn and receive training.

Ability to guide: The member shall have the technical, leadership, and administrative competencies as well as the ability to take prompt decisions, and understand technical requirements and developments related to the job. He/she shall also be able to provide strategic guidance and long-term planning and have a clear future vision.

Financial knowledge: The member shall have the ability to read and understand financial statements and reports.

Physical fitness: The member shall not suffer from any health issue that may hinder him/her from performing his/her duties and responsibilities.

2.8 Each member of the Board shall comply with the principles of care and loyalty, and this shall include, in particular, the following:

- **Duty to act within conferred powers:** A member of the Board shall perform and exercise his/her duties and powers in managing the Company and guiding its activities within his/her conferred powers in accordance with the Companies Law and its implementing regulations and the Company's Bylaws and other relevant laws, and only exercise powers for the purposes for which they were conferred.
- **Duty to act for the best interest of the Company and to promote its success:** A member of the Board of Directors shall comply with the following:
 - Work in good faith for the best interest of the Company and all its shareholders and shall not prioritize his/her personal interests over the interest of the Company and its shareholders, and in doing so shall have regard to the rights of the other stakeholders;
 - Ensure exerting all efforts to promote the success and growth of the Company and maximize its value on the long term for the benefit of its shareholders
- **Duty to exercise independent judgment:** A member of the Board of Directors shall perform his/her duties objectively and independently in relation to



managing the Company and making decisions, and shall avoid cases that affect his/her independence in making decisions or voting on them.

- **Duty to exercise reasonable and expected care, attention, skill and diligence:** A member of the Board of Directors shall perform his/her duties and responsibilities in accordance with the Companies Law, the Capital Market Law and their implementing regulations and the Company's Bylaws and other relevant laws, and in accordance with the diligence and care that should be exercised by a diligent person with the general knowledge, skill and experience that the member of the Board of Directors has, and that are expected of a person carrying out the functions carried out by the member of the Board.
 - **Duty to avoid conflict of interest:** A member of the Board of Directors shall avoid transactions and situations in which he/she has actual or potential direct or indirect interest that conflicts or may conflict with the Company's interest, and the member of the Board of Directors shall comply with the provisions relating to conflicts of interest in the Companies Law and its implementing regulations.
 - **Duty to disclose any direct or indirect interest in businesses and contracts executed for the Company's account:** A member of the Board of Directors shall disclose any direct or indirect interest he/she has in the businesses and contracts executed for the Company's account immediately upon becoming aware thereof, and shall comply with the provisions relating to disclosure of interest in businesses and contracts stipulated in the Companies Law and its implementing regulations.
 - **Duty not to accept benefits from third parties in relation to his/her role in the Company:** A member of the Board of Directors shall not exploit his position, duties and powers vested in him/her in his/her capacity as a Board member in any way to obtain or accept benefits from third parties for a specific act or to refrain from doing a specific act.
- 2.9 The nominee shall be a natural person of at least 25 years of age, and shall be applying as a shareholder or nominated by a shareholder.
- 2.10 Diversity of qualification and practical experience shall be taken into consideration, and priority shall be given to nominees with the appropriate skills for the Board of directors.
- 2.11 A member of the Board shall resign before the end of his/her office term, if he/she lost his/her eligibility to serve as a member, or if he/she lost his/her ability to perform responsibilities or couldn't allocate the time or effort required to perform his/her role and responsibilities in the Board. However, in the event of a conflict of interest, the member has the option of obtaining an authorization from the Company's General



Assembly or the Board of Directors, pursuant to a delegation from the General Assembly, or submitting his resignation.

- 2.12 A member of the Board who has either a conflict of interest or a competing business with the Company's businesses shall disclose such conflict of interest prior to his/her appointment (or when the conflict or interest arises) and obtain the authorization of the General Assembly or the Board of Directors, pursuant to a delegation by the General Assembly, with respect to such conflict of interest. If the General Assembly or the Board of Directors, pursuant to a delegation by the General Assembly, rejects granting the authorization (or subsequently revokes its authorization), the relevant Board member shall resign within a period specified by the General Assembly or the Board of Directors if the Board is delegated from the General Assembly;; otherwise such Board member's membership shall be deemed terminated, unless the relevant Board member decides to withdraw from such contract, transaction, or competing venture, or decides to rectify their situations in accordance with the Companies Law and its Implementing regulations prior to the end of period set by the General Assembly or the Board of Directors, pursuant to a delegation by the General Assembly.

3 NOMINATION PROCEDURES FOR BOARDS MEMBERSHIP

- 3.1 Each shareholder shall have the right to nominate himself/ herself or other person(s) for membership to the Board of directors.
- 3.2 The Nomination and Remuneration Committee shall coordinate with the executive management of the Company to announce the opening of the nomination for the Company's Board membership prior to the end of the Board's office term, while allowing for a sufficient time, in accordance with applicable laws and regulations.
- 3.3 The Company shall publish the nomination announcement on the websites of the Company and the Saudi Stock Exchange (Tadawul) and through any means specified by the Capital Market Authority; to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.
- 3.4 The Nomination and Remuneration Committee shall submit its recommendation to the Board of directors on nomination for the Board membership in accordance with the standards mentioned in this policy. When nominating a Board member, the Nomination and Remuneration committee shall take into consideration the provisions of the CGR and the requirements set by the Capital Market Authority.
- 3.5 Anyone who is interested in being nominated to the Company board shall declare his/her wish by notifying the Company administration in accordance with the applicable rules and regulations. This notice shall include an introduction of the



nominee with respect to his/her curriculum vitae, his/her qualifications and his/her work experience, such documents shall be submitted in Arabic and English languages. In addition, he/she must provide the Company with the all supporting documents such as (national ID, family ID, passport for non-Saudis nominees for Board membership and any other relevant documents requested by the Company to meet the legal requirements).

- 3.6 A person who desires to nominate himself/herself for the membership of the Board shall disclose to the Board or the General Assembly any cases of conflicts of interest, including:
- Having direct or indirect interest in the contracts and businesses entered into for the benefit of the Company in which he/she desires to be nominated to the Board.
 - Engaging in business that may compete with the Company or any of its activities.
- 3.7 Nominees for Board membership shall complete the form(s) specified by the CMA, which can be found on their website.
- 3.8 Any nominee who is a previous board member of joint-stock company shall state the names and dates of the boards in which he was a member.
- 3.9 Any nominee who has served as a Board member in the Company shall enclose with the nomination notice a statement from the Company management on the last session in which he/she was a Board member including the following:
- The number of Board meetings held during each year of the session.
 - The number of meetings attended by the member, and the percentage of his attendance of the total meetings.
 - The committees in which the member participated, the number of meetings held by each of these committees during each year of the session, the number of meetings attended and the attendance percentage of the total number of meetings.
- 3.10 Membership type shall be clarified upon nomination, i.e. if the nominee is an executive member or a non-executive member or an independent member.
- 3.11 The Nomination and Remuneration Committee shall coordinate with the executive team of the Company to satisfy the regulatory requirements and to provide the regulatory authorities with all required documents.

4 PROCEDURES FOR THE ELECTION OF THE BOARDS MEMBERSHIP

- 4.1 The Company shall publish on the website of the Saudi Stock Exchange and through any other medium specified by the CMA information on candidates for the



membership of the Board when publishing or directing the convening of the General Assembly.

- 4.2 Cumulative voting is used as a voting method in Board elections.
- 4.3 Voting in the General Assembly shall be confined to the Board nominees whose nominate himself/herself in accordance with the procedures, the criteria and polices mentioned above.

5 APPOINTMENT OF CHAIRMAN AND VICE CHAIRMAN

HMG's shareholders elect the members of the Board at the GA meeting in accordance with the rules and regulations and provision provided herein. Then the Board, selects from its non-executive members a chairman and a vice chairman and the Board shall have the right to remove or re-appoint them.

6 EXPIRATION AND TERMINATION OF THE BOARD MEMBERSHIP AND VACANCIES

- 6.1 The term of the Board shall expire at the end of its term, which is four years from the date of their election by the General Assembly.
- 6.2 The office term of the Board member shall expire in accordance with any applicable law or regulation in the Kingdom of Saudi Arabia, or because of death or resignation or conviction of a crime prejudicial to honor and honesty; nonetheless, the General Assembly may, at all times dismiss, all or any of the members of the Board taking into account any controls set by the competent authorities. In such case, the Ordinary General Assembly shall elect a new Board of Directors or a replacement for removed members, as the case may be, in accordance with the provisions of the Companies Law and its implementing regulations and the rules governing the removal of Board members specified by the competent authority. A Board member may resign pursuant to a written notice submitted to the Chairman of the Board of Directors. If the Chairman of the Board resigns, the notice shall be submitted to the Board members and the Board secretary. In both cases, the resignation shall take effect from the date specified in the notice.
- 6.3 Upon the recommendation of the Board of directors, the General Assembly may terminate the membership of Board member who has been absent from attending three consecutive Board meetings or five separate Board meetings during their membership term without a valid reason acceptable to the Board.
- 6.4 If the position of a Board member becomes vacant, and if the minimum number of members required for the validity of Board meetings as stipulated in the Company's Bylaw is not affected by such vacancy, in such case the Board shall have the right to keep the position vacant until the end of the Board term without appointing a



replacement member. Furthermore; The Board may appoint a qualified person with relevant expertise to provisionally fill the vacancy provided that such appointment be brought before the Ordinary General Assembly in its first meeting; and the appointed member shall complete the terms of his predecessor in accordance with the Company's Bylaws.

- 6.5 If the Chairman and members of the Board of Directors resign, they shall call for an Ordinary General Assembly meeting to elect a new Board. The resignation shall not take effect until a new Board is elected, provided that the period of such continuation of the resigned Board does not exceed (120) days from the date of such resignation.
- 6.6 In the event of failure to elect a Board for a new term and the term of the current Board has lapsed, the members of such Board shall continue to perform their duties until a new Board is elected, provided that the period of such continuation of the lapsed Board does not exceed (90) days from the end date of the Board's term.
- 6.7 If the number of Board members falls below the minimum number required for the validity of Board meetings as stipulated in the Companies' Law or the Company's Bylaws, the remaining members shall call for an Ordinary General Assembly meeting within (60) days to elect the required number of members.
- 6.8 If the Board of Directors is not elected for a new term or if the required number of Board members is not satisfied, in accordance with paragraphs (6.5), (6.6), and (6.7) of this Article, any person with interest may petition the competent judicial authority to appoint qualified persons with expertise, in any number it deems appropriate, to supervise the management of the Company and call on the General Assembly to convene within (90) days to elect a new Board of Directors or appoint Board members to satisfy the required number, as the case may be, or may petition the competent judicial authority to dissolve the Company.

7 FINAL PROVISIONS (FOR PUBLICATIONS, ACCESS AND AMENDMENTS)

This policy shall be implemented starting from the date it is approved by the General Assembly. This policy shall be published and made available to the shareholder and the public in the Company's website after General Assembly meeting approval. The content of this policy shall be reviewed - as needed - upon the recommendation of the Board, provided that, any recommended changes are presented to the General Assembly in the next meeting for approval.



Document Version Control

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Custodian	
General Counsel of the Group	

Note: The General Counsel of the Group shall maintain the Policies, Standards and procedures for Board Membership and any amendments thereto. The issuance of the Policies, Standards and procedures for Board Membership and its amendment shall require the approval of the Board of Directors and the General Assembly of HMG, provided that any amendments are duly disclosed to the concerned parties after obtaining the required approvals.