

د. سليمان الحبيب
DR SULAIMAN AL HABIB
المجموعة الطبية medical group



Committed to growth

Dr. Sulaiman Al Habib Medical Services Group Company
Annual Report 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



**KING SALMAN BIN
ABDULAZIZ AL SAUD**

Custodian of the Two Holy Mosques,
The King of the Kingdom of Saudi Arabia



**HIS ROYAL HIGHNESS PRINCE
MOHAMMAD BIN SALMAN
BIN ABDULAZIZ AL SAUD**

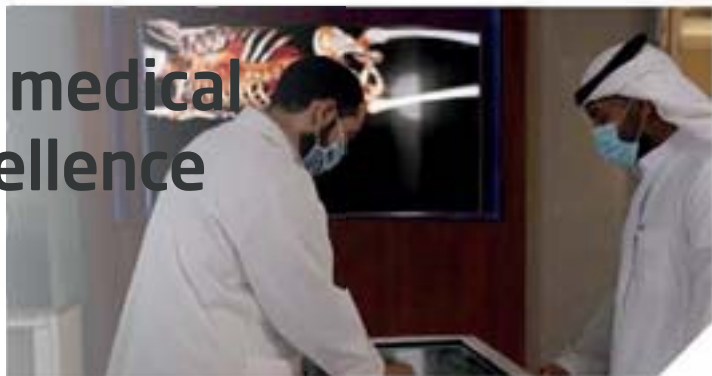
Crown Prince and Vice President of the
Council of Ministers and Minister of Defense
and The Chairman of the Council of Economic
and Development Affairs



Dr. Sulaiman Al Habib Medical Services Group Company (HMG) is a diversified healthcare leader in the Middle East, recognized for comprehensive healthcare services, forward-thinking innovation and the superior patient experience in the region.

Committed to growth...

...in medical excellence



...in patient experience



...in technology and innovation



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Committed to growth in healthcare

Strategic Report

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At a Glance

Dr. Sulaiman Al Habib Medical Services Group Company (HMG) is a diversified healthcare leader in the Middle East, recognized for comprehensive healthcare services, forward-thinking innovation and the best patient experience in the region.

OUR VISION

To be the most trusted healthcare provider in medical excellence and patient experience globally.

OUR MISSION

To develop and operate state-of-the-art medical facilities and provide innovative healthcare services to create value for people.

OUR VALUES

Our core values allow all our employees to work with focus and integrity to fulfill our mission and achieve our vision together.



Integrity

We believe that integrity and ethics are the basis of our relationship with patients.



Care for Patients

We care for the diverse needs of our patients by being compassionate, providing open channels for communication, considering their feedback, and protecting their privacy and dignity.



Safety

We make the safety of our people, our patients and our community our highest priority, as they entrust us with their lives and health.



Teamwork

We work together in an open and collaborative environment to promote innovation and mutual respect and to inculcate a sense of responsibility for improved patient experience.



Effectiveness

We strive to save our patients' time and ensure effective and efficient utilization of available resources to provide best-in-class service.



Excellence & Quality

We pursue excellence and world-class standards of quality through a commitment to continuous improvement, patient-centered innovation and sound corporate governance.

NEOM

Qassim

Qatif

Dammam

Khobar

Bahrain

Dubai

Madinah

Riyadh

Kharj

Jeddah

KEY

Owned facility



Medical center



Medical center under construction



Hospital under construction



Operated contracts



Our Story

For over 25 years, HMG has showed its commitment to growth and world-class healthcare across our ever-expanding network of hospitals, medical centers, pharmacies, home healthcare, advanced laboratories and healthcare technology businesses.

2008

MATERNITY HOSPITAL

To fulfill the demand and provide comprehensive integrated gynecology and obstetrics services at one place, HMG established a 66-bed hospital in Olaya Medical Complex benefitting women and newborns.

2007

DUBAI MEDICAL CENTER

To strengthen its regional footprint, HMG commenced its first venture outside of the Kingdom of Saudi Arabia to set up a medical facility in Dubai with multi-specialty clinics to provide outpatient services.

1995

OLAYA MEDICAL COMPLEX

HMG started its journey with a long-term objective to improve people's lives and a vision of providing the highest quality healthcare services, through offering outpatient services with multi-specialty clinics and a pharmacy in Riyadh, Kingdom of Saudi Arabia.

2011

HOME HEALTHCARE

After the rollout of home healthcare services in 2001 as a division in Olaya Medical Complex, HMG established Home Healthcare Company (HHC) as an independent company, to enable patients to receive medical treatment in the comfort of their homes.

2010

RAYAN HOSPITAL

Growing demand for unique medical services in Riyadh led to the development of a second hospital in the city, a project with a capacity of 327 beds and multi-specialty clinics offering integrated best-in-class medical services.

2010

BONE, JOINT & SPINAL HOSPITAL

Broadening its services, HMG built the first and largest hospital specialized in joint and spinal cord osteopathy and surgery in the region at Olaya Medical Complex with a capacity of 150 beds.

2009

QASSIM HOSPITAL

Following its strategy to expand its reach, HMG established its first integrated and multi-specialization hospital offering clinical and inpatient services in Buraidah with multi-specialty clinics and 74 beds.

2015

DUBAI HOSPITAL (FORMERLY DUBAI MEDICAL CENTER)

Dubai Hospital was developed from outpatient clinics only into a state-of-the-art general hospital equipped with 165 beds to enable patients to benefit from integrated medical services.

2013

MD LAB

Continuing to be the market leader in medical excellence, HMG set up a new line of business in Riyadh to provide medical diagnostic services and an advanced specialized laboratory, a first-of-its-kind in the GCC region.

2013

CLOUD SOLUTIONS

Driven by its mission to provide innovative medical solutions to its clients and to be a pioneer in healthcare technology, HMG established a wholly owned subsidiary in Riyadh to provide integrated IT services and healthcare solutions across the region and also established a state-of-the-art software house specialized in health systems development in Sri Lanka.

2012

TAKHASSUSI HOSPITAL

HMG expanded its presence in Riyadh to meet patient demand. The new hospital included multi-specialty clinics and 218 beds to provide integrated medical services and expanded the Group's market share.

2011

UNIVERSITY MEDICAL CENTER (UMC)

Expanding its presence in the GCC region, the Group entered an operation and management agreement with Bahrain's Arabian Gulf University for its healthcare facilities in King Abdullah Medical City. The facility included outpatient clinical services, day surgery services and a variety of medical services with sub-specialties.

2021

LAUNCH OF NEW SUBSIDIARY BUSINESSES

- Flow Medical Solutions: Medical equipment maintenance company
- Taswyat Management: Revenue cycle management company.

2021

MEDICAL CENTER AT THE DIPLOMATIC QUARTER

HMG introduced a new line of business, building its first medical center facility in Riyadh's Diplomatic Quarter, which had a soft opening in 2020 and became fully operational in 2021.

2020

PUBLIC LISTED COMPANY

HMG raised SAR 2.63 billion through the offer of 52.5 million shares, representing 15% of our share capital, on Saudi's Tadawul stock exchange. The IPO was 83 times oversubscribed and was awarded the 'Most Notable Listing in 2020' for the main market of the Tadawul.

2019

KHOBAR HOSPITAL

To broaden its presence, HMG launched its first fully integrated digital healthcare facility in Al Khobar with 458 beds and multi-specialty clinics to serve the population of Saudi Arabia's Eastern Province and its adjoining areas.

2017

OPERATED CONTRACTS COMPANY

Expanding its operations in the management and operation of healthcare facilities, HMG established Operated Contracts Company to operate intensive care facilities for third parties on both short-term and long-term contract bases.

2016

SUWAIDI HOSPITAL

Enabling people living on the outskirts of south-west Riyadh to access HMG's growing services, the Group built another integrated medical hospital with 305 beds and multi-specialty clinics offering specialized healthcare.

Year in Review

HMG is on a journey of continuous improvement, value creation and high-quality medical care.

ECMO ARTIFICIAL HEART AND LUNG PUMP PROGRAM	NABAD 24 TELE-CARDIOLOGY PROGRAM	TELE-STROKE PROGRAM	'MOST NOTABLE LISTING (MAIN MARKET)' AWARD	HIMSS EMRAM STAGE 7 ACCREDITATION FOR HMG HOSPITALS	UNIVANTS 'AWARD FOR HEALTHCARE EXCELLENCE'	ACCREDITATIONS FOR GROUP'S FACILITIES	CORPORATE SOCIAL RESPONSIBILITY	IMPLEMENTATION OF VIDA AT 20+ HEALTHCARE FACILITIES	NEW HOSPITAL PROJECT IN AL-KHARJ	PROJECT TO OPERATE MOH MEDICAL CENTER	EXPANSION OF MEDICAL CENTERS SERVICES IN THREE SAUDI CITIES
											
The cutting-edge medical technique deployed in HMG Intensive Care Units to improve survival rates of patients suffering from respiratory failure and heart failure.	HMG launched an innovative tele-cardiology service to rapidly diagnose and react to heart attacks remotely, drastically reducing response times and directly improving patient survival rates.	Already saving hundreds of lives, HMG's new remote stroke program launched to treat strokes through visual thrombolysis and interventional radiation technology applied by HMG's highly trained medical team.	HMG won the prestigious award at the inaugural Saudi Capital Market Awards, recognizing the best-in-class approach and notable post-IPO performance of the Group's 2020 listing on the Tadawul (Saudi stock exchange).	All the Group hospitals in Saudi Arabia were accredited by the Healthcare Information and Management Systems Society (HIMSS), in recognition of the Group's dedication to digital transformation and cutting-edge healthcare.	Outperforming a group of over 150 international healthcare companies, HMG received this prestigious award in recognition of its high-quality COVID-19 response, performing PCR tests and administering more than 2 million vaccinations.	Reflecting HMG enduring commitment to excellence, the group received 60+ accreditations during the year including JCI accreditation for Home Healthcare.	HMG once again demonstrated its commitment to the Kingdom by acting as the strategic medical sponsor for Riyadh Season, also performed 91 kidney transplants in partnership with Al Rajhi Bank and donated funds to charitable organizations.	HMG's award-winning VIDA hospital information system was successfully implemented by its subsidiary, Cloud Solutions, at 20+ healthcare facilities across Saudi Arabia, in partnership with the Ministry of Health.	In line with its strategic expansion plans, HMG announced a new hospital project in Al-Kharj Governorate to maximize the Group's reach.	In line with the Saudi Government's mandate for deeper PPP, HMG launched a proof-of-concept project to optimize Ministry of Health medical center.	To bring HMG's innovative healthcare services to more people across the Kingdom, the Group's medical centers are expanding in Riyadh, Dammam and Buraidah.

Financial and Operational Highlights

HMG demonstrates the resilience of a company that is poised for growth

OPERATIONAL

1,900+

NUMBER OF BEDS

13,500+

NUMBER OF STAFF

4m+

NUMBER OF PATIENTS

FINANCIAL

980

SAR MILLION
TOTAL DIVIDEND
DECLARED FOR THE YEAR

71%

APPROXIMATE
ANNUAL DIVIDENDS
PAYOUT RATIO

2,643

SAR MILLION
IN CASH AND
EQUIVALENTS

18.4%

RETURN ON EQUITY

13.6%

RETURN ON ASSETS

0.27

NET DEBT/EBITDA

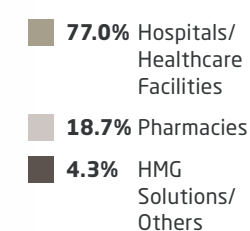
EBITDA (SAR BILLION)



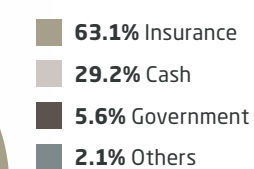
REVENUE (SAR BILLION)



REVENUE BY SEGMENT



REVENUE BY CUSTOMER TYPE



EPS (SAR)



NET INCOME (SAR BILLION)



GROSS PROFIT (SAR MILLION)



Investment Case

Sustainable shareholder value creation through healthcare excellence.

HMG creates value for our shareholders through our long-term commitment to delivering high-quality patient care and service that enriches people's lives. In line with our corporate strategy, we will continue to leverage our competitive advantages across our operations and geographic footprint to deliver strong and sustainable growth.

4

EARNING CALLS

4

INVESTOR VIRTUAL CONFERENCES

3

MIDDLE EAST INVESTOR RELATIONS ASSOCIATION AWARDS

200+

MEETINGS WITH INVESTORS



ATTRACTIVE INDUSTRY FUNDAMENTALS

Well positioned to benefit from attractive market dynamics:

- Aging population with a rise in chronic diseases
- Underdeveloped healthcare sector compared to global benchmarks
- Technological advancements and demand for quality healthcare
- Strong historical growth and insurance coverage expansion
- Requirement for quality healthcare facilities based on increased demand realized due to pandemic



MARKET LEADER IN MEDICAL EXCELLENCE

Leading brand for consumers in medical excellence:

- State-of-the-art medical facilities
- Continued focus on patient safety
- Globally recognized clinical competency
- Specialized centers of excellence
- Effective continuum of care
- Continuous investment in continuing medical education
- Research Center and referred medical journal
- Certified fellowship programs in various medical specialties



ADAPTABLE OPERATING MODEL

Pioneer in cutting-edge medical technology and agile in the changing healthcare landscape:

- Intellectual property of award-winning systems and applications for enhanced patient experience
- Rollout of digital healthcare solutions
- Tele-medicine solutions to promote quality of care
- Managing medical facilities for third parties
- Driving excellence through value engineering



SOLID PERFORMANCE WITH LONG-TERM GROWTH POTENTIAL

Ideally positioned to leverage growth opportunities for sustainable long-term value:

- Financial discipline with diverse business lines
- Attractive dividend payout ratio
- Ambitious targets supported by risk-based strategies
- Aggressive expansion plan underpinned by land bank
- Strong partnerships with Government and stakeholders



EXPERIENCED LEADERSHIP TEAM WITH PROVEN TRACK RECORD

Demonstrated history of delivering results in challenging environment:

- Engaged human capital with valuable expertise to transform healthcare
- Diverse industry experience - medical, financial, operational and commercial
- Focus on sustainable value creation

Chairman's Statement

Committed to Growth



On behalf of HMG and the Board of Directors, it is my great pleasure to present this Annual Report for 2021. Notwithstanding the many challenges posed by the COVID-19 pandemic, the past year has seen the Group achieve remarkable success in implementing our strategic initiatives, delivering on the promises we have made to our stakeholders.

As the nation comes together to support a revitalized Saudi economy, our vision and mission remain focused on developing and operating state-of-the-art medical facilities, creating value for the nation and its communities, and providing innovative healthcare services to the Saudi population.

Our success and expansion also embody our enduring commitment to growth, as we capitalize on our extensive resources and experience to serve the interests of our patients, partners and shareholders.

LEADING A RAPIDLY EVOLVING MARKET

As the Kingdom's economy rebounds from the effects of the COVID-19 pandemic, HMG is playing a leading role in the return to strategic and economic growth in the private healthcare sector, capturing opportunities for improvements in our service delivery, particularly in the context of our rapidly evolving technological advances and expanding medical solutions provision.

As a key focus area of Saudi's ambitious Vision 2030, healthcare services and facilities across the Kingdom will continue to expand and improve, supported by earmarked investments of SAR 250 billion in healthcare infrastructure and driven by the need for an additional 20,000 beds by 2035.

Specifically, the Saudi Government aims to expand the private sector's contribution to the healthcare market from 25% to 35% by 2030 via a mix of privatizations, public-private partnerships (PPP) and investor incentives.

SUPPORTING THE KINGDOM AND ITS VISION

Reflecting our strong support for the comprehensive economic development of the Kingdom and the objectives of Vision 2030, HMG continues to work with the Government and our partners to deliver the world-class health services envisioned by the nation's leadership and the Health Sector Transformation Program.

CASE STUDY: INTERGRATED INNOVATIVE SERVICES

See page 52

In keeping with this commitment, in 2021 HMG joined the Shareek Program, which aims to enhance the development, resilience and diversification of the Saudi economy. Our engagement in this far-sighted initiative reflects our unique position in the Saudi healthcare market and represents a key differentiator among our peers.

2021 also saw the launch of our Himmah Leadership Program, designed to tap into and develop the talent within HMG to promote a new generation of healthcare leaders.

OUR STRATEGIC JOURNEY

Guided by the Group's robust growth strategy, HMG continues to strengthen our core value proposition by enhancing operational efficiency, strengthening our human capital and applying leading-edge technologies to evolve our service provision.

As we deliver on this comprehensive vision for development, we are also increasing the breadth of services we offer to our patients and clients, creating new business lines by developing digital healthcare solutions and introducing innovative medical practices.

While continuing to expand our physical footprint, both within the Kingdom and in the broader GCC region, by targeting organic growth and exploring inorganic opportunities, we are capitalizing on our technological strength to expand our reach and deliver unparalleled remote services to even greater numbers of patients throughout the region.

A UNIQUE VALUE PROPOSITION FOR INVESTORS

With everchanging healthcare regulator landscape and operational challenges, HMG provides a strong and sustainable investment opportunity for our shareholders, driven by our defined strategy and backed by our commitment to growth. As the Kingdom's leading healthcare brand, and with the support of our highly experienced leadership team, we are leveraging over 25 years of combined experience to deliver consistent growth and shape the future of the Saudi healthcare market.

ROBUST GOVERNANCE AND RISK MANAGEMENT

Backed by the Group's robust corporate governance framework, we remain focused on integrating best-in-class practices to support our commitments to transparency. We warmly welcomed two new Board members during the year and bade farewell to the outgoing members, acknowledging their invaluable contributions to our success.

By continuing to strengthen and improve these aspects of our governance, HMG seeks to instill even greater trust among our shareholders and other stakeholders, and to support our Executive Management in delivering continuous improvements across our service delivery.

The Group's comprehensive risk management framework continued to serve as a sound foundation for our acclaimed response to the COVID-19 crisis, and in ensuring our preparedness for potential future impacts of the pandemic on our business, people and patients.

"HMG is playing a leading role in the return to strategic and economic growth in the private healthcare sector."

DR. SULAIMAN AL HABIB, CHAIRMAN

Chairman's Statement

(continued)

PROGRESSING OUR ESG JOURNEY

As a responsible corporate citizen, we are committed to ensuring the well-being of the communities we serve and the progress of the Kingdom as a whole.

Throughout 2021, HMG has achieved significant progress to deliver a comprehensive ESG strategy that sets clear targets to achieve our sustainable development ambitions.

We continue to integrate our existing CSR programs into this new strategic framework and to adopt a broader approach to value creation by looking beyond our own facilities to multiply the benefits for the Kingdom and its people.

Throughout the year, HMG provided extensive support to the Government in delivering nation-wide COVID-19 vaccination and testing services, playing our role in achieving the desired level of immunity in the Kingdom. On behalf of government, the group administered more than 2 million vaccinations through three public vaccination centers.

Supporting the Government's vision for large-scale tourism, HMG acted as the Strategic Medical Sponsor of Riyadh Season 2021, for the second consecutive year, serving millions of visitors across 14 districts.

Above all, HMG retains its deep social commitments towards the people and communities we serve. In 2021, we implemented a variety of CSR initiatives, donating funds to causes and organizations such as the Ehsan National Charity and providing 91 kidney transplants to mark Saudi Arabia's National Day, in collaboration with Al Rajhi Bank.

FUTURE VISION

Our vision for the future remains central to all aspects of our business, as we continue on our journey to become a global leader in medical excellence. By aspiring to provide an unparalleled patient experience, we also strive to become the most trusted healthcare provider in the region and beyond, and are focused on adding value for our full range of investors and stakeholders.

Our expansion is backed by a strong pipeline of projects of hospitals and healthcare facilities that has remained firmly on track throughout 2021, whilst our clinical engineering management and revenue cycle management services are now being rolled out on schedule through our Flow and Taswyat subsidiaries to support HMG's vision for horizontal growth.

ACKNOWLEDGEMENTS

As we take stock of our success and achievements over the course of 2021, on behalf of Board, I wish to thank the Government for its staunch support for the people and the nation's healthcare sector during the pandemic, as well as our various partners and shareholders for their enduring trust and commitment to our shared goals.

I am indebted to our management and employees, whose dedication and resilience have ensured our position at the forefront of our sector and positioned us for further growth and success in the years to come.

Finally, I also wish to express my gratitude to our Board members for their guidance in navigating the challenges and uncertainties of the past year. Their valuable insights have served to maintain and advance the strategic momentum of HMG in a truly unprecedented operating environment.

Dr. Sulaiman Al Habib
Chairman

CASE STUDY: MEDICAL SPONSORSHIP OF RIYADH SEASON

See page 72

“Our vision for the future remains central to all aspects of our business, as we continue on our journey to become a global leader in medical excellence.”



Market Overview

Saudi Arabia's healthcare landscape continues to evolve rapidly, driven by the increased demand for health services among the Kingdom's aging population; the rapid adoption of virtual health and digital innovations; and unprecedented public-private collaborations in vaccine and therapeutics development.

HMG is uniquely positioned to capitalize on the considerable opportunities these developments present, by leveraging the Group's substantive capacity to adapt and innovate, both independently and through private and public sector partnerships.

A RESILIENT ECONOMY AND AMBITIOUS VISION

The recovery of the Saudi Arabian economy in the wake of the COVID-19 pandemic continues to gain pace against a backdrop of improving global conditions and a strong medium-term fiscal outlook supported by spill-over effects from the oil market. This is reflected in the Kingdom's economic growth trajectory and rising GDP.

Government initiatives to support the objectives of Saudi Vision 2030 are providing encouraging foundations for further growth and diversification in the Saudi economy, through both direct investment and financial, monetary and regulatory support. These strategic measures include the trillion-dollar Shareek program launched in 2021. One of the aims of the program is to establish a vibrant and thriving private sector in the Kingdom, which is projected to account for as much as 65% of GDP by 2030.

A LARGE, VIBRANT AND EXPANDING SAUDI HEALTHCARE SECTOR

The Saudi government aims to expand the private sector's contribution to the healthcare market from 25% to 35% by 2030 via a mix of privatizations, public-private partnerships (PPP) and investor incentives. These include aspects of the National Transformation Program (NTP) that specifically target increased investments in the healthcare market going forward. HMG is well positioned to capitalize on the NTP by leveraging through its current portfolio of PPP programs.

SAUDI ECONOMY AT A GLANCE

USD 1.3 trillion

IN ACCUMULATED PRIVATE SECTOR INVESTMENT BY 2030

USD 533 billion

GDP CONTRIBUTION BY 2025

50%

INCREASE IN LARGE COMPANIES' INVESTMENT TARGETS

Source: Invest Saudi.

THE SAUDI HEALTHCARE SECTOR

#1

LARGEST HEALTHCARE SECTOR IN MENA REGION

35 million

POPULATION, WITH 58% UNDER THE AGE OF 35

295

HOSPITALS EXPECTED TO BE PRIVATIZED BY 2030

Sources: Invest Saudi, Alpen Capital, Knight Frank, Global Health Exhibition.

2,259

HEALTHCARE CENTERS EXPECTED TO BE PRIVATIZED BY 2030

13,700

PHYSICIANS REQUIRED BY 2030

20,000

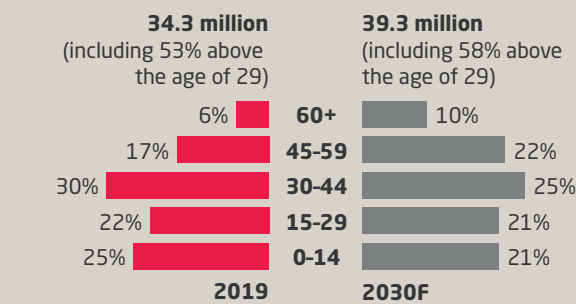
ADDITIONAL BEDS NEEDED BY 2035

RISING MARKET DEMAND

Several significant trends are driving demand in the Kingdom's healthcare market, including the country's rising population of patients aged 60+ years, which is expected to grow to some 4.06 million by 2030. This projected growth will see this demographic group quadruple to represent 24% of the total population, up from 6% today, and exceed the expected global average of 21%.

The growing prevalence of non-communicable diseases is also propelling demand, as the Saudi population struggles with increasing rates of obesity and its associated effects in the form of diabetes, hypertension, and cardiac and kidney diseases. Combined, these factors translate into an urgent need for expansions in both primary and preventative health services, as well as secondary and tertiary care.

POPULATION BY AGE GROUP (%)



A GROWING SAUDI INSURANCE MARKET

Promising opportunities for future growth are projected in the Saudi health insurance market, potentially adding a total of SAR 338 million to the gross written premium (GWP) value of the Kingdom's market by 2025 - another key driver for the healthcare sector as a whole.

A BURGEONING TELE-MEDICINE MARKET

The Saudi healthcare sector is evolving rapidly. Despite the negative economic pressures of the pandemic, the consequent need for rapid innovation in the delivery of healthcare services has accelerated the development of a broad range of new solutions in the areas of home and digital care, including tele-medicine, powering a major realignment in the sector.

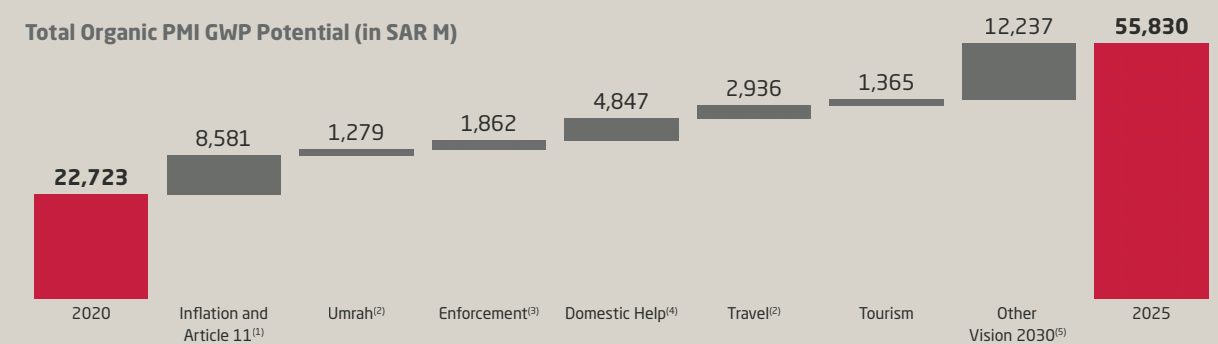
The GCC tele-medicine market grew at a CAGR of around 12% during 2015-2020. Looking forward, IMARC Group expects the market to continue its strong growth during 2021-2026.

Furthermore, the increasing popularity of smart wearable devices is helping healthcare professionals to collect real-time patient statistics and provide more efficient tele-medicine services.

FUTURE GROWTH OPPORTUNITIES IN HEALTH INSURANCE

Potential organic PMI growth to add total of ~SAR 33B in GWP by 2025

Total Organic PMI GWP Potential (in SAR M)



Notes: (1) Inflation and Article 11 are calculated based on 8.5%, 6% and 5.5% for 2021, 2022 and 2023 respectively and 5% for 2024-2025 of annual GWP baseline. (2) Umrah and Travel products are led by Tawuniya. (3) Enforcement refers to the mandatory medical coverage of GOSI Primary and dependents. (4) Domestic Help not currently mandated. (5) Other Vision 2030 is based on two assumptions: (i) Growth in the population by a CAGR of 1.8% based on FY20(A) and FY30(F) and (ii) Growth in the percentage of insurable market from 30% in FY20 to 40% in FY25 given the Vision 2030 programs.

Source(s): CHI; Bupa Arabia estimates.

Our Business Model

Committed to creating sustainable value for our stakeholders

HMG's vertically integrated model, medical and technical expertise, and culture of innovation position the Group for long-term and sustainable growth and expansion, solidifying our position as Saudi Arabia's leading healthcare operator.

OUR KEY STRENGTHS

CUTTING-EDGE TECHNOLOGY

1st
in implementing latest medical technology

320m+
HMG app interactions

15
applications and systems designed in-house

LEADING BRAND IN PRIME LOCATIONS

#1
healthcare operator in Saudi Arabia

4m+
patients across the region

60+
sub-specialties across 22+ medical facilities

STRATEGIC RELATIONSHIPS AND IN-HOUSE EXPERTISE

Deeply established **partnerships** with insurance companies and suppliers

Advanced expertise in **Clinical Engineering** and **Revenue Cycle Management**

40+
in-house-developed Hospital Information Systems (VIDA+) implemented in MoH's Facilities

EXPERIENCED MANAGEMENT AND QUALIFIED HEALTH PRACTITIONERS

10+
Management with 10+ years' experience with HMG

60%
of physicians from Western and Arab Boards

500+
CME training hours completed

REPUTATION FOR MEDICAL EXCELLENCE

3,000+
physicians with average **15+ years'** experience

60+
national and international accreditations and awards including HIMSS EMRAM Stage 7 accreditation in all HMG's hospitals in **KSA**

1st and only private healthcare provider in **KSA** publishing peer-reviewed quarterly medical journal

WHAT WE DO

Facilities and services

We offer patients integrated healthcare services at prime locations through our clinics, inpatient services, centers of excellence and on-site emergency services, as well as virtually. Our facilities are equipped with cutting-edge technology and serviced by experienced medical practitioners.



We offer a wide range of products that are easily accessible at our pharmacies, located alongside our facilities, and virtually, through our HMG app. We also provide comprehensive home healthcare solutions and advanced medical laboratory testing services in our hospitals, and collection of samples from patients' premises.

Digital healthcare solutions

As innovation is key to improving people's lives, we engage in partnerships with public and private institutions to extend our digital service offerings including Tele-ICU and other related services.



We provide applications and systems for our medical facilities that have been developed through our subsidiary, Cloud Solutions, and roll out tailor-made solutions for other healthcare providers.

Design, develop and operate

We have integrated solutions for project development, ranging from planning, designing and project management to construction and furnishing of medical facilities.



We also provide services for the management and operation of medical facilities, deployment of staff and other medical advisory services.

HOW WE MAXIMIZE VALUE

Patient-centric approach

Patient safety is entrenched in our values, so we follow best clinical practices to ensure patient safety and enrich patient experience.

Continuum of care

We offer integrated healthcare services at all our medical facilities to maintain physical and virtual continuity of care.

Value engineering

We focus on implementing the latest technologies with best practices of value engineering to enhance operational efficiency.

Sound risk management

We manage risk exposure by devising proactive mitigation strategies in line with our risk management framework.

Adapting to change

Due to the dynamic business environment, we position ourselves to respond to market opportunities and changing business needs in an efficient way.

[READ MORE ABOUT OUR KPIS](#)

See page 34

[READ MORE ABOUT OUR RISK MANAGEMENT](#)

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CEO's Message

The Gold Standard in Saudi Healthcare



HMG continued to deliver vital, best-in-class medical services for the people of the Kingdom and beyond in 2021, demonstrating our resilience through another challenging year for the global healthcare sector. Building on our track record of over 25 years as regional healthcare pioneer, we remained committed to our strategic growth journey, providing unrivalled patient-centric care and accelerating our expansion plans by launching new leading-edge facilities, services and solutions.

DELIVERING GROWTH AND QUALITY OF CARE IN 2021

We continue to raise the standards of our hospitals, specialist clinics and medical centers to unprecedented levels as our operational footprint expands.

In keeping with our core priority to provide a high-quality patient experience, backed by leading-edge medical innovation and technologies, HMG has achieved consistent improvements in patient care and communication across our network. We offer services to a growing pool of patients across the region, cementing our position as a referral of choice for inpatient care.

To support the unique needs of the people during the pandemic, our virtual infrastructure has expanded to provide healthcare services beyond our physical locations, reaching communities across the region.

Furthermore, in line with our ongoing commitment to growth and to more than 4 million patients served in 2021, we continue to develop vital infrastructure and services, with five new hospitals under construction that will add almost 1,500 beds to Saudi Arabia's healthcare sector by 2024.

These additions will complement our existing network of facilities, including 22+ medical facilities, and various ancillary services offered through HMG solutions across the region, served by a highly skilled workforce of over 13,500 staff, including more than 3,000 physicians.

The Group also maintains a network of pharmacies across Saudi Arabia and Dubai, and is implementing ambitious plans to broaden pharmacy access by introducing new, technologically advanced patient and customer touchpoints.

MOBILIZING LEADING-EDGE REMOTE CARE

Complementing our more conventional medical services, Habib Live Care, our remote patient care service delivered through a dedicated HMG app, continued to achieve solid growth. Overall, the HMG mobile app handled more than 320 million interactions and more than 1.6 million appointment bookings during 2021.

Further enhancing our remote and virtual service offering, HMG Rapid Response Team (RRT) ramped up in 2021 to offer outreach emergency care at patients' location, backed by full integration with our state-of-the-art command center and leveraging the capabilities of our hospitals and medical technologies. Meanwhile, our Murafiq service, a virtual visit program, allows families to communicate with patients, doctors and staff - particularly for patients in critical care units.

Our new ECMO artificial heart and lung pump program, a breakthrough medical technique to help intensive care patients, including those suffering from critical COVID-19-related respiratory issues, was introduced during this year. The program received accreditation by the Extracorporeal Life Support Organization (ELSO), one of only five hospitals in Saudi Arabia to be accredited to offer this advanced medical technology.

2021 also saw the launch of NABAD 24, our advanced tele-cardiology service designed to rapidly diagnose and react to heart attacks remotely, drastically reducing response times and directly improving patient survival.

STRONG FINANCIAL PERFORMANCE

The Group maintained its resilient revenue growth throughout 2021, delivering robust increases in revenue and profit across our three core segments - hospitals, pharmacies and solutions. This growth was supported by government measures to protect the people of the Kingdom and bring life back to normal following the pandemic.

Group revenue rose by 23.7% in 2021 to reach SAR 7.3 billion, leading to a gross profit of 2.3 billion for the year, up 25% over that of 2020. HMG achieved a return on equity of 26.9%, representing growth of 18.4% for 2021, whilst earnings per share stood at SAR 3.9 with declared cash dividends reaching SAR 980 million by end-2021. For more performance data, please refer to the CFO's Review on pages 30 and 31.

A PIONEER OF TECHNOLOGY-DRIVEN MEDICAL SOLUTIONS

Our commitments to research, innovation and compliance represent some of the key guiding principles of the Group. Throughout 2021, we maintained the positive momentum of our HMG Solutions arm, which develops and operates an extensive and growing portfolio of innovative, fit-for-purpose services and facilities, through the support of our wholly owned subsidiaries including Cloud Solutions, Home Healthcare and MD Lab.

HMG's new technology projects include our award-winning hospital information system (HIS), marketed under the VIDA brand and implemented in partnership with the Ministry of Health (MoH) at around 40 hospitals, more than 20 of which achieved implementation in 2021. We also became the first certified vendor in the country for the National Platform for Health and Insurance Exchange Services (NPHIES) launched in 2020.

“HMG has achieved consistent improvements in patient care and communication across our network.”

MR. NASSER AL HUQBANI, CHIEF EXECUTIVE OFFICER

CEO's Message

(continued)

GLOBALLY-ACCLAIMED HEALTHCARE PROVISION

Our success and versatility as a leading healthcare provider in the Kingdom and broader region has drawn accolades from across the globe.

HMG was ranked as the top healthcare company in the Middle East in 2021 by Forbes, maintaining its position for the second year running, and received the UNIVANTS Healthcare Excellence Award in recognition of our strategic response to the COVID-19 pandemic, having been chosen from among 150 international competitors.

The Group also strengthened its position among the Top 100 listed companies in the Middle East, rising 11 places to rank 55th in 2021.

Furthermore, we achieved HIMSS EMRAM Stage 7 accreditation across our network of hospitals in Saudi Arabia, and our facilities secured multiple Center of Excellence accreditations from the international Surgical Review Corporation (SRC).

THE BEATING HEART OF OUR SUCCESS

Under the direction of the highly experienced HMG senior management team, our dedicated and diverse employees represent the driving force of our success across the region.

The Group is committed to achieving the highest standards of employee satisfaction and retention. We therefore continue to strive to create the best possible working environment in which our people can thrive and excel, whilst also attracting versatile, talented people to share our journey via more than 120 recruiting offices located around the globe.

Through HMG's Post-Graduate Training Program, which features the Kingdom's first private sector ICU residence scheme, we enrolled 35 new trainees in 2021, representing a rise of more than 40% over 2020. Meanwhile, 2,460+ undergraduates and interns participated in our Undergraduate Program throughout the year, delivered in partnership with 16 government and private universities, and almost 5,400 trainees benefitted from our CPR courses.

LOOKING AHEAD

HMG continues to innovate in order to enhance patient care and experience across the Group. In 2022, we plan to launch a number of new products and services, including our Treasury Management System, Kyriba, and our new Recruitment Management System, Elevatus, and to explore opportunities to drive efficiency and customer-focused innovation.

Going forward, the Group also aims to expand its reach by establishing four medical centers in three different regions of Kingdom, to enhance our service offering and standards of care while continuing to improve and strengthen our existing facilities and services.

OUR VALUED STAKEHOLDERS

With the valuable support of our people, Board, management, investors and Government partners, HMG has achieved strong growth and expansion in 2021, despite the unprecedented challenges of the COVID-19 pandemic.

Thanks to the efforts and dedication of all our stakeholders, as well as the trust placed in us by our patients and customers, we have maintained our strong growth trajectory in this period of global turbulence.

Driven by our sound vision, ambitious goals and future-ready investment strategy, we remain committed to leveraging the resilience and experience of our people and partners to deliver the highest standards of care for the people of the Kingdom and the wider region.

Mr. Nasser Mohammed Al Huqbani
Chief Executive Officer

“Driven by our sound vision, ambitious goals and future-ready investment strategy, we remain committed to leveraging the resilience and experience of our people and partners.”



Our Growth Strategy

Across HMG, our Group Strategy defines our priorities and focuses our resources to drive sustainable growth, maximize value for our stakeholders, and fulfill our vision to be the most trusted healthcare provider in medical excellence and patient experience globally.

Strategic pillars and drivers

VALUES



Integrity



Care for Patients



Safety



Teamwork



Effectiveness



Excellence and Quality

READ ABOUT OUR GROUP'S VALUES

See page 04

PILLARS

Strengthening the core



DRIVERS

- Human capital
- Cutting-edge technology
- Operational efficiency

OUTCOMES

Patient-centric healthcare



Expanding the reach



DRIVERS

- Central region
- Other major Saudi cities
- Wider GCC

OUTCOMES

Organic growth while considering inorganic opportunities



Broadening the service



DRIVERS

- Design and develop
- Operate and manage
- Digital healthcare solutions

OUTCOMES

Creation of new business lines



PRIORITIES



Provide integrated healthcare services



Maintain position as leading brand in the market



Expand to new locations



Increase operational efficiency



Meet demand in growing sectors and diversify income sources



Attract and retain highly qualified physicians, healthcare practitioners and administrative staff

READ ABOUT OUR STRATEGIC OBJECTIVES

See page 28

Strategic Objectives

HMG works with strategic focus and determination to achieve our mission of developing and operating state-of-the-art medical facilities and provide innovative healthcare services to create value for people. In this way, we will continue to innovate with purpose, deliver strong financial performance, and grow our market share across Saudi Arabia and the GCC region.

[READ MORE ABOUT OUR RISK MANAGEMENT](#)

See page 58

STRATEGIC PRIORITIES

STRATEGY

MEASURES

ASSOCIATED RISKS



Provide integrated healthcare services

Provide patient-centric integrated healthcare services under one roof through high quality comprehensive medical care with unique service offerings by following the best medical practices, striving to continue medical excellence and implementing the latest technology in line with the Kingdom's Vision 2030.

PATIENTS SERVED

4m+

SUB-SPECIALTIES

60+

Risk Nos.
2, 5, 7 & 10



Maintain position as leading brand in the market

Stand out as a leading brand across the MENA region by expanding in-house capabilities, meeting the highest standards of patient safety, investing in the latest cutting-edge medical technologies, engaging highly competent healthcare practitioners and focusing on continuum of care to reinforce the Group's market position.

NUMBER OF BEDS

1,900+



Risk Nos.
4, 5, 7 & 10



Expand to new locations

Increase our global and regional footprint through organic growth while considering inorganic opportunities. Utilize land bank to establish and operate medical facilities across the GCC. The Group aims to build on the increasing scale of its operations to achieve economies of scale.

NUMBER OF MEDICAL FACILITIES

22+

UPCOMING HOSPITALS

5

Risk Nos.
2, 3 & 9



Increase operational efficiency

Increase effectiveness of health practitioners and continue to implement a value engineering approach with technology-led operational efficiencies. This will improve performance and serve a large number of patients across the Group's facilities.

EBITDA MARGIN

25.5%

CASH CONVERSION CYCLE

20 days

Risk Nos.
1, 6 & 8



Meet demand in growing sectors and diversify income sources

Broaden our current medical services while exploring new business avenues through HMG Solutions and strategic partnerships with international companies to offer a wide range of healthcare digital solutions.

REVENUE BY SEGMENT:

77.0% Hospitals
18.7% Pharmacies
4.3% HMG Solutions

INNOVATIVE SERVICES:
Medical Centers
Flow Medical Solutions
Taswayat company

Risk Nos.
1 & 7



Attract and retain highly qualified physicians, healthcare practitioners and administrative staff

Devise and implement multiple and flexible policies to support the needs of healthcare practitioners, invest in human capital, foster learning through cooperative training programs and provide safe working environments to be recognized as the employer of choice.

STAFF TRAINING HOURS

350+

PHYSICIAN RETENTION RATE

90%

Risk Nos.
1 & 8



CFO's Review

The top ranked private healthcare provider in Saudi Arabia



Through our unique market position, innovative proposition and robust performance, HMG again demonstrated our unwavering commitment to growth.

HMG remains the top-ranked private healthcare provider in Saudi Arabia and continues to successfully leverage world-class infrastructure and cutting-edge medical expertise to ensure dynamic responses to market challenges.

HMG achieved growth across all key financial indicators, with rising patient numbers across our footprint, and secured a steady increase in market share during 2021, most notably through our Al Khobar hospital. 2021 was the recovery from COVID-19 pandemic and hence saw less restrictive measures allowing more normal operating practices to resume gradually.

Maintaining the robust pace of our investment in physical infrastructure in strategic locations, we announced plans to establish another new hospital, making five hospitals in the pipeline, which will add almost 1,500 beds to Saudi Arabia's healthcare sector by 2024 to meet rising patient demand throughout the Kingdom. Plans are also in place to open four additional medical centers in Riyadh, Dammam and Buraidah by 2024.

The Group is also rapidly expanding our technology-driven remote service capabilities to deliver unprecedented coverage at optimal cost. To this end, HMG is placing significant emphasis on leading the sector in terms of our service delivery at patient locations, complementing our conventional medical touchpoints through the HMG Rapid Response Team and other innovative products such as our

new NABAD advanced tele-cardiology service and Murafiq virtual visit platform.

Whilst the lingering negative effects of the COVID-19 pandemic undermined physical patient access to some extent in early 2021, these leading-edge service channels provided resilience in the face of disruptions, and travel restrictions imposed to stem the spread of the virus minimized seasonality to deliver more stable performance throughout the year.

SOUND FINANCIAL PERFORMANCE

The Group achieved an overall revenue of SAR 7.3 billion in 2021, representing a rise of 23.7% over the previous year. Gross profit also grew, as HMG closed the year having delivered SAR 2.3 billion, exceeding previous year-end figures by 25.0%.

While medical inflation and operational expenditures of a couple of facilities in ramp-up phase impacted our margins, this has been partly offset by rising patient volumes and our relentless focus on driving down costs, including applying evidence-based international standards and a deep knowledge of healthcare processes to achieve cost efficiencies. Reflecting these cost efficiency measures and a higher number of patients, EBITDA grew by 23.7% in 2021 to SAR 1,846.5 million at a margin of 25.5%, while net income reached SAR 1,376.6 million – a rise of 30.4% over 2020 with a 18.99% margin.

RESILIENT PERFORMANCE ACROSS ALL BUSINESS SEGMENTS

Revenue from our Hospitals segment contributed 77% towards total Group revenue for the year, driven by increased patient demand and bed occupancy across our operating footprint, with growth in patient numbers reaching 36.1%. This was supported by the ongoing ramp up of our hospitals in Al Khobar and Al Suwaidi, as they grow towards maturity and capture increasing market share, reflecting rising patient trust in our brand and services.

Hospital segment growth had a positive impact on our Pharmacies segment which provided a strong increase in revenue during the year, accounting for 18.7% of Group revenue in 2021. This encouraging performance also comes on the back of our broad, diversified medical and cosmetic product offerings, as well as the Group's strategic focus on its e-pharmacy services, which are being systematically integrated with hospital operations.

The sustained momentum in the development of our HMG Solutions segment saw a stable contribution of 4.3% of revenue in 2021 driven by the execution of contracts by Cloud Solutions and growth in diagnostic services.

SUSTAINABLE GROWTH AND SHAREHOLDER VALUE

We executed our growth strategy to increase our investment in future opportunities and further strengthening our balance sheet. Our expanded asset base rose to SAR 10.8 billion, while we achieved a higher return on assets of 13.6% which reflects the Group's strength of leveraging its resources. We achieved our objective of continuing to invest in organic growth while posting a stable return on capital of 17.7%.

Cash generation is an integral component of our financial model. The Group saw an increase in cash and cash equivalents of around 13%. Through a concerted effort throughout the year, our net debt to EBITDA ratio improved to 0.27, providing the Group with competitive advantage while dealing with financial institutions. We maintained our record of effective working capital management, improving receivables through negotiations with insurance companies and effective collections processes to achieve a highly efficient cash conversion cycle at 20 days, representing one of the shortest in the industry and an improvement of 56.2% compared to 2020.

In the first full year since our public listing on the Tadawul exchange and subsequent inclusion in the MSCI Global Standard and FTSE indices, the Group has delivered outstanding performance, creating better value for shareholders in line with our commitments. With 30.4% growth in earnings per share in 2021 and maintaining a dividend payout ratio of above 71% amidst these challenging times, the Group's financial performance presents a positive future outlook for maximizing shareholder value.

2022 OUTLOOK

As we continue to focus on further expansion in 2022, delivering on promises to our stakeholders and loyal shareholders, we remain committed to maintaining robust growth in our customer base, building trust among the Saudi population through dependable care and service excellence alongside the application of new innovative medical solutions to support the health of the nation going forward.

“HMG remains the top-ranked private healthcare provider in Saudi Arabia and continues to successfully leverage world-class infrastructure.”

MR. FAISAL AL NASSAR, CHIEF FINANCIAL OFFICER

CFO's Review

(continued)

KEY FINANCIAL INFORMATION AND KPIS

	2019	2020	2021
Statement of income (SAR million)			
Revenue	5,016.3	5,861.6	7,250.5
Gross profit	1,523.5	1,864.4	2,330.3
Operating Income	867.7	1,114.9	1,466.2
Profit attributable to equity holders of the parent	870.2	1,055.5	1,376.6
Balance sheet (SAR million)			
Current assets	3,285.0	3,793.4	4,133.4
Non-current assets	5,182.3	5,631.5	6,693.9
Total assets	8,467.3	9,481.2	10,827.4
Current liabilities	1,495.3	1,693.7	2,047.7
Non-current liabilities	2,381.2	2,698.9	3,252.6
Total liabilities	3,876.5	4,392.6	5,300.3
Total equity	4,590.8	5,088.5	5,527.1
Cash flows (SAR million)			
Net cash from operating activities	1,059.1	2,234.3	2,182.8
Net cash used in investing activities	(730.7)	(812.0)	(1,247.5)
Net cash used in financing activities	(500.9)	(279.7)	(630.7)
Cash and cash equivalents	1,196.7	2,339.3	2,643.8
Free Cash Flows	328.4	1,422.3	935.3
KPIs (learn more on our KPIs - see pages 34 and 35)			
EBITDA margin	24%	25%	26%
Return on equity (ROE)	20%	23%	27%
Debt/equity ratio	0.26x	0.07x	0.09x
Earnings per share (SAR)	2.49	3.02	3.93
Dividend payout ratio	92%	70%	71%
Cash conversion cycle (CCC)	72 days	45 days	20 days

* Declared dividends for the financial year total SAR 980 million. HMG's BoD announced the recommendation to distribute a cash dividend of SAR 245 million for the fourth quarter of the fiscal year 2021, with eligibility for dividends for those who own the Company's shares and are registered in the Securities Depository Center Company by the end of the second trading day following the day of the Company's General Assembly meeting.



Key Performance Indicators

We monitor our performance against key metrics and use them to demonstrate the success and gauge the progress against our strategy.

During 2021, we continued our sound growth by improving our margins and maintaining a strong balance sheet and cash flow positions.

STRATEGIC PRIORITIES

Provide integrated healthcare services



Maintain position as leading brand in market



Expand to new locations



Increase operational efficiency



Meet demand in growing sectors and diversify income sources



Attract and retain highly qualified physicians



FINANCIAL KPIS

01

EBITDA MARGIN

EBITDA margin is the reported EBITDA of the Group as a percentage of Group revenue.

26%



2021 PERFORMANCE

The Group maintained its EBITDA margin. It reflects the Group's ability to achieve high-cost efficiency, while continuing to expand its market share.

LINK TO STRATEGY



02

RETURN ON EQUITY (ROE)

ROE measures the operating profit expressed as a percentage of the Group's equity.

27%



2021 PERFORMANCE

The Group's ROE enhanced primarily due to increasing patient-base driven by the demand for the Group's innovative and quality healthcare services. Group's hospital in Khobar performed significantly well during its ramp-up phase.

LINK TO STRATEGY



03

DEBT/EQUITY RATIO (D/E)

D/E is indicative of the relative proportion of shareholders' equity and debt used to finance the Group's assets.

57%



2021 PERFORMANCE

The Group's leverage ratio is healthy and comparable to the industry's average. It increased due to the growth and expansion of the business, financed partly through loans.

LINK TO STRATEGY



04

EARNINGS PER SHARE (EPS)

EPS measures the Group's profitability earned on each share.

3.93



2021 PERFORMANCE

The 30% increase in EPS was primarily driven by operating profit growth during the year.

LINK TO STRATEGY



05

DIVIDEND PAYOUT RATIO

Dividend payout ratio measures the percentage of net income distributed to shareholders as dividends.

71%



2021 PERFORMANCE

The Group has a history of maintaining a healthy dividend payout ratio for its shareholders.

LINK TO STRATEGY



06

CASH CONVERSION CYCLE (CCC)

CCC represents the number of days taken by the Group to turn its resource inputs into cash.

20 days



2021 PERFORMANCE

The Group's CCC of 20 days, reduced by 55%, is shortest in the industry. Its proactive collection process, sound working capital management and strategy towards insurance clients are key to its CCC.

LINK TO STRATEGY



OPERATING REVIEW

Hospitals and Healthcare Facilities

With our portfolio of 22+ medical facilities across the region, HMG provides high-quality medical care and services to millions of people each year, underpinned by innovative medical solutions, international partnerships and laboratory services.

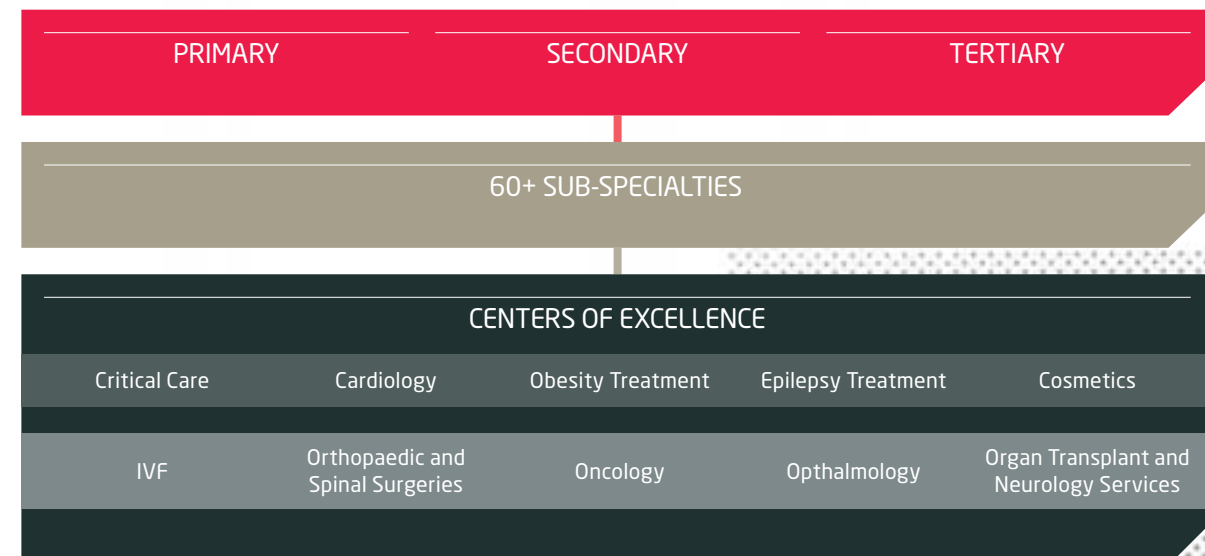
Our ability to provide world-class patient care and experiences is founded on our range of nationally and internationally accredited hospitals, centers of excellence and doctors, backed by a dynamic suite of innovative integrated technologies and techniques.

As the leading private sector provider of medical services in the Kingdom, we serve millions of patients each year through an expanding network of hospitals and facilities across Saudi Arabia and the wider region.

Across our primary, secondary and tertiary medical care facilities, we continue to complement the vast knowledge and experience of our workforce through a robust recruitment and retention approach that leverages a network of around 120 agencies to attract the best clinical physicians, nurses and paramedics from around the world.

Leveraging our expanding clinical infrastructure and capabilities, as well as multiple partnerships with medical technology and pharmaceutical providers, HMG today provides quality medical care across multiple departments and a growing range of sub-specialties including oncology, neurology and transplantation services.

MEDICAL EXCELLENCE IS AT THE CORE OF OUR SERVICES



22+

MEDICAL FACILITIES

60+

SUB-SPECIALTIES

4m+

PATIENTS

1,900+

BEDS

3,000+

PHYSICIANS

OPERATING REVIEW

Hospitals and Healthcare Facilities (continued)

SETTING THE PACE FOR MEDICAL INNOVATION AND TECHNOLOGY

Throughout 2021, the Group continued to add additional services and treatment plans across our growing footprint of centers of excellence, delivering improved quality and variety of patient care using both traditional and cutting-edge technologies.

In May, HMG opened the first advanced Neurosurgery and Spinal Treatment center at our Olaya Medical Complex in Riyadh, providing enhanced treatment for patients requiring brain, spine or nerve care using the latest diagnostic and therapeutic technologies.

2021 also marked the launch of our ECMO Artificial Heart-Lung Pump program. One of only five ELSO-accredited facilities in the Kingdom's healthcare sector, the ECMO is being deployed to boost survival rates in our ICUs among patients suffering from heart and respiratory failure.

We also opened an advanced sports medicine unit in Eastern Province, KSA, at our Al Khobar Hospital to provide high-level diagnostic and treatment services. The unit is equipped to treat all athletes and stadium injuries using its application of internationally approved standards in diagnosing and treating orthopedic problems and sports injuries.

We expanded Rapid Response Team (RRT) services to provide outreach emergency care at patients' locations, supported by full integration with our state-of-the-art command center and tele-services capabilities. These were leveraged to support the NABAD 24 Program, an advanced new tele-cardiology service launched in 2021 to rapidly diagnose and react to heart attacks remotely, drastically reducing response times and directly improving patient survival in conjunction with RRTs.

CASE STUDY: INTERGRATED INNOVATIVE SERVICES

See page 52

TELE-CARDIOLOGY

Tele-cardiology (NABAD 24 program) - a new service to treat heart attacks remotely through tele-medicine technology. Tele-cardiology systems diagnose suspected heart attack cases outside of the hospital, providing rapid healthcare to those in urgent need of support. The program seeks to drastically reduce the time for medical intervention and directly improve the chance of survival for the patient.

TELE-ICU CENTER

HMG's world-record-breaking tele-ICU program provides continuous real-time monitoring of ICUs to support medical teams in all connected facilities through our Command-and-Control Center. The Center functions as a life-saving communication link that enables access to patient health data and e-consultation services, while also facilitating remote diagnostics through virtual consultation and handling patient inquiries.

TELE-STROKE

HMG's Tele-Stroke Program is the first facility in the region to use tele-medicine technology to rapidly diagnose and react to strokes remotely, drastically reducing response times and diagnosis to directly improve patient survival. The 24/7 service provides neurology and emergency consultants, radiologists and nursing staff with leading-edge tools to provide remote care.

TELE-RADIOLOGY

The tele-radiology service facilitates the transmission of patients' radiological images - such as x-rays, CT scans and MRIs - across multiple locations, providing a hub for point-to-point communication of clinical imaging for the purposes of primary reporting, radiologist advice or consultation. The centralized nature of the service also serves to reduce costs and enable more efficient use of our full spectrum of radiology sub-specialties.

TELE-ER

Tele-emergency provides audio and visual communication for the central emergency care center and the emergency room, supporting real-time emergency care consultations, ambulance tracking and remote medical device monitoring.

MAJOR AWARDS AND ACCREDITATIONS



Leveraging advanced communication technology to improve the patient journey, HMG also launched the Murafeq Program to enable virtual visits for family and friends of patients under our inpatient care, as well as a vital communication channel to doctors. Complementing our more conventional medical services, Habib Live Care, our remote patient care service delivered through a dedicated HMG app, continued to achieve solid growth.

AWARDS AND ACCREDITATIONS

The Group continues to receive awards and accreditations from organizations around the world each year in recognition of our service quality and standards, culminating in HMG being ranked the top healthcare company in the Middle East by Forbes Middle East Magazine and rising 11 places to reach 55 in the Top 100 companies in the region.

The Group also outperformed 150 global competitors to receive the UNIVANTS award for healthcare excellence in recognition of its COVID-19 screening programs.

In 2021, all HMG hospitals in the Kingdom received HIMSS EMRAM Stage 7 classification and Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) accreditation, and all the Group's hospitals are accredited by Joint Commission International (JCI).

Our hospitals received accreditation from the Surgical Review Corporation (SRC), which recognized multiple Centers of Excellence including our Obstetrics and Gynecology Center, Gastrointestinal Endoscopy Unit and Digestive System, Orthopedic Surgery, Plastic Surgery, Urology and Endoscopy Unit.

We also received accreditation from the American College of Radiology (ACR) for multiple modalities, including MRI, CT scan, ultrasound, nuclear medicine and PET scans. Moreover, the Nuclear Medicine department at our Takhassusi hospital received accreditation from the European Association of Nuclear Medicine for implementing cutting-edge tumor imaging technology.



OPERATING REVIEW

Hospitals and Healthcare Facilities (continued)

PIONEERING AND COMPLEX TREATMENTS

Restoring movement to a patient injured in a traffic accident that took place over 10 years ago

Our Neurosurgery and Spine Treatment Center located at HMG Olaya Medical Complex conducted a successful 3-hour surgery to treat a patient suffering from limited mobility resulting from a traffic accident that took place 10 years ago. Using the latest technologies, a team of specialist orthopedic surgeons conducted the procedure followed by a period of close observation and physical therapy, steadily improving the patient's condition, and eventually restoring his ability to walk.

Treating a 60-year-old man with an enlarged prostate within seven minutes

A team of Urology specialists at HMG Suwaidi Hospital successfully treated a 60-year-old patient who was suffering from symptoms caused by an enlarged prostate. The team utilized a thermal vaporization process, using the "Rezum" technique, to successfully complete the first-of-its-kind procedure in only seven minutes.

Saving a 70-year-old patient from leg amputation and kidney failure by an angioplasty procedure

A medical team in the catheterization unit at HMG's Rayan Hospital saved a 70-year-old patient from leg amputation and potential kidney failure after multiple arterial blockages led to gangrene. In a 4-hour procedure, the congested area was opened and the blockages in the arteries from the middle of the hip to the half-ankle area were dissolved, in addition to the successful implantation of two stents. After a period of close observation and physical therapy, the patient's health steadily improved, and was discharged without any side effects or impediments.

Removing a tumor from the throat of a newborn

A medical team specialized in pediatric ear, nose, and throat surgery at HMG Khobar Hospital, removed a tumor in the upper respiratory tract of a 60-day-old baby, which caused severe shortness of breath and weight loss of more than 25%. A cystic tumor was discovered located at the top of the larynx, and accordingly the medical team decided to intervene surgically and develop an integrated treatment plan.



Relieving the suffering of a patient through precise brain surgery

A surgical team at HMG Al Qassim Hospital conducted successful brain surgery on a 41-year-old Kuwaiti patient, who was complaining of severe headaches, poor vision and swelling above the right eye. The patient had undergone several unsuccessful attempts at treatment in other hospitals inside and outside the Kingdom.

Performing the first open-heart surgery utilizing robotic technology

In a distinguished medical achievement for Dr. Sulaiman Al-Habib Hospital in Dubai, an open-heart operation was successfully performed for the first time using a robotic surgical technique, which contributed to saving the life of a patient who was complaining of chest pain. Use of robotics technology in open-heart surgery has various benefits including a smaller incision being possible, minimization of bleeding, use of artificial respiration and lower infection rates in wounds. It also significantly decreases the length of stay in hospital post-surgery.



OPERATING REVIEW

Hospitals and Healthcare Facilities (continued)

SUPPORTING THE KINGDOM'S RESILIENCE AND RECOVERY

HMG maintained its strategic growth trajectory in 2021, in the face of the ongoing COVID-19 pandemic, by continuing to achieve improvements in the patient experience and effectively communicating infection control practices to provide further confidence and reassurance.

We also continued to provide front-line support for the Kingdom's successful measures to control and contain COVID-19 throughout 2021. As well as offering vaccinations via our hospital network, the Group operated three public vaccination centers in Riyadh and Dhahran on behalf of the Government, administering almost 2.3 million vaccinations during 2021. We also continued to provide vital ICU support and expanded our testing capabilities, offering faster, more convenient and affordable services.

This year, HMG's hospital segment witnessed consistent growth in patient numbers, largely driven by a continued focus on medical excellence, service expansion, and the strong performance across our hospitals, with Khobar hospital in particular gaining noticeable market share. This encouraging growth was supported by the measures implemented by the Government to restore normal life across the Kingdom, with patients returning to hospitals for elective surgeries and preventive healthcare. Further financial information can be found in the CFO's Review on pages 30 and 31.

UPCOMING HOSPITALS AND HEALTHCARE FACILITIES

To serve our growing community of patients and offer our innovative brand of healthcare across the Kingdom, HMG continues to commission and deliver world-class medical infrastructure. Our hospital expansion program proceeded on schedule, with the ongoing construction of five upcoming facilities in Riyadh, Jeddah and Al-Kharj.

This is in line with the Group's strategy of expanding its reach with the purpose of achieving its wider mission of serving more people and increasing market share across the Kingdom.

HMG also announced the expansion of medical center services to expand the provision of healthcare across Saudi Arabia. The expansion is planned to include centers in four locations – two in Riyadh city, one in Dammam city and one in Buraidah City.

DELIVERING MEDICAL EXCELLENCE IN 2022

Building on the momentum of our many achievements in 2021, HMG is poised for yet another strong and successful year serving the people of the Kingdom and the broader region. With our expanding portfolio of world-class institutions, medical technologies and experienced physicians, we remain committed to delivering the very highest global standards of care whilst cementing our position as a leading medical innovator powering the development of the private healthcare sector in the Middle East.

Guided by our forward-looking strategy, we will continue to strive to grow our position as the people's choice for healthcare, opening new facilities and rolling out new and complementary services to accentuate the benefits to our patients, employees, investors and other stakeholders.

Against the backdrop of a thriving Saudi healthcare market, the Group is well positioned to grow its business and achieve its objectives by capitalizing on the multiple opportunities offered by the sector.

Growing portfolio of hospitals

SHAMAL AL RIYADH (NORTH RIYADH) HOSPITAL

100% Ownership	SAR 2.2bn Construction cost	500 Beds	<ul style="list-style-type: none"> Land Design MoH License Excavation Construction
2023 Expected completion date	SAR 659.5m Land cost		



GHARB JEDDAH (SOUTH WEST JEDDAH) HOSPITAL

50% Ownership	SAR 1.5bn Construction cost	330 Beds	<ul style="list-style-type: none"> Land Design MoH License Excavation Construction
2023 Expected completion date	SAR 132.6m Land cost		



MATERNITY AND PEDIATRIC HOSPITAL (NEW TAKHASSUSI EXPANSION)

100% Ownership	SAR 391m Construction cost	145 Beds	<ul style="list-style-type: none"> Land Design MoH License Excavation Construction
2024 Expected completion date	SAR 80.8m Land cost		



AL MUHAMMADIYAH (NORTH JEDDAH) HOSPITAL

100% Ownership	SAR 1.5bn Construction cost	350 Beds	<ul style="list-style-type: none"> Land Design MoH License Excavation Construction
2024 Expected completion date	SAR 243.5m Land cost		



AL KHARJ HOSPITAL

100% Ownership	SAR 455m Construction cost	141 Beds	<ul style="list-style-type: none"> Land Design MoH License Excavation Construction
2024 Expected completion date	SAR 30.2m Land cost		



OPERATING REVIEW

Pharmacies

HMG is dedicated to leading the pharmacy sector in the Kingdom and throughout the region by delivering reliable quality, services and sales through our expanding network of physical and online outlets.

With pharmacies distributed throughout Saudi Arabia and Dubai, the guiding mission of HMG's Middle East Pharmacies is to provide sustained, safe, high quality pharmaceutical care services to our patients and customers, backed by our commitment to professionalism, respect and effective communication. Three new pharmacies were launched in 2021, one in Riyadh and two in Dubai, to better reach and serve our customers.

This mission reflects our core Group values to drive excellence and innovation in the region's healthcare sector by employing the latest products and technologies to achieve levels of service quality and efficiency that secure the trust of our many stakeholders.

LEVERAGING TECHNOLOGY AND PARTNERSHIPS TO DELIVER EXCELLENCE IN 2021

In 2021, we enhanced our resources by adding new products to our shelves and hiring staff to manage new pharmacies, allowing us to serve ever greater patient numbers without compromising the quality of our services. The Group's pharmacy segment revenue grew by 35.5% in 2021 compared to the previous year, contributing 18.7% of Group revenue.

Our e-pharmacy services, delivered via HMG's mobile app to serve the needs of patients and customers during the peak of the COVID-19 pandemic.

Our pharmacies apply VIDA, LYNX and e-service capabilities in all work phases, from the storing of medicines to our patient touchpoints, to meet therapeutic needs. This advanced, integrated system has positioned HMG as a role model for the sector in terms of product availability and distribution, allowing us to handle more than 4.5 million transactions overall each year.

We continued to capitalize on our well-established network of relationships with local, regional and international pharma providers to ensure uninterrupted supplies of affordable medicines throughout the negative logistical fallout of the pandemic.

Reflecting our ongoing engagement with public sector partners, HMG pharmacies also participated in Riyadh Season 2021, with a presence in three districts to facilitate patient access to medicines and other products in convenient locations across the event.

HMG PHARMACIES OUTLOOK

Our operating footprint is expanding physically, but also notably through our provision of online pharmacy services.

In 2022, we aim to complement our network of service delivery channels, including by establishing clinical services within the Group's pharmacies to provide on-site patient counseling and optimum medication management, all while ensuring the highest patient safety standards.

We will also improve and strengthen our existing services, meeting our patients' demands by offering new products, following best practices and bringing greater efficiency to our service delivery.



OPERATING REVIEW

320m+

NUMBER OF MOBILE APP
INTERACTIONS

1.6m+

TOTAL APPOINTMENTS
USING MOBILE APP

20+

TOTAL VIDA
IMPLEMENTATION IN 2021

2.3m+

TOTAL VACCINES
ADMINISTERED

HMG Solutions

Through its portfolio of highly specialized subsidiaries and public-private partnerships offering hospital management, leading-edge technological solutions, and laboratory and home healthcare services, HMG Solutions is spearheading our expansion across different aspects of the healthcare sector.

By investing in innovation within numerous market segments and specialties, HMG Solutions represents a strategic springboard for engagement in multiple high-growth areas within the medical sector, whilst also ensuring we continue to offer the latest and most effective treatments and services for the people of the Kingdom and beyond.

CLOUD SOLUTIONS

Cloud Solutions is HMG's technology arm, providing products to a rapidly expanding pool of client organizations across the Kingdom, the GCC and beyond. At the forefront of the Group's digital transformation strategy, HMG Cloud Solutions leverages leading-edge technologies to boost healthcare quality and patient experiences, prevent medical errors, improve operational and staff efficiencies, and reduce the costs of care.

Operating from its offices in the Kingdom - our Riyadh HQ and our new location in Jizan - the UAE, Bahrain, Jordan and Sri Lanka, our Cloud Solutions workforce grew by 13% to reach 530+ employees in 2021, reflecting the strong growth achieved in our business during the year. With five new products and 30+ new projects implemented, we continue to secure strong performance across our key performance indicators (KPIs).

Among our products, we implemented our award-winning Hospital Information System, VIDA, in 20+ additional hospitals in 2021, integrated the system with our Rapid Response Team solution and rolled out a new version of the VIDA mobile app for physicians. Now operating at 50+ hospitals across Saudi Arabia, the UAE and Bahrain, VIDA is today the most widely used locally developed electronic health record system in the Kingdom and continues to expand rapidly to new locations and institutions across the region.

We completed the full implementation of the **HMG Tele-Stroke Program** across our network in 2021, providing an advanced blend of artificial intelligence and tele-medicine technology to provide faster responses to stroke patients and saving multiple lives. Furthermore, our **Synapses** tele-ER and tele-ICU solutions are available in all HMG hospitals. HMG's Cloud Solutions also rolled out its **Vidaptor** native laboratory middleware in a further 20+ institutions during 2021.

OPERATING REVIEW

HMG Solutions (continued)

Other innovative projects delivered by HMG Cloud Solutions during 2021 include **Cyclus RCM**, a new program launched to provide a cloud-based solution for revenue cycle management processes in order to improve the payment collection cycle and reduce claim decline rates; **Murafiq**, a virtual visit program that allows families to communicate with patients in critical care units, and provides a direct line of communication to the doctors and staff providing their care; and the desktop version of our **Mohemm** employee self-service HR app and e-learning platform. Through Mohemm, employees can manage their timesheets, attendance, leave, pay slips, and many other HR-related documents. It also provides support for employee relations management, e-learning and traveling arrangements. 2021 saw an enhanced requests approval cycle for the Mohemm app designed to increase efficiency, thereby saving employees' time and raising the quality of their overall service experience.

The success of our Cloud Solutions activities also resulted in HMG becoming the first private healthcare provider in the Kingdom to be approved as a vendor for the National Platform for Health and Insurance Exchange Services (NPHIES) - a government initiative launched in 2020 to achieve efficiencies by integrating insurance and healthcare services.

Throughout 2021, HMG's Cloud Solutions continued to establish new partnerships to drive growth in line with our goals, with six new agreements signed during the year, including with Lenovo, Hewlett Packard Enterprises (HPE), Huawei, Hyland, Kyriba and Motorola Avigilon.

IMPLEMENTING CLOUD SOLUTIONS PRODUCTS AND SERVICES IN 2022

As we continue to expand our service footprint in 2022, Cloud Solutions will implement VIDA and other products at a MoH facility in Abha to establish a complete end-to-end solution for the hospital, comprising 12 integrated products.

Other forthcoming projects and partnerships are planned in collaboration with the Security Forces Hospital (SFH) and Almurjan Hospital, as well as with the Saudi Food and Drug Administration (SFDA). Thanks to new agreements concluded in 2021 with Jazan University and Qassim University, we will establish new VIDA Learning Labs and VIDA Research Centers that will allow for the integration of the program into university curricula.

We also aim to roll out **Elevatus**, a new recruitment management system (RMS).

STRATEGY LINKAGE



MEDICAL DIAGNOSTIC LABORATORY SERVICES (MD LAB)

Our Medical Diagnostic Laboratories (MD Lab) arm provides a variety of advanced services, including molecular testing, COVID-19 testing, screening for metabolic disorders and tumor markers, and a wide range of other specialized tests in the fields of genetics, immunology, cytogenetics, NAT, microbiology, hematology, newborn screening, metabolomics and histopathology.

MD Lab is accredited by the Association for the Advancement of Blood & Biotherapies (AABB) and received re-accreditation by the College of American Pathologists (CAP) in 2021. It is also a recipient of the UNIVANTS of Health Care Excellence Award.

MD Lab dramatically increased its testing frequency in 2021, conducting more than 321,000 PCR tests during 2021, in addition to almost 685,000 other lab tests performed, while delivering further efficiency and enhanced service offerings.

HOME HEALTHCARE (HHC)

HMG's Home Healthcare Company continued to expand during 2021 to meet rising demand for home-based services across the country. Backed by an experienced multi-disciplinary team of highly qualified physicians and specialists, the Company further established its tele-consultation and remote care services, building on the initial implementation of these services to meet the needs of patients.

A key differentiator for HMG in the sector, our home healthcare delivers convenience of care for an increasing elderly population, expanding the accessibility of our services whilst also relieving pressure on hospital bed occupancy rates. It is also available to bed-ridden post-surgical and palliative care patients and those with chronic diseases, as well as psychiatric, rehabilitation, dialysis and Alzheimer patients.

Leveraging the HMG Live Care communication platform to deliver remote care to patients, the HHC achieved a score of 95% in patient satisfaction survey. The system also secured rising referrals to HMG hospitals, our Rapid Response Teams, Tele-Emergency Center and HMG labs.

Ongoing improvements to the Company's service delivery initiated in 2021 include integration with rollout of more integration with live care consultations and use of more portable diagnostic services.

In 2022, in conjunction with Cloud Solutions, HHC will benefit from streamlined remote access to VIDA health records, provided via portable devices for medical teams at patients' homes, and billing capabilities to allow teams to generate invoices and accept payments at remote points of care.



OPERATING REVIEW

HMG Solutions (continued)

PUBLIC-PRIVATE PARTNERSHIPS

As the Kingdom's leading healthcare provider, HMG is a partner of choice for public sector projects. Leveraging its extensive experience in the development and integration of state-of-the-art technologies, and its long record of nationally-acclaimed critical care excellence, the Group offers great value as a strategic partner to government bodies seeking to realize Saudi Arabia's healthcare goals.

Currently, HMG partnerships provide a growing network of support for facilities across the Kingdom. In partnership with the Ministry of Health, HMG continues to drive Saudi Arabia's public healthcare transformation, operating 139 critical care beds spread across six major government hospitals serving five different regions in the Kingdom.

Delivered by a team of dedicated, hand-picked critical care staff, and supported by HMG's Tele-ICU, 24/7 monitoring and support capabilities, this prominent partnership has achieved notable results across key indicators, including mortality rate and patient stay and re-admission rates.

Through its MD Lab services, the Group has been operating round-the-clock COVID-19 testing services for NEOM since the beginning of 2020. The contract covers the main NEOM COVID-19 testing site, as well as the airport and the city.

In 2021, the Group launched a new proof-of-concept project to operate primary healthcare facilities in government hospitals for the Ministry of Health, with the aim of providing lessons for further expansion to new locations around the country.

As well as offering vaccinations via our hospital network, the Group also successfully administered more than 2.3 million vaccinations in 2021 from three public vaccination centers operated by HMG in Riyadh and Dhahran. These government contracts are yet another way that the Group continues to support the country's successful efforts to curb the spread of COVID-19.



FLOW MEDICAL SOLUTIONS

HMG's FLOW Medical Solutions subsidiary is a 360-degree integrated healthcare technology and technical solutions provider. Established to manage sophisticated medical equipment, FLOW ensures the seamless operation of the Group's medical assets, while also providing services to other private and government healthcare operators in the region.

FLOW has been instrumental in delivering HMG's dynamic day-to-day business operations and is a key element in the Group's deployment of state-of-the-art technologies and healthcare solutions. These include robotic automated diagnostic labs, AI-based diagnostic imaging solutions and computer-assisted navigation for surgeries and procedures, as well as maintenance services and upgrading of equipment such as CT scan machines - with zero downtime - and CSSDs.

In 2021, FLOW Medical Solutions received its ISO 13485:2016 and ISO 9001:2015 certifications for Medical Devices and Quality Management Systems, and collaborated with international technology providers to strengthen the company's position as a trusted technical healthcare partner in the region.

TASWYAT

Incorporated in 2020, Taswyat provides complete end-to-end healthcare Revenue Cycle Management (RCM) services spanning consultancy, operational and IT solutions.

Taswyat utilizes smart technology to manage the complete RCM workflow, from insurance (credit) contracting, pricing and service mapping, through patient appointment scheduling, registration, approval, diagnosis coding and invoicing all the way to collection and settlement.

Powered by its technological assets and extensive team of professional and licensed clinicians from multiple disciplines, Taswyat also provides claim review, processing and settlement, as well as operational, medical and financial data analysis to support process efficiency across the Group.



Innovation in Action:

Integrated Innovative Services

At HMG, we are committed to providing the best possible patient care by competently utilizing medical innovation and technology to enhance patient outcomes.

In mid-2020, we launched a new service by establishing a **Rapid Response Team (RRT)** for patients to receive outreach emergency treatment at their location without visiting the hospital. This mobile healthcare service was the need of the hour, as people were hesitant to leave homes due to COVID-19.

The team provides door-to-door consultation within 30 minutes of receiving a request by deploying a multi-disciplinary team to respond to urgent medical needs at patients' locations.

HOW RRT ENABLES ON-SITE EMERGENCY CARE

Unique in the GCC region, the RRT leverages audiovisual consultation capabilities and Smart Link remote monitoring to connect ambulances to HMG's 24/7 **Tele-Emergency Center (TEC)**, enabling direct supervision, diagnosis and treatment by senior physicians and consultants in transit to the emergency department. Our ambulances are equipped with cutting-edge medical technology and visual communication systems designed and equipped in-house by **FLOW Medical Solutions Company**.

ENHANCING PATIENT CARE THROUGH INTEGRATION OF SERVICES

Initially, the RRT provided 24/7 adult and pediatric medical services, conducting blood tests, ECGs and swabs with the support of a multi-disciplinary team. As the patients' acceptance and demand for these services started increasing, HMG decided to expand the scope of RRT services by integrating with our tele-services, which proved to be an essential differentiator in critical cases.

One such tele-service was the Tele-Cardiology "NABAD 24" program, which was launched in March 2021 through the support of Cloud Solutions. This state-of-the-art program uses cutting-edge technology, powered by artificial intelligence and our highly advanced command center, to rapidly diagnose and react to heart attacks remotely. It is an outreach program functioning around the clock 365 days a year.

The medical staff under RRT, while present at the patient's location, connect instantly with an on-call cardiologist at our hospital command center, using a virtual platform to diagnose and provide outreach emergency treatment for heart attacks, in conjunction with the Rapid Response Team. It also enables the hospital team to make necessary preparations in advance, in case the patient is required to be shifted to hospital for further treatment without any delay. In conjunction with RRT, this integrated service is:

- Drastically reducing response time; and
- Directly improving the rate of patient survival in heart attack cases.

Using our groundbreaking technology, we are able to reduce the crucial door-to-balloon time for patients with heart attacks. Door-to-balloon time directly correlates with an aggregate of time the myocardium undergoes ischemic damage, hence swift action results in superior patient care and improved patient outcomes.

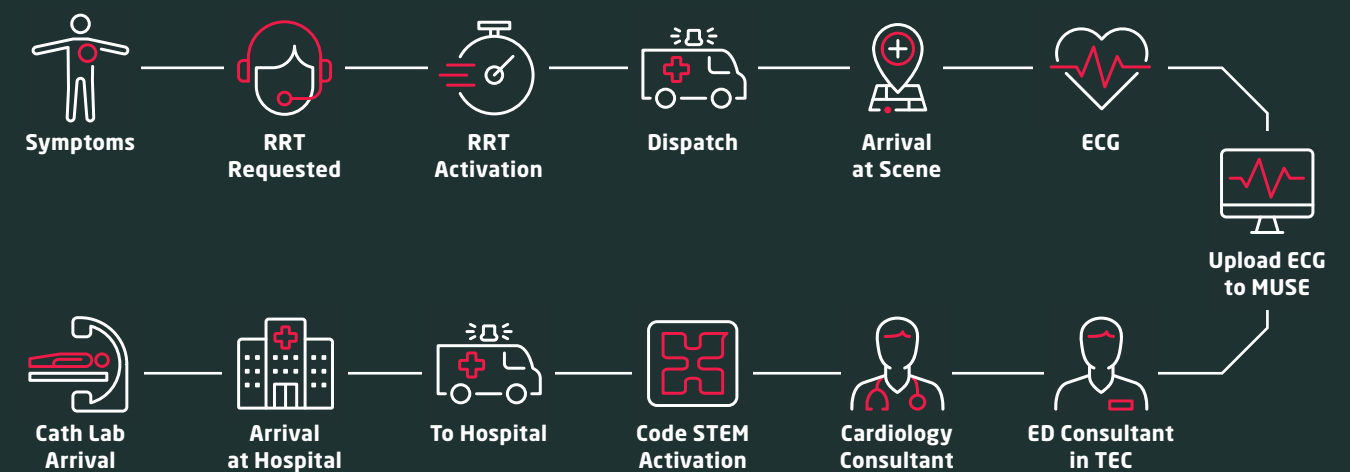
The innovative and integrated service provided by HMG was clearly demonstrated in the case of a 60-year-old man whose heart stopped three times due to a severe blockage in the anterior descending coronary artery.

We received a call at our TEC, and our RRT team responded to the call within 30 minutes using an ambulance designed and equipped in-house by **FLOW Medical Solutions Company**. Since we equipped our ambulances with required mobile diagnostic devices, the team can conduct a prompt medical evaluation, including the use of an electrocardiogram, while consulting through the audiovisual facility with physicians at our **Critical Command Center (CCC)**. Based on diagnosis, CCC activated our Cath Lab to transfer the patient directly to a pre-prepared medical facility for urgent care. Thanks to the integrated set of services that enabled a drastic reduction in time for medical intervention and correct diagnosis of the patient, we were able to save a precious life.

STRATEGY LINKAGE



TELE-CARDIOLOGY DYNAMICS



Our People

Our valued people are our most prized asset and the engine of our success. During 2021, they continued to demonstrate the dedication and focus that has been at the heart of our consistent growth and performance over the years.

Working for the leading provider of healthcare services to the people of the Kingdom and the broader GCC region, our people are our most highly prized and valued assets. The Group's workforce of more than 13,500 dedicated staff, including more than 3,000 highly skilled physicians, lies at the very heart of our continued ability to expand and deliver unrivalled patient care across 22+ medical facilities.

Representing 65+ nationalities from across the globe, they consistently inspire us to improve and evolve, not least through their strong efforts to support people in facing the immense challenges posed by the COVID-19 pandemic.

As a Group, our appreciation and sense of duty to our people is embedded in the framework of our HR strategy; the comprehensive program of initiatives we implement each year to ensure they are able to operate in a supportive working environment is what sets us apart from our peers in the sector.

SUPPORTING OUR PEOPLE THROUGHOUT THE COVID-19 PANDEMIC

The negative effects of the pandemic on societies around the world have been both severe and far-reaching. Given HMG's position on the front line in the response to this global health emergency, our immediate priority was, and remains, the safety of our staff and patients. Hence, by end-2021, more than 90% of our staff had been successfully vaccinated against COVID-19.

Powered by our network of around 120 recruitment offices around the world, hiring has continued unabated throughout this period, whilst face-to-face training was quickly replaced with virtual programs to maintain our professional development trajectory and lessen the effects of the disruption on the ambitions and individual advancement of our staff, all while meeting our internal commitment to zero lay-offs due to the pandemic.



HR LEADERSHIP: PROVIDING HR STRATEGY AND EXECUTION TO THE BUSINESS AND ENSURING THE SUCCESS OF THE HR OPERATING MODEL

HR BUSINESS PARTNERS (PROJECT HR)

Acting as a strategic partner and liaison between the business in projects and centers of expertise in the corporate office

Focus: Strategic Alignment

HR CENTER OF EXCELLENCE (ORGANIZATIONAL DEVELOPMENT & EXCELLENCE)

Designing appropriate HR strategies, organizational designs, programs, policies and processes

Focus: Program Design & Development

HR SHARED SERVICES (HR OPERATIONS & RECRUITMENT)

Delivering customer service and administration of HR programs with a focus on efficiency, data and technology

Focus: Operational Excellence

TECHNOLOGY ENABLED

HR Portal (Gate)

E-Learning

HCM ER

Mobile App

HR Care Center

OUR PEOPLE STRATEGY

The overarching vision of our HR strategy is to achieve the transition from being a 'service provider' to an innovative 'strategic business partner' that is recognized as a preferred employer within our sector. HMG's main goal in this regard is to build a living organization that celebrates success, continues to learn and resiliently overcomes challenges. Central enablers of this approach include our ability to maintain an agile and competitive organizational structure, including through digitalization; promote the power of the HMG brand whilst strengthening our talent sourcing channels; achieve productivity by expanding internal expertise; and create an inclusive culture that rewards professionalism, performance, commitment and innovation.

By leveraging our experience and scale, HMG also seeks to leverage potential talent by delivering multiple programs to develop skills and knowledge. Notable successes achieved in

the pursuit of this vision in 2021 include HR process improvements, enhanced online services, an expanding rewards and remuneration program, and further training and professional development.

THE FOUNDATIONS OF OUR SUCCESS

The Group's core corporate values lie at the heart of our organizational culture. The foundations of our success in maintaining a dynamic and committed workforce are the shared beliefs and values that shape their perceptions, behavior and teamwork.

To improve employee retention and support the recruitment of high-caliber talent across our workforce, our salary scales and career path planning processes were updated, while a new sabbatical leave program was introduced to attract physicians working at academic institutions. Today, our physician retention rate stands at an attractive 90%.

ATTRACTING AND RETAINING TOP TALENT

Our employees are our most valuable assets

13,500+

STAFF

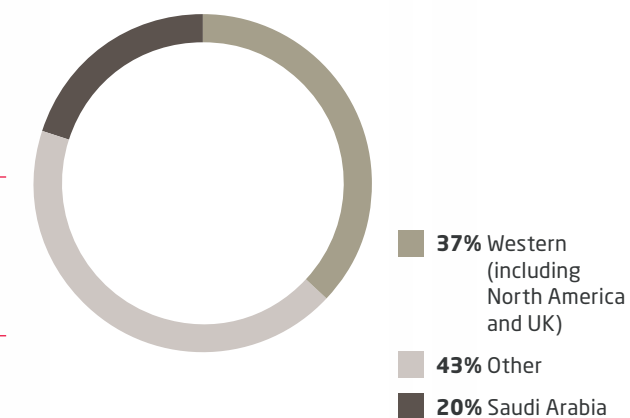
65+

NATIONALITIES

90%

PHYSICIANS RETENTION RATE

PHYSICIAN QUALIFICATIONS



Our People (continued)

HR INITIATIVES IN 2021

Each year, our dedicated HR department seeks to identify and develop new ideas, tools and programs to expand and improve the skills and capabilities of our workforce, whilst also securing efficiencies across all HR functions and processes.

In 2021, we implemented a number of new systems to streamline our HR functions. These include a new assessment and development tool to assist in leadership development and succession planning, an automated Physicians Performance Evaluation System, and a new KPI-based Corporate Performance Management system to align corporate goals with the targets of our respective divisions.

We also updated and introduced policies to improve governance and regulatory compliance, and continued to apply workforce optimization measures to raise resource utilization and optimize costs.

Through further collaboration between the HR team and HMG Cloud Solutions in 2021, we expanded our employee relations management tool, **Mowadhafi**, to improve the work environment, resolve workplace issues, measure employee satisfaction and morale, improve productivity and increase communication.

Through the **Moheem**, employee self-service HR app and e-learning platform, employees can manage their timesheets, attendance, leave, pay slips, and many other HR-related transactions. It also provides support for employee relations management, ticketing and e-learning. It results in increase efficiency, thereby saving employees' time and raising the quality of their overall service experience.

Employee satisfaction and awareness programs delivered in 2021 include the Sah Seh initiative, distributing breakfast to our staff; giveaway days for our female staff distributing complimentary cosmetics and gifts; a communication campaign to mark Breast Cancer Awareness day; and various events and activities to celebrate Eid, Saudi National Day and International Nursing Day.

HMG also has 120+ agreements with restaurants, cafes, boutiques, schools and other partners to offer discounts to HMG staff and their families, as well as periodic temporary benefits.

350+

TRAINING HOURS IN 2021

2,450+

EMPLOYEES TRAINED IN 2021

POWERING PROFESSIONAL DEVELOPMENT

HMG is dedicated to serving the interests of our staff by advancing their professional development through various training and leadership vehicles. In 2021, we launched the **Himmah Leadership Development Program**, which is among our most ambitious HR initiatives to date. The program has been designed in collaboration with leading training organizations including the SCHS Health Leadership Academy (HLA), Total Talent Management (TTM) and the Human Resources Development Fund (HRDF) to support the career paths of our employees across the Group.

The Himmah program offers the knowledge and training required for our people to strengthen their professional capabilities and assume greater responsibilities, powering further talent diversity and growth. Himmah also ensures the retention of critical knowledge to support seamless succession in key roles, supporting business continuity and operational stability.

In keeping with the Group's broader professional development efforts, the **HMG Training Center** launched its **Lean Six Sigma** (Green and Yellow Belt) course in September 2021, providing collaborative performance improvement skills for participants. Our Training Center also provides courses to cultivate and promote project management and soft skills as well as medical terminology knowledge. The HMG Training Center implemented around 40 sessions for more than 2,450 employees in 2021, delivering more than 350 training hours over the year.

The Center also oversees cooperation agreements with a number of international companies, such as General Electric, to provide leadership training courses for health service coordinators, managers and patient relations staff.



COMMITTED TO SAUDIZATION

During 2021, our programs delivered training courses and workshops in partnership with the Saudi Commission for Health Specialties in alignment with the goals of Vision 2030 to develop the talents of young Saudi nationals through human capital investment and training.

Similarly, our commitment to the Saudization of our workforce saw hiring of more Saudi employees during 2021, resulting in an overall Saudization rate of 35% of our workforce by the end of the year.

SUPPORTING OUR PEOPLE IN 2022

Capitalizing on our successes in the past year, the HR team will implement a robust pipeline of new initiatives in 2022 to benefit our workforce.

Given the evolution in working methods inspired by the restrictive environment created by the COVID-19 pandemic, HMG will introduce new flexible working arrangements to lock in the efficiency gains achieved in the past year, including through our cutting-edge remote working capabilities.

The health and well-being of our people remains a key priority for HMG, and 2022 will see the introduction of new initiatives to enhance employee satisfaction. These will include a health and wellness program to eliminate job-related stress, a scheme to reward innovative operational proposals, and a variety of performance-based incentives.

New internal training and development programs and external collaborations are also planned to raise employee performance, productivity and retention, including through e-learning, complemented by HR internal communication improvements. The HMG Virtual Academy - a new Learning Management System - will complement our existing training and professional development programs.

Above all, we will continue to strive to offer an unparalleled working environment for our people, establishing HMG as the employer of choice for the entire healthcare industry.

16,300+

TICKETS SERVED VIA THE MOWADHAFI APP

180+ training hours for 100 employees

PROVIDED VIA THE HIMMAH LEADERSHIP PROGRAM IN 2021

Committed to Sound Risk Management

In a rapidly evolving economic, technological and regulatory healthcare landscape in the Kingdom and around the world, an effective risk management framework and culture are critical to overcoming challenges and staying ahead of the curve.

HMG's risk management framework is deeply embedded across different levels of the Group. Through its sound systems and processes, HMG is well positioned to minimize risks and overcome challenges posed by macroeconomic changes, while supporting its patient-centric care, patient safety and ensuring regulatory compliance.

The Group has devised strategies and plans to improve its processes and mitigate the impact of identified principal risks. The responsibility of establishing risk management processes and systems of internal control to address those risks lies with the Board of Directors. The Board strongly believes that implementing efficient and effective risk management benefits the Group and its stakeholders by helping it to achieve strategic and operational objectives while increasing HMG's value and sustainability.

This responsibility is handled by the Board by delegating it to its sub-committees, namely:

- Audit Committee
- Patient Safety and Quality of Care Committee
- Executive Committee.

In 2021, the Group's Risk Management framework demonstrated its resilience once again, as it continued to safeguard our Group from the ongoing impact of the COVID-19 pandemic.

Risk Management Methodology

Enterprise risk management at HMG allows the Group to proactively and systematically safeguard patient safety, market share, Group assets, brand value and accreditations. HMG has therefore established an integrated and effective risk management framework, through which significant risks are periodically

- **Identified and assessed** - to determine each risk's relevance and potential to hinder progress towards the Group's strategic and business objectives.
- **Prioritized** - to optimize resources and help the Board and Management make well-informed decisions.
- **Responded to** - to enable risk acceptance based on the Group's risk appetite or to take necessary actions to avoid, mitigate or reduce the severity of the risk.



Three Lines of Defense

HMG's well-established three lines of defense risk governance model creates transparency and accountability through clear segregation of roles and responsibilities and reporting to respective Board Committees, as follows:

OPERATIONAL MANAGEMENT

It is responsible for establishing sound business practices and standard operating procedures (SOPs) to create employee accountability and perform day-to-day risk management activities and implementation of risk mitigation strategies in the regular course of business. The Patient Safety and Quality of Care Committee established by the Board is responsible for overseeing the Operational Management and adopted clinical practices.

SENIOR MANAGEMENT

It includes corporate oversight to monitor and mitigate a wide array of risk including strategic, financial, operational, and compliance. General Counsel and other related Senior Management oversee compliance of regulatory requirements and other support functions including IT security, financial controls, quality assurance, business strategy and human resource to ensure Group objectives are achieved while aligning with risk appetite and Group policies. The Executive Committee of the Board is responsible for supervising the Senior Management team of the Group.

INTERNAL AND EXTERNAL AUDIT

It provides independent assurance on the effectiveness of the first and second lines of defense to the Board via the Audit Committee, which is composed of Independent and Non-Executive members.

Principal Risks and Mitigation

RISK SCORE AND HEAT MAP

The likelihood and severity of each of our 10 principal risks is depicted in the following risk heat map:

Risk Level	
Low	
Medium	
High	
Critical	

		Consequence				
		1	2	3	4	5
Likelihood	5	Almost certain				
	4	Likely				
	3	Possible				
	2	Unlikely				
	1	Rare				
		Insignificant	Minor	Moderate	Major	Extreme
	5					
	4					
	3			8.	1. 10.	
	2			2. 4. 9.	3. 5. 6.	
	1				7.	

Committed to Sound Risk Management

(continued)

Principal Risks	Implications	Mitigants/Controls
1. Compliance risks Category: Regulatory Compliance		
<ul style="list-style-type: none"> Regulations by MoH, SHC and SFDA relating to protection of patient information, patient and employee health and safety, and licensing requirements may become more stringent Regulators may increase the percentage of Saudi employees among the total employees (Saudization) Regulators may tighten up healthcare reforms by reducing the cost of healthcare, widening the access to quality healthcare, and increasing the monitoring of quality standards Laws and regulations may restrict public physicians from providing services to private healthcare institutions outside the official working hours Failure to understand, implement and monitor the internationally recognized clinical guidelines and quality standards, clinical negligence, the incorrect diagnosis of medical conditions and the supply of unsuitable products Non-compliance or business implications of regulatory changes in Zakat and VAT laws Failure to implement National Platform for Health and Insurance Exchange Services (NPHIES) at Group facilities Changes in CHI regulations including unified policy benefits 	<ul style="list-style-type: none"> Changes in existing regulations or introduction of new ones may adversely affect the business operations, revenue and profitability Non-compliance may result in losses, fines, restrictions, or damage to reputation Suspension of visa applications, transfer of sponsorship of non-Saudi employees 	<ul style="list-style-type: none"> Strategic liaising with regulators Board-level and Board Committees oversight Wide range of continuing medical education (CME) programs for medical professionals, developed in-house and certified to comply with the licensing requirements of various regulatory bodies Dedicated licensing team to ensure renewal of medical license on timely basis Legal and compliance functions support operational management, monitor regulatory developments and, where necessary, obtain expert legal advice for the effective implementation of compliance initiatives Compliance risks identified and assessed as part of compliance management processes Monitoring and investigating all incidents and reporting them in line with the Group's whistleblowing policy Implementing a yearly mandatory Compliance and Ethics training course for all employees Liaison with Council of Health Insurance (CHI) and formal training of staff for successful implementation of the NPHIES portal at Group facilities The Group will continue to be proactive, adapt and mitigate any changes in the government regulations on best effort basis. However, certain changes by the regulator cannot be mitigated

Principal Risks	Implications	Mitigants/Controls
2. Economic and Business Environment risks Category: Strategic and Business Environment		
<ul style="list-style-type: none"> Potential slowdown in the general economy and business Macro environment may affect the affordability of healthcare for insurance companies and cash patients Global macroeconomic and geopolitical headwinds Reduction in healthcare spending from Government Changes of the relative positioning between healthcare service providers and insurance companies Inability to renew or extend existing entity leases Increase in prices of utilities and related services 	<ul style="list-style-type: none"> Detrimental effect on client base Loss of business due to slowdown of economic activity and restricted cross border trade Lower revenue due to reduced prices Disruption of business continuity related to certain entities in case of expired leases Lower profitability 	<ul style="list-style-type: none"> Proactive monitoring and negotiation by the Group's Revenue Cycle department with insurance companies and MoH Focus on quality and continuum of care to reinforce the Group's market position Proactive and continuous efforts to monitor and renew near-expiring leases well ahead of time while securing alternative sites Focus on continuous improvement in operational efficiency and cost optimization
Principal Risks	Implications	Mitigants/Controls
3. Competition risks Category: Strategic and Business Environment		
<ul style="list-style-type: none"> Increase in the market competition due to emerging new hospitals and privatization of government hospitals in the region Inability to maintain HMG's competitive advantage in terms of physician quality and patient experience Insurance companies may start providing healthcare services 	<ul style="list-style-type: none"> Potential drop in market share Lack of business growth opportunities Lower profit margin 	<ul style="list-style-type: none"> High quality integrated healthcare with focus on innovation and cost effectiveness in delivery of services A dedicated patient relations department continuously monitoring patient care in each hospital on an ongoing basis Implementation of a dedicated command center facility for robust and timely patient care Investing in monitoring medical and technological advancements Centralized feedback mechanism for patient satisfaction Customer relationship management through dedicated departments like Media and Public Relations

Committed to Sound Risk Management

(continued)

Principal Risks	Implications	Mitigants/Controls
4. Operational and Business Projects risks Category: Operations and Project Management		
<ul style="list-style-type: none">• Inability of the Group to maintain its reputation or infringement of intellectual property• Inadaptability to evolving regulatory and market environment• Unfavorable conditions affecting successful completion of projects, including timeliness, cost, and quality• Breakdown or inefficient utilization of medical technological equipment• Information system failure• Facility disruption including risk of interrupted electricity or water supply• Fire and associated threats• Disposal and management of bio-hazards waste• Lack of integration of ESG metrics into business and reporting practices	<ul style="list-style-type: none">• Disrupted patient experience• Reputational damage and loss of competitive advantage• Financial loss in the event expected cash flows are not realized• Substandard quality of service• Non-compliance with regulations resulting in losses, fines, restrictions, or damage to reputation	<ul style="list-style-type: none">• Effective monitoring and oversight of operations with experienced and dedicated project management team• Registering all trademarks on which it relies for its business in the Kingdom, the GCC and other countries• Comprehensive insurance to deal with financial impact of potential disasters• Emergency and disaster recovery plan• Comprehensive agreements with contractors for maintenance of medical technological equipment, and disposal and management of bio-hazards waste• In-house capacity for data backup and information system recovery• Extensive firefighting and detection systems, including comprehensive maintenance processes• Formulating a framework to ensure integration of ESG metrics into our business and reporting practices as well as to measure and report on our ESG performance

Principal Risks	Implications	Mitigants/Controls
5. Clinical and Patient Safety risks Category: Clinical		
<ul style="list-style-type: none">• Provision of services in a way that may put patients at risk of harm and result in undesirable clinical outcomes including:<ul style="list-style-type: none">– Procedures performed without following the correct medical protocols and non-compliance and lack of uniformity in application of clinical pathways (CPWs)– Surgical and procedural adverse events– Spread of multi-drug-resistant organisms– Failure of infections control function	<ul style="list-style-type: none">• Suboptimal quality of patient care• Patient dissatisfaction• Loss of brand equity and reputation• Disruptive operations• Legal consequences	<ul style="list-style-type: none">• Patient Safety and Quality of Care Committee oversees the overall quality, safety, and control of healthcare facilities• Comprehensive infection control strategies• Group-wide clinical risk register• Established accreditation and clinical governance processes• Monitoring of clinical performance indicators through clinical audits• Quality management processes to ensure CPW uniformity across the Group• Regular training and awareness programs• Stakeholder engagement and disclosure strategies• Regular vaccinations against infections and screening tests for clinical staff to minimize hospital-borne infections• Personal hygiene program• Complaints monitoring and tracking• Credentialing and privileging medical team• Frequent testing and regular maintenance of biomedical equipment

Principal Risks	Implications	Mitigants/Controls
6. Information Systems Security risks Category: Information Technology		
<ul style="list-style-type: none">• Network intrusion, security breaches, unauthorized access to the organization's data and systems resulting in reputational damage and financial damage• Inability of business resumption and loss of critical information in the event of any catastrophic negative event due to absence of business continuity and disaster recovery plan• Increased pressure on data privacy• Inability to continuously stay abreast with new information systems security threats	<ul style="list-style-type: none">• Unavailability of systems or system failure• Manipulation or lack of data confidentiality• Adverse impact on patient care• Financial loss	<ul style="list-style-type: none">• Implementing ISO 27001 standards for the information security aspects, and the function being fully complied with and accredited• Conducting a vulnerability assessment and penetration testing to determine the possible threat at the network as well as application levels, and appropriate controls being implemented• Adequate encryption of patient information in place• Implemented disaster recovery sites and in-house data centers; Management working towards enhancing the function as per the international standards• Comprehensive information systems identity access management change and physical access controls• Implementing multi-layered information security defense to identify vulnerabilities and protect against attacks• Implementing a yearly mandatory Information Security training course for all employees

Principal Risks	Implications	Mitigants/Controls
7. Innovation and Digitalization risks Category: Information Technology		
<ul style="list-style-type: none">• Failure to transform traditional healthcare services to adhere to new clinical and healthcare technology, and/or usage of obsolete technologies, leading to lower quality of services or missed revenue opportunity• Inability to harness new innovative solutions for provision of enriched services• Failure to compete in the digital health arena	<ul style="list-style-type: none">• Loss of patients• Loss of competitive advantage• Loss of market leading position	<ul style="list-style-type: none">• Benchmarking and monitoring technological advances globally, and investing in implementation of state-of-the-art medical technologies and facilities across all hospitals• Our subsidiary, Cloud Solutions, develops and implements infrastructure, applications and systems for the Group as well as other healthcare facilities to provide latest digital solutions• Competent clinical engineering team under Flow Medical Solutions to keep up to date with developments in medical equipment and introduce new technology to maintain high technological standards and continuous investment in medical equipment• Systematic training of staff for competent use of existing and new technology

Committed to Sound Risk Management

(continued)

Principal Risks	Implications	Mitigants/Controls
8. Human Capital risks Category: People		
<ul style="list-style-type: none"> Inability to attract, engage and retain qualified personnel Inadequacy or lack of continuous development of key personnel Inadequate succession planning for key employees Employee negligence, conflict of interest, fraudulent activities, or misappropriation Concentration risk due to hiring of nurses from certain countries 	<ul style="list-style-type: none"> Adverse impact on healthcare quality culminating in dissatisfied patient experience Ineffective service delivery Lack of smooth operations leading to detrimental effect on the Group's reputation and brand image 	<ul style="list-style-type: none"> Effective sourcing strategies, highly qualified and dedicated recruitment team, employee career paths, attractive and competitive salary packages, accommodation facilities and good working environment, aiding attraction and retention of employees Dedicated medical education function to focus on and impart extensive training and skills development program and foreign recruitment program Succession planning for the key executives and monitoring on a periodical basis Conduct a future leaders' program Mandatory compliance forms to be submitted by employees, to include those concerning conflicts of interest, gifts and hospitality, and non-disclosure agreements

Principal Risks	Implications	Mitigants/Controls
9. Financing, Credit, and Liquidity risks Category: Financial and Reporting		
<ul style="list-style-type: none"> Unavailability of capital to finance strategic expansion opportunities Inability to pay the outstanding balance owing to banks and/or other lending institutions Failure to recover outstanding amounts due from insurance companies, Government and other institutions 	<ul style="list-style-type: none"> Financial loss Adverse effect on day-to-day operations Unhealthy financial position Disruptive cash flows 	<ul style="list-style-type: none"> Long-term planning of capital requirements and cash flow forecasting Proactive and strategic partnerships with financial institutions (governmental and non-governmental) relating to funding facilities Strong follow-up mechanism with our Revenue Cycle Management company (Taswyat) for recovery of claims Efficient and effective cash management policy

Principal Risks	Implications	Mitigants/Controls
10. Pandemics and Infectious Diseases risks Category: Strategic and Business Environment		
<ul style="list-style-type: none"> Adverse clinical, operational, and business effects caused by a pandemic or infectious disease Non-compliance with MoH guidelines regarding protocols to be followed during pandemic Trust deficit in patients visiting healthcare facilities during and post pandemic Increased cost of providing medical services due to shortage of healthcare supplies and equipment Medical staff at high risk due to direct contamination Limited availability of beds and isolation rooms 	<ul style="list-style-type: none"> Penalties by regulator and impact on brand image Impact on GP percentage due to high cost of providing medical services Decline in patient count Shortage of available medical staff, which may hinder patient care 	<ul style="list-style-type: none"> Investing in implementation of state-of-the-art medical technologies to support remote work, video consultations, online pharmacy, and other patient-centric healthcare services Comprehensive infection control strategies Vigilant material planning, robust database of primary and secondary suppliers, monitoring market situation to ensure smooth supply of materials at competitive price Staff training and rotation programs to ensure smooth reallocation of resources based on requirements Patients to be prioritized based on complexity of the case and availability of beds Active involvement in government vaccination campaign to achieve desired level of herd immunity in the Kingdom

Corporate Sustainability

HMG is committed to ensuring the health and well-being of the communities we serve across our operational footprint. The Group's environmental, social and corporate governance (ESG) structures and targets aim to maximize the benefits we deliver not only in terms of patient health, but also in the broader contexts of social and human development, and responsible environmental stewardship. From our programs to build the skills of Saudi Arabia's healthcare workforce, to the Group's extensive community engagement through national health initiatives, HMG is delivering tangible progress toward achieving the targets and objectives of Saudi Vision 2030.

Our ESG commitments reflect our strategic aim to become the most trusted healthcare provider in terms of medical excellence and patient experience. To achieve our business ambitions, we aim to embed ESG best practices throughout our operations, as our internal and external stakeholders come together to deliver on our purpose, progress our strategy and create stakeholder value.

Governance, transparency and accountability are key to our ESG approach, as we choose a meaningful set of international standards, best sector practices and ESG frameworks. This will guide us in management of ESG opportunities, mitigating risks and becoming a leading proponent of progressive sustainability and human development in the region's healthcare sector.

THE HMG ESG ROADMAP

Launched in late 2020, the development of the Group's ESG Roadmap provides a strategic framework for the integration of relevant ESG metrics into every aspect of our business and reporting practices.

The initial phases of this development included a comprehensive benchmarking process, measured against our international peers and delivered with the support of a specialist external consultant, to help identify our focus areas for advancing our ESG ambitions.

The second phase, our materiality assessment, which was completed this year, has helped us set priorities for the business through the identification and evaluation of ESG and wider sustainability topics. The key issues will help us clarify risks and opportunities from the perspectives of business and ESG, and develop measures for response and value creation.

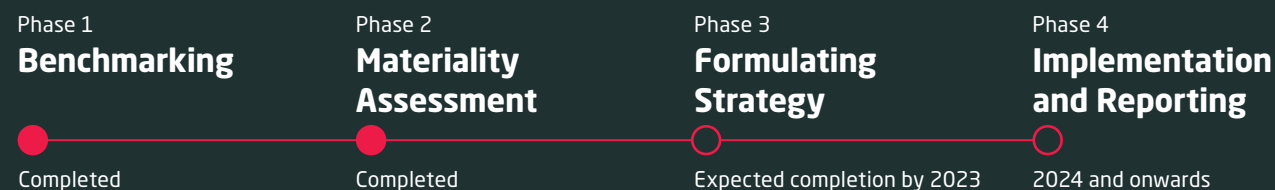
In the next phase of the ESG Roadmap, we will focus on developing our strategy to monitor our progress on ESG themes and support the Group's commitment in global health. It will also form the basis for the Group's first dedicated ESG Report, outlining our commitments and targets going forward.

HMG'S ENVIRONMENTAL STEWARDSHIP

Demonstrating Saudi Arabia's commitment to a cleaner, greener world, the Kingdom launched the Middle East Green Initiative (MGI) Summit in 2021 with the announcement of two initiatives to combat climate change, including investment in carbon economy solutions in the region, and clean fuel solutions.

HMG is committed to supporting the Kingdom's aim to reduce carbon emissions to net zero by 2060 in line with the wider ambition of Vision 2030, to accelerate the energy transition, achieve sustainability goals and drive a new wave of green investment.

ESG PROGRAM TIMELINE



THE HMG RESEARCH CENTER

With a mission to contribute to global medical knowledge in areas that are of high relevance to the people, patients and communities of the Kingdom, the HMG Research Center is licensed by the National Committee of Bio and Medical Ethics, and governed by an Institutional Review Board (IRB) that ensures the highest international ethical standards.

The Center publishes the Dr. Sulaiman Al Habib Medical Journal, representing the first peer-reviewed medical journal in the region's private healthcare sector. Issued quarterly, the Journal has seen increasing participation from our staff since launch, and the annual volume of published articles and research papers has doubled over the course of the past three years in 2021, representing an expanding contribution to medical science in areas of vital concern to the region. We are on course to be included in the International Scientific Indexing (ISI) system.

The journal operates an annual award for excellence. The Dr. Sulaiman Al Habib Medical Journal Award for Excellence in Scientific Research, which is valued at SAR 1.5 million, aims to support scientific production and preparation of an efficient environment for research, innovation and scientific creativity in line with Saudi's 2030 Vision, providing unprecedented opportunities for the development of research in the healthcare sector.

As a corporate citizen and the leading healthcare provider in the region, we are focused on responsibly managing the short and long-term impacts of our operations, including the use of natural resources, the production and consumption of energy, waste and water.

We realize that through our operations, we have both direct and indirect impact on the environment, and therefore we are committed to engaging with our suppliers and partners to make that positive impact, together.

SUPPORTING THE MEDICAL COMMUNITY

The Group is heavily invested in creating an enabling environment conducive to research, innovation and scientific creativity in the Kingdom, in line with the objectives of the 2030 Vision.

As part of its broad program of measures to combat the COVID-19 pandemic, HMG contributed to global knowledge and data through its contributions to scientific literature, with multiple COVID-19 research projects published in reputable international journals.

Supporting this growing contribution, the HMG Research Center seeks to foster medical knowledge in a broad range of areas that are of high relevance to the people, patients and communities of the nation.

CONTINUOUS MEDICAL EDUCATION

HMG delivers an extensive calendar of events each year to support the advancement of the nation's medical community. These include:

- 1st International Conference on Thromboembolism, launched virtually to review recent scholarship and innovation in the diagnosis and treatment of blood clots
- 22nd Annual Pediatric Conference
- International Musculoskeletal Imaging Conference
- 1st International Cardiology Conference
- 5th HMG Critical Care Conference
- 3rd International Ob/Gyne Conference
- 2nd Otorhinolaryngology Head and Neck Surgery Conference
- 3rd Pediatric Conference in Dubai
- Discussion on the Advanced Hybrid Closed Loop System in the Management of Type 1 Diabetes
- Conscious Sedation Course, Basic Laparoscopy Surgical Skill Workshop and a Hypertension Virtual Course.

DR. SULAIMAN AL HABIB MEDICAL JOURNAL

4

ISSUES

35

ARTICLES PUBLISHED

SAR 1.5
million

ANNUAL
EXCELLENCE AWARD

61

SUBMISSIONS
TO INSTITUTIONAL
REVIEW BOARD

CONTINUOUS MEDICAL EDUCATION IN 2021

230+

PROGRAMS

12,200+

PARTICIPANTS

500+

HOURS

9

VIRTUAL PROGRAMS

6,500+

VIRTUAL PARTICIPANTS

Corporate Sustainability (continued)

GACA PARTNERSHIP

The Group also signed a historic agreement with the General Authority for Civil Aviation (GACA) in 2021 to provide training for HMG's physicians to become certified Aviation Medical Examiners (AMEs).

CREATING THE MEDICAL PRACTITIONERS OF THE FUTURE

With an extensive program of internal and external training, university partnerships and engagements with government initiatives, HMG is a key player in the Kingdom's efforts to develop national human resources in the healthcare sector.

The HMG postgraduate and undergraduate training programs - the former of which includes the first ever ICU residency program in the Kingdom's private sector - are delivered in conjunction with partner universities from around the Kingdom, while our residency and fellowship program provide aspiring medical professionals with invaluable learning opportunities at the front line of the healthcare industry.

RESIDENCY & FELLOWSHIP PROGRAM

Our Residency & Fellowship Programs are accredited by the Saudi Commission for Health Specialties (SCFHS); 120+ participants are currently enrolled in these accredited training programs, 35 of which joined during 2021 - representing a 40% increase over 2020 - and we maintain a pass rate of 98% across the programs.

A new Faculty Development Fellowship program was launched by the HMG Academy in 2021, following the signing of an agreement with a leading university in the United States. This collaborative new program is designed to advance the careers of emergency medicine physicians, building their capacities in research, education and leadership.

In addition, more than 265 trainees are presently enrolled across five SCHS-accredited HMG diploma programs, which are developing young Saudi talent to excel in the healthcare field, in line with the goals of Vision 2030.



RESIDENCY & FELLOWSHIP PROGRAMS

17

PROGRAMS

120+

CURRENT PARTICIPANTS

35

NEW PARTICIPANTS IN 2021

98%

PASS RATE



UNIVERSITY TRAINING PROGRAM

Our Undergraduate Training Program, delivered in conjunction with 16 partner universities across the Kingdom, provided skills to around 2,460 students and interns during 2021. Five new partnerships were signed this year with Al Mana College in Khobar, Buraidah College in Qassim, Imam Abdulrahman Bin Faisal University in Al Khobar, the Saudi Electronic University in Riyadh and Imam Muhammad bin Saud University in Riyadh. The entities collaborate in academics, research and training students to develop their skills across various fields.

In February 2021, the Group renewed its cooperation agreement with Princess Noura bint Abdulrahman University to train female undergraduates currently pursuing degrees in medical and support specialties and discuss opportunities for conducting joint research.

Through further partnerships with national initiatives and education establishments, HMG engaged with the Tamheer Program of the National Human Resources Development Fund, Hadaf, to provide on-the-job training for Saudi nationals across various fields for around 1,470 graduates and equip them with the skills required to enter the workforce in line with the objectives of Saudi Vision 2030.

Through FLOW Medical Solutions, the Group also launched the Flow and Grow Training Program to provide hands-on clinical engineering experience to Saudi graduates. The first cohort of trainees graduated from the program in Q3 2021 after six months of extensive training.

CARDIOPULMONARY RESUSCITATION CENTER

HMG also conducted more than 980 cardiopulmonary resuscitation (CPR) courses through its CPR center for almost 5,400 participants in 2021. This brings the total number of individuals trained in CPR to more than 54,800 through over 8,700 courses including first aid, BLS, ACLS, PALS, and NRP since the launch of the program.

Our advances in this domain were highlighted in 2021 with the accreditation of HMG's CPR centers by the American Heart Association (AHA) and Saudi Heart Association (SHA).



PROMOTING HEALTH AND WELL-BEING

As the strategic foundation of its business, HMG remains committed to supporting the health and well-being of the people of Saudi Arabia and the wider GCC region by improving the patient experience and serving the health needs of its communities via multiple public health schemes.

OUR COMMITMENT TO STAKEHOLDERS

Our commitments to our patients, employees and the societies we serve are embodied in HMG's extensive program of campaigns and initiatives designed to improve the lives of communities across our footprint.

In 2021, HMG donated over SAR 14 million for medical services for critical cases, surgeries, treatments, and medications to patients in need, and engaged in a broad range of campaigns and events to benefit our many stakeholders, including:

- International Nurses Day
- World Radiology Day
- World Physiotherapy Day
- International Women's Day
- World Quality Day
- World Pediatric Day
- World Prematurity Day
- Breast Cancer Awareness Campaign
- World Diabetes Day
- World Heart Day
- a Healthy Ramadan event
- Saudi National Day
- UAE National Day
- Bahrain National Day
- National Doctors' Day

Corporate Sustainability (continued)

SERVING THE COMMUNITY

HMG serves a growing network of communities throughout the Kingdom and the broader region, in terms of both our provision of high-quality healthcare and our active program of social activities that deliver additional value beyond the scope of these core services. This holistic approach to improving the welfare and well-being of the people of the region reflects our deep commitment to the Kingdom and its people, and our dedication to achieving the goals of Saudi Vision 2030.

Through our hospitals, the Group is actively participating in the Government's vaccination drive to achieve the desired level of immunity.

In Dubai, HMG supported preparations for Expo 2020 by conducting health screenings for Dubai Police staff at police stations across the Emirate, and held a number of events to promote awareness and improve employee health in areas such as corporate wellness, physiotherapy, vitamin D deficiency and Lasik surgery.

Also in 2021, the Group donated funds towards the charitable and non-profit works of the Ehsan National Platform, as an extension of Ehsan's national campaign developed by the Saudi Authority for Data and Artificial Intelligence (SDAIA). The initiative aims to enhance social responsibility and promote both national belonging and humanitarianism among individuals and companies across the Kingdom. HMG also offered 91 kidney transplants to patients to mark Saudi Arabia's National Day, in collaboration with Al Rajhi Bank, at a cost of SAR 18 million.



SAR 14m

FOR MEDICAL SERVICES

SERVING SOCIETY IN 2022

In the coming year, HMG will continue to support communities and societies across our footprint, delivering further training in strategic medical disciplines for a growing number of practitioners and offering academic and soft skills to benefit both our employees and the public at large.

The Group will also deliver a full program of public health awareness campaigns and events to educate and empower communities in combatting prevalent health risks.

Our participation as a strategic medical sponsor of Riyadh Season 2 will also continue through to the conclusion of the event in March 2022, providing vital front-line services to staff, participants and the visiting public.

HMG will remain committed in the coming year to achieving the socio-economic, public health and environmental goals of Saudi Vision 2030, directing our resources and leveraging our extensive capabilities to support the Kingdom's successful development path and create a safer, healthier and cleaner Saudi Arabia.



“We are proud to support the vision of the Saudi Government and provide our unique standard of care to the visitors of this landmark event.”

STRATEGY LINKAGE



Corporate Responsibility in Action:

Medical Sponsorship of Riyadh Season 2021

In 2021, Dr. Sulaiman Al Habib Medical Services Group Company (HMG) once again demonstrated its commitment to supporting the communities where it operates by acting as the premium Medical Sponsor for Riyadh Season. Under the slogan “Imagine More,” this landmark event brings joy and excitement to 14 different regions of the Saudi capital for a 6-month period from October 2021 to March 2022.

As the Medical Sponsor for the second time in a row, HMG was responsible for providing healthcare services and awareness to visitors of the event. The team was able to efficiently set up its integrated medical facilities and premium equipment to get up and running in a very short period of time. HMG staff were on hand throughout the event to provide comprehensive medical services, ranging from treatments for headaches, dizziness and pain to more acute and urgent medical needs.

We established multiple emergency points and mobile medical units for rapid intervention, as well as a high level of readiness in all our Group’s hospitals in Riyadh to receive cases at any time, in addition to setting strict precautionary plans and protocols for viral and suspected cases.

During this season, and as an extension of the previous season, a new concept of **field emergency medicine** was applied, with 99% of patients being treated at on-field medical centers built for Riyadh Season, and then released to complete their recreational activity without leaving the premises, reflecting the high quality and efficiency of care.

“A visitor to Riyadh Season who suffered a heart attack during his visit to the Season’s activities was saved in less than 15 minutes.”

The patient was treated on-site at HMG Medical Center after feeling severe chest pains. The case was diagnosed and first aid was given to him promptly, and later transferred after his condition stabilized to one of our hospitals, where he completed his treatment and later left the hospital in good health. It is a testament to the high level of readiness of our medical centers in the Riyadh Season, in terms of medical competencies and advanced equipment, which helped a lot in the patient’s quick recovery.

Over the course of Riyadh Season, HMG provided care across 14 locations positioned for maximum impact throughout the event area. Our 26 vehicles - 18 golf carts, three RRTs and five ambulances - and over 200 on-site doctors, nurses, paramedics and administrative staff provided care to around 6,000 patients of all ages every month on site.

The Group’s participation in the Riyadh season stems from its societal role and commitment to achieving the goals of the Kingdom’s Vision 2030, as the Group is always proud to participate in national events and to contribute to its success.

TOTAL PATIENTS TREATED IN 2021

20,000+

MEDICAL AND NON-MEDICAL STAFF

200+

Committed to robust governance

Governance

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GOVERNANCE

1. INTRODUCTION

1.1 Corporate Governance

HMG's ("The Company's" or "The Group's") sound corporate governance framework aims to maintain the accountability and integrity of our business, in the interest of all stakeholders. Best practice governance is at the heart of our operating model, enabling the Group to attract highly qualified Board members, as well as the most competent, experienced and visionary management team; therefore, achieving the best results in the Company's business in orderly, ethical and accountable manner.

Our governance framework has been developed to comply with the Global Corporate Governance standards, practices and the local regulations issued by the Saudi Capital Market Authority (CMA). Effective and transparent corporate governance supports the effective delivery of HMG's strategy, ensuring the business is run sustainably, to the highest ethical standards and with a focus on value creation. The foundation of HMG's corporate governance framework depends on a set of pillars that insure clarity and discipline of good governance and these pillars are: regulations and policies that promote transparency, accountability, competence, the Company's values, organizational structure design, and authority matrix, with the transparent and effective separation of company management and supervision between HMG's Board and its four (4) Committees.

Governance Framework Policies

The Company applies the Corporate Governance Regulations issued by the Capital Market Authority (CMA), and the Company's Board has set the Group's governance principles, policies, and charters for the Board's Committees. All of these documents are subject to periodic review by the Board and its Committees on an ongoing basis when needed, based on any amendments to regulations, global regulations or best practices; to ensure that the Group complies with relevant practices and regulations, and to protect the rights of our shareholders and stakeholders to achieve fairness, competitiveness, and transparency in the market and work environment, keeping pace with the economic development of Saudi Arabia. At the same time, it promotes the growth and sustainability of the business.

HMG has a track record of following a framework that balances financial performance with ethical business practices toward all stakeholders. The Group has responded to opportunities and challenges with the goal of keeping its position as the most trusted healthcare provider in medical excellence and patient experience in the region. We are committed to the well-being of our communities and have adopted initiatives that bring together a range of sustainability programs.

Further, in line with the Company objective to set adequate procedures, controls and systems that would enable the Company to achieve good governance that ensures control and accountability in relation to the activities of the Company and its employees in a manner commensurate with the risks involved in these activities, and in implementation and in compliance with the Corporate Governance Regulations issued by the CMA and other related laws and regulations, in addition to the principles of international governance and best practices, the Company has adopted and approved the following, policies and regulations:

- Audit Committee Charter
- Nomination and Remuneration Committee Charter
- Remuneration Policy for the Board, Committees, and Executive Management
- Policies, Standards and Procedures for Board Membership
- Patient Safety and Quality of Care Committee Charter
- Executive Committee Charter
- Board of Directors Charter
- Conflict of Interest Policy
- Internal Audit Operational Manual
- Related Parties Transactions Manual
- Transparency and Disclosure Policy
- Investor Relations Manual
- Shareholders' Manual
- Code of Conduct
- Social Responsibility Policy
- Competing Business Standards

In line with the existing and newly developed financial, economic and investment legislation in Saudi Arabia, the Board has formed three (3) committees to assist it in performing its duties, in addition to the Audit Committee formed by the General Assembly of the Company. The following are the formed committees in the Group:

- Audit Committee
- Executive Committee
- Nomination and Remuneration Committee
- Patient Safety and Quality of Care Committee

1.2 Compliance Program

High standards of trust and integrity between the Group and its clients are a top priority and important pillars upon which the Group builds its reputation amongst its clients and stakeholders. The protection of this reputation in all activities carried out by the Group must be firmly rooted in the minds of the Group's personnel. This requires them to have a high level of trust, integrity and professionalism while carrying out the tasks assigned to them, and their behavior must be committed to the letter and spirit of the laws, regulations and instructions governing the Group's activity.

The Compliance Program is a practice driven to enhance the application of good governance that was implemented in the Group. Compliance carries out an independent function of identifying and assessing the risks associated with the Group's work and activities, and raising the level of the culture of compliance with the regulations, instructions, and behavioral and ethical rules in the Group by providing advice, guidance, recommendations, monitoring and preparing reports related to compliance to enable an effective response to any potential risks to the Group as a result of any failure to comply with the applicable laws, regulations, Codes of Conduct, medical standards, and sound standards and practices within a predetermined time frame, and submitting these reports to the competent department in the Group to deal with the such risks in a timely manner.

In order to protect our employees, our patients and our business, we must take every reasonable measure to ensure that we all operate in accordance with laws and ethical standards and to comply with, and in application of best practices, the Group's employees are required to disclose, via an electronic form, a conflict of interest form annually. Further, the Group's employees, clients, or any third party can report anonymously any unethical or unlawful incidents or activities via an electronic form, and they are investigated in a manner that ensures the confidentiality of the reporter in accordance with the approved whistleblowing policy. At the Group, the current and new employees are required to familiarize themselves with the Codes of Conduct and related information technology policies and review them annually, and the Group trains its employees annually on compliance and ethics and information security, where the rules of the Code of Conduct, the whistleblowing policy, and information technology security are duly explained to ensure their application.

1.3 Corporate Governance Statement

The Board adopted the Transparency and Disclosure Policy and procedures, which includes procedures which grant the shareholders the right to inquire, request information and receive answers to their inquiries provided they do not harm the interests of the Company. Further, the Board confirms that during the year 2021, the Board did not receive any suggestions or comments about the Company or its performance from shareholders.

In line with best practice in corporate governance, and as a general rule, the Group committed to facilitate the shareholders to exercise all their statutory rights related to shares in full, by providing suggestions or comments about the Group and its performance, as well as answering shareholders' questions and inquiries during the Group's General Assembly Meetings, or through investor relations in the Group. Further, the Board informs, reviews and discuss with all its members any proposals that it receives from the shareholders.

In the chapter that follows, information is provided on HMG's governance framework; on the principal activities, composition and experience of the Board and the Executives; on the roles and responsibilities of its Committees; and on the Board's operations and factors that affect the Company's businesses.

GOVERNANCE (CONTINUED)

1. INTRODUCTION (CONTINUED)

1.4 Implementation of Provisions of CGR

The Company implemented all provisions of the Corporate Governance Regulations issued by the Capital Market Authority, except the provisions listed below:

Article/paragraph number	Article/paragraph stipulates the following	Reason for not being implemented
Article 41: The Assessment Paragraph no. (e)	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three (3) years.	Guiding article: Internal performance assessment is conducted on a yearly basis and the Company is currently evaluating and considering the selection of a competent external body to assess the performance of the Board in line with the best practice.
Article 70: Composition of the Risk Management Committee	The Company’s Board shall, by resolution therefrom, form a committee to be named the “Risk Management Committee.” The Chairman and the majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	Guiding article: the Board considers that there is no need for a Risk Management Committee, as its scope is covered by other committees such as the Audit Committee and the Patient Safety and Quality of Care Committee.
Article 71: Competencies of the Risk Management Committee	Competencies of the Risk Management Committee.	Guiding article: Not applicable, as the Company has not established a Risk Management Committee.
Article 72: Meetings of the Risk Management Committee	The Risk Management Committee shall convene periodically at least once every six (6) months, and as may be necessary.	Guiding article: Not applicable, as the Company has not established a Risk Management Committee.
Article 85: Employee Incentives Paragraphs no. (2) and (3)	<p>The Company shall establish programs for developing and encouraging the participation and performance of the Company’s employees. The programs shall particularly include the following:</p> <p>Para. 2. establishing a scheme for granting the Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such program; and</p> <p>Para. 3 establishing social organizations for the benefit of the Company’s employees.</p>	Guiding paragraphs: the Company is currently evaluating and considering the implementation of these paragraphs.
Article 87: Social Responsibility	The Ordinary General Assembly, based on the Board recommendations, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	Guiding article: there is a policy for Social Responsibility in the Company, which is approved by the Company’s Board of Directors.
Article 88: Social Initiatives	<p>The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company, which include:</p> <p>1. establishing indicators that link the Company’s performance with its social initiatives and comparing it with other companies that engage in similar activities;</p> <p>2. disclosing the objectives of the Company’s social responsibility to its employees, and raising their awareness and knowledge of social responsibility;</p> <p>3. disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company; and</p> <p>4. establishing awareness programs for the community to familiarize them with the Company’s social responsibility.</p>	Guiding article: there is a Social Responsibility Policy in place and the Company undertakes many initiatives and programs in the field of social initiatives, and also discloses those programs and initiatives in the relevant reports, but the Company has not established key performance indicators that measure the Company’s social initiatives and compare it with other companies that engage in similar activities.
Article 95: Formation of a Corporate Governance Committee	If the Board forms a Corporate Governance Committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such a committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	Guiding article: the Board considers that there is no need for an independent committee for Corporate Governance, as its scope is covered by other committees and departments.

2. HMG AND ITS SUBSIDIARIES

The Group has been conducting its business for more than 25 years and is one of the largest providers of private healthcare services in the Kingdom and the region. The Group’s principal activities are setting up, managing and operating medical facilities, pharmacies, and medical diagnostic and radiological laboratories. The Group currently conducts its business through the operation and management of eight (8) healthcare facilities, namely: (1) Olaya Medical Complex, which consists of (a) Olaya Medical Complex, Bone, Joint and Spine Hospital, (b) Al Mustaqbal Hospital, and (c) IVF Center, (2) Dubai Hospital and Medical Center, (3) Suwaidi Hospital, (4) Qassim Hospital, (5) Khobar Hospital, (6) Al Rayan Hospital, (7) Takhassusi Hospital, and (8) Medical Center in the Diplomatic Quarter (Al Safarat District).

The Group also provides management and operating services to third parties where it operates and manages the UMC in Bahrain. The Group also owns the Middle East Pharmacies Company through which the Group manages and operates pharmacies within the Group’s healthcare facilities in the Kingdom and owns Pharma Choice, through which it operates and manages the Group’s pharmacy in Dubai.

In addition, the Group also carries out other business in areas such as home healthcare, establishing and operating Medical Diagnostic laboratories (MD Lab), maintenance of facilities, providing information technology systems, and operating intensive care rooms for healthcare facilities owned by others, whether from the government or private sector.

2.1 Main Scope of Business Segmentation for HMG, its Subsidiaries, and its Contribution to the Results

2.1.1 Healthcare facilities

The Group operates and manages eight (8) healthcare facilities in the Kingdom of Saudi Arabia (the Kingdom) and the Emirate of Dubai, with a capacity of 1,913 beds and multiple outpatient clinics as of 31 December 2021. The Group also provides management and operation services to others, as it operates and manages the UMC affiliated with King Abdullah Medical City in the Kingdom of Bahrain.

2.1.2 Pharmaceutical facilities

The Group carries out pharmaceutical businesses by operating and managing 17 pharmacies in its healthcare facilities in the Kingdom and Dubai, providing diverse medical and consumable products that include all kinds of medicines and medical and cosmetic supplies to cover patients’ needs.

2.1.3 Solutions sector

The Group provides several other healthcare and support services to the Group and to others through the operation and management of the Medical Diagnostic Laboratory Company and the Home Healthcare Company, where it operates home healthcare services, and operates intensive care departments in six (6) healthcare facilities of the MoH in five (5) cities in the Kingdom, specifically in Jeddah, Medina, Buraidah, Al Kharj and Qatif. In addition, it provides health information technology systems services through its subsidiary Hulool Al Sahabah for IT & Communication Company, which provides modern health technology systems to serve clients, improve patient experience, and increase operational efficiency. Further, the Group has established new healthcare and support services to the Group and to others through the revenue cycle management services by its subsidiary Taswyat Management Company, Tele-medicine services solutions to enhance the quality of care and patient experience by its subsidiary Rawabet Medical Company, and medical equipment maintenance services by its subsidiary Flow Medical Company.

The effect of the main activities on the Company’s business, and their contribution to the results are as follows:

	Name of Activity	Activity Revenue, in Saudi Arabian Riyals (SAR) (2021) (The numbers are rounded to the nearest million Riyals)	Percentage
Activity (1)	Healthcare Facilities	5,586	77.0%
Activity (2)	Pharmaceutical Facilities	1,356	18.7%
Activity (3)	Solutions Sector	308	4.3%
Gross		7,250	100%

GOVERNANCE (CONTINUED)

2. HMG AND ITS SUBSIDIARIES (CONTINUED)

2.2 Subsidiary Companies

The Company owns shares and/or stakes in several other companies, and the following table shows the details and percentages of the Company's ownership in those companies.

No.	Subsidiary Company name	Capital	Company's ownership percentage	Main scope of business	Country of operation	Country of incorporation
1	Cloud Solutions International Private Limited Company	LKR 5,000,000	100 (completely owned by Hulool Al Sahabah for IT & Communication Company)	Information Technology services	Sri Lanka	Sri Lanka
2	Hulool Al Sahabah for IT and Communication Company	SAR 10,000,000	100	Information Technology services	Saudi Arabia	Saudi Arabia
3	Dr. Sulaiman Al Habib Hospital FZ - LLC Company	AED 500,000	100	Private healthcare facility	United Arab Emirates	United Arab Emirates
4	Home Healthcare Company	SAR 500,000	100	Home healthcare	Saudi Arabia	Saudi Arabia
5	Sehat Al Olaya Medical Complex Company	SAR 500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
6	Gharb Jeddah Hospital Company	SAR 179,424,000	50	Private healthcare facility	Saudi Arabia	Saudi Arabia
7	Al Mokhtabarat Diagnostic Medical Company	SAR 500,000	100	Diagnostic laboratory	Saudi Arabia	Saudi Arabia
8	Asharq Al Awsat Pharmacies Company	SAR 500,000	100	Managing and operating Pharmacies	Saudi Arabia	Saudi Arabia
9	Al Muhammadiyah Hospital for Healthcare Company	SAR 500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
10	Pharmachoice Pharmacy	AED 100,000	100 (completely owned by Dr. Sulaiman Al Habib Hospital FZ - LLC)	Managing and operating pharmacies	United Arab Emirates	United Arab Emirates
11	Buraidah Al Takhassusi Hospital for Healthcare Company	SAR 3,704,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
12	Al Wosta Medical Limited Company	SAR 85,120,000	50	Private healthcare facility	Saudi Arabia	Saudi Arabia
13	Al Rayan Hospital for Healthcare Company	SAR 31,500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
14	Shamal Al Riyadh for Healthcare Company	SAR 500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
15	Sehat Al Suwaidi Medical Company	SAR 50,000,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
16	Al Gharb Al Takhassusi for Healthcare Company	SAR 75,000,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
17	Sehat Al Sharq Medical Limited Company	SAR 130,382,000	50	Private healthcare facility	Saudi Arabia	Saudi Arabia
18	Intensive Care Company for Healthcare	SAR 500,000	100	Providing management and operation services for Critical Care facilities	Saudi Arabia	Saudi Arabia
19	Al Marakez Al Awwalyah for Health Care Company	SAR 500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
20	Rawabet Medical Company	SAR 500,000	100	Providing tele-medicine services	Saudi Arabia	Saudi Arabia
21	Taswyat Management Company	SAR 3,000,000	100	Providing revenue cycle management services	Saudi Arabia	Saudi Arabia
22	Flow Medical Company	SAR 500,000	100	Medical equipment maintenance	Saudi Arabia	Saudi Arabia
23	Sehat AlKharj for Healthcare Company	SAR 500,000	100	Private healthcare facility	Saudi Arabia	Saudi Arabia
24	Al Afia Pharmacies for Medicines Company*	SAR 500,000	100	Managing and operating pharmacies	Saudi Arabia	Saudi Arabia
25	Antab Al Riyadh for Operation and Maintenance Company**	SAR 500,000	100	Ancillary maintenance and operation services in support of the Company's business	Saudi Arabia	Saudi Arabia

No.	Subsidiary Company name	Capital	Company's ownership percentage	Main scope of business	Country of operation	Country of incorporation
26	Al Rayan for Maintenance and Operation Company***	SAR 500,000	100	Ancillary maintenance and operation services in support of the Company's business	Saudi Arabia	Saudi Arabia

* During 2021, Al Afia Pharmacies for Medicines Company and its branches were converted to a branches to Asharq Alawsat Pharmacies Company.

** During 2021, Antab Al Riyadh for Operation and Maintenance Company was converted to a branch to Sehat Al Olaya Medical Complex Company.

*** During 2021, Al Rayan for Maintenance and Operation Company was converted to a branch to Al Rayan Hospital for Healthcare company.

2.3 Associate Companies

The Company owns shares and/or stakes in several associate companies, and the following table shows the details and percentages of the Company's ownership in those companies.

No.	Associate company name	Capital (SAR)	Company's ownership percentage	Main scope of business	Country of operation	Country of Incorporation
1	Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company	500,000	50	Managing and operating dental clinics	Saudi Arabia	Saudi Arabia
2	Serco Saudi Services LLC Company	500,000	40	Ancillary maintenance, support and operation services	Saudi Arabia	Saudi Arabia

Below are the share details for each subsidiary or associate company. There are no debt instruments issued by the subsidiary companies or associates.

No.	Associate company name	Shares/ordinary shares
1	Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
2	Serco Saudi Services LLC Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
3	Cloud Solutions International Private Limited Company	500,000 shares, each valued at 10 Sri Lankan Rupees (LKR 10)
4	Hulool Al Sahabah for IT and Communication Company	10,000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
5	Dr. Sulaiman Al Habib Hospital FZ - LLC Company	500 shares, each valued at one thousand Emirati Dirham (AED 1,000)
6	Home Healthcare Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
7	Sehat Al Olaya Medical Complex Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
8	Gharb Jeddah Hospital Company	179,424 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
9	Al Mokhtabarat Diagnostic Medical Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
10	Asharq Al Awsat Pharmacies Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
11	Al Muhammadiyah Hospital for Healthcare Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
12	Pharmachoice Pharmacy	100 shares, each valued at one thousand Emirati Dirham (AED 1,000)
13	Buraidah Al Takhassusi Hospital for Healthcare Company	3,704 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
14	Al Wosta Medical Limited Company	85,120 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
15	Al Rayan Hospital for Healthcare Company	31,500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
16	Shamal Al Riyadh for Healthcare Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
17	Sehat Al Suwaidi Medical Company	50,000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
18	Al Gharb Al Takhassusi for Healthcare Company	75,000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
19	Sehat Al Sharq Medical Limited Company	130,382 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
20	Intensive Care Company for Healthcare	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
21	Al Marakez Al Awwalyah for Health Care Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
22	Rawabet Medical Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
23	Taswyat Management Company	3000 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
24	Flow Medical Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)
25	Sehat AlKharj for Healthcare Company	500 shares, each valued at one thousand Saudi Riyals (SAR 1,000)

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT

3.1 Board of Directors

3.1.1 Composition of the Board of Directors and classification of its members

The Company is managed by a Board of Directors consisting of nine (9) members to be appointed by the Shareholder's Ordinary General Assembly for a term not exceeding three (3) years in accordance with article (18) of the Company's By-Law and in accordance with article (17) of the Corporate Governance Regulations issued by the Capital Market Authority (CMA).

- In its meeting held on Monday, 3 Rabi' Al-Akhir 1440 AH (corresponding to 10 December 2018) the Extraordinary General Assembly No. (6) of the company, approved the election of the members of the Board of Directors from among the candidates for the term, which started from the date of the assembly for three (3) Gregorian years and ended on 9 December 2021 as follows:

	Member Name	Nature of membership	Membership Type
1	Dr. Sulaiman Abdulaziz Al Habib	Chairman	Non-Executive
2	Mr. Mazen Abdulrazzaq Al Rumaih	Vice Chairman	Independent
3	Eng. Saleh Mohammed Al Habib	Member	Non-Executive
4	Mr. Hesham Sulaiman Al Habib	Member	Executive
5	Mr. Ziad Fouad Al Saleh	Member	Independent
6	Mr. Obaid Abdullah Al Rasheed	Member	Independent
7	Mr. Nasser Mohammed Al Huqbani	Member	Executive
8	Mr. Faisal Abdullah Al Nassar	Member	Executive
9	H.E. Nabeel Mohammed Al Amudi*	Member	Non-Executive

* On 19 June 2019, the Board of Directors approved the resignation of the member of the Board of Directors Mr. Abdul Rahman Abdullah Al Sakran from the membership of the Board, and approved the appointment of Mr. Samer Saeed Jundi as a member of the Board of Directors, succeeding the resigned member starting from 20 June 2019 and the Ordinary General Assembly No. (3) held on 13 October 2019 approved appointing him as a member of the Board of Directors. On 30 March 2020, the Board of Directors approved the resignation of the Board member Mr. Samer Saeed Jundi, and approved to appoint H.E. Dr. Nabil Muhammad Al Amudi as a member of the Board of Directors, succeeding the resigned member starting from 30 March 2020 and the Extraordinary General Assembly No. (8) held on 10 May 2020 approved the appointment of His Excellency as a member of the Board of Directors.

- The Company's Ordinary General Assembly held on Wednesday, 4 Jumada Al-Ula 1443 AH (corresponding to 8 December 2021) and voted to elect the members of the Board of Directors from among the candidates for the current term, commencing from 10 December 2021, for a term of three (3) years, ending on 9 December 2024, as follows:

	Member Name	Nature of membership	Membership Type
1	Dr. Sulaiman Abdulaziz Al Habib	Chairman	Non-Executive
2	Mr. Mazen Abdulrazzaq Al Rumaih	Vice Chairman	Independent
3	Eng. Saleh Mohammed Al Habib	Member	Non-Executive
4	Mr. Hesham Sulaiman Al Habib	Member	Executive
5	Dr. Abdulrahman Sulaiman Al Turaigi	Member	Independent
6	Mr. Obaid Abdullah Al Rasheed	Member	Independent
7	Mr. Nasser Mohammed Al Huqbani	Member	Executive
8	Mr. Faisal Abdullah Al Nassar	Member	Executive
9	Mr. Rasheed Abdulrahman Al Rasheed	Member	Independent

3.1.2 Experience and academic qualifications of the Board Members



Dr. Sulaiman Abdulaziz Al Habib,
Group Founder and Chairman of the Board of Directors

Membership Type
Non-Executive

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Dr. Sulaiman Al Habib is the Chairman of the Board and the founder of the Group and currently serves in the following capacities:

- Member of the Board of Trustees of the National Museum since July 2020;
- Chairman of the Board of Managers at Namara Investment Company since 2007; and
- Member of the Board of Managers at Mohammad A. Al Habib & Partners Co. for Real Estate Investment since 2006.

Dr. Sulaiman Al Habib has also previously served in the following capacities:

- Chairman of the Board of Managers at the International Healthcare Company from 2008 to 2019;
- Head of the Medical Committee of Riyadh Chamber of Commerce from 2004 to 2008;

- Head of the Department of Pediatrics at the Security Forces Hospital in Riyadh from 1988 to 1991;
- Part-time Consultant at the Ministry of Health in the Kingdom of Saudi Arabia from 1985 to 1989; and
- Chief Medical Officer at King Khalid University Hospital in Riyadh from 1986 to 1988.

Qualifications

Dr. Sulaiman Al Habib earned a Bachelor's degree in Medicine and Surgery from the College of Medicine at King Saud University in Riyadh in 1977. He has a fellowship in Pediatrics from the British Royal College of Physicians in 1984.

Committee Membership
Not applicable



Mr. Mazen Abdulrazzaq Al Rumaih,
Vice Chairman

Membership Type
Independent

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Mr. Mazen Al Rumaih is the Vice Chairman of the Group and currently serves in the following capacities:

- Chief Executive Officer (CEO) of Future Generation Company since 2014;
- Chairman of the Board and Chairman of the Executive Committee of the Saudi Fransi Bank since 2019;
- Member of the Board of Directors of the Saudi Tourism Authority since 2020;
- Member of the Board of the Local Content & Government Procurement Authority since 2019;
- Member of the Board of the Real Estate Development Fund since 2019; and
- Member of the Board of the Saudi Arabian Airlines Public Corporation since 2020.

Mr. Mazen Al Rumaih has also previously served in the following capacities:

- Chairman of the Board of Saudi Fransi Capital from 2016 to 2019;
- Member of the Board of Al Yamamah Steel Company from 2014 to 2015;
- Member of the Board of the Capital Market Authority (CMA) from 2009 to 2014;
- Chief Executive Officer (CEO) of Samba Capital & Investment Management Company from 2008 to 2009; and
- Director General of Corporate Finance Department at the Capital Market Authority (CMA) from 2004 to 2007.

Qualifications

Mr. Mazen Al Rumaih earned a Bachelor's degree in Accounting and Financial Management from Buckingham University in Britain in 1994.

Committee Membership

Chairman of the Executive Committee

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.1 Board of Directors (continued)

3.1.2 Experience and academic qualifications of the Board Members (continued)



Mr. Obaid Abdullah Al Rasheed,
Board Member

Membership Type
Independent

Date of Appointment (Current term)
10 December 2021

Professional Experience and Skills
Mr. Obaid Al Rasheed is a member of the Board of the Group and currently serves in the following capacities:

- Chief Executive Officer (CEO) of the Arab National Bank since February 2021;
- Member of the Board of Directors of the Arab National Bank since 2021.
- Vice Chairman of the Board of Directors of Saudi Home Loans Company since 2021; and
- Vice Chairman of the Board of Directors of Saudi Chemical Company since 2018;

Mr. Obaid Al Rasheed has also served in the following capacities:

- Head of Retail and Private Banking Services and the Deputy Chief Executive Officer (CEO) of the Arab National Bank from 2011 to February 2021;

- Chairman of the Board of Directors of Al-Arabi Heavy Equipment Lease Company from 2010 to January 2021;
- Member of the Board of Directors of Saudi Home Loans Company from 2010 to 2021;
- Member of the Board of Directors of Saudi Chemical Company from 2013 to 2018;
- Member of the Board of Directors of the Saudi Airlines Company for Aviation Engineering and Industry from 2014 to 2016;
- Member of the Board of Malath Cooperative Company from 2010 to 2017; and
- Member of the Board of Tabuk Cement Company from 2005 to 2013.

Qualifications
Mr. Obaid Al Rasheed earned a Bachelor’s degree in Business Administration from San Jose State University, California, USA in 1983.

Committee Membership
Chairman of the Nomination and Remuneration Committee



Eng. Saleh Mohammed Al Habib,
Board Member

Membership Type
Non-Executive

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills
Eng. Saleh Al Habib is a member of the Board of the Group and currently serves in the following capacities:

- Member of the Board of Directors of Gheras United Company since 2021;
- Member of the Board of Directors of Nitaq Capital Company since 2021;
- General Director of Al Jawhara Al Kubra Company since 2018;
- General Director of Jawaher Al Gharbia Real Estate Development and Investment Company since 2018;
- Board Member and Chairman of the Executive Committee of Andalus Property since 2018;
- Board Member of Al-Hayat Real Estate since 2018;
- Member of the Board of Managers of Almasa Al Khadraa Real Estate Development and Investment Company since 2018;
- Member of the Board of Managers of Manafaa Al Andalus Company since 2017;
- Chairman of the Board of Managers of Awal Energy Solutions Company since 2017;
- Member of the Board of Managers of Jawharat Al Bahr Investment Company since 2017;
- Chairman of the Board of Managers of Qawaed Modern Technology for Information Technology Company since 2017;
- Chairman of the Board of Managers of Ebdaa Taiba Real Estate Development Company since 2017;
- Member of the Board of Managers of Gharb Jeddah Hospital since 2017;
- Chairman of the Board of Managers of Asala Elmarkz Company since 2016;
- Chairman of the Board of Managers of Araqa Elmarkz Company since 2016;

- General Director of Al-Nakheel Housing Company since 2015;
- General Director of Maalem Investment Holding Company since 2014;
- Member of the Board of Managers of Sorouh Almarakiz Company since 2014;
- Board Member and Managing Director of Mohammed Abdulaziz Al Habib and Sons Holding Company and General Manager of all subsidiaries owned by Mohammed Abdulaziz Al Habib and Sons Holding Company since 2013;
- Board Member of Hamat Holding Company since 2013 and Managing Director since 2011;
- Member of the Board of Managers of Hamat Property Company since 2009, and Managing Director since 2010;
- Member of the Board of Managers of Advanced Markets Company since 2009;
- Member of the Board of Managers and Managing Director of Global Healthcare Company since 2007;
- Member of the Board of Managers and Chief Executive Officer of Mohammad A. Al-Habib & Partner Real Estate Company since 2006;
- Member of the Board of Managers of Burooj International Company since 2005; and
- Member of the Board of Managers of Qawaem for Real Estate Development Company since 2004.

Qualifications
Eng. Saleh Al Habib earned a Bachelor’s degree in Architecture from King Saud University in Riyadh in 2000.

Committee Membership
Member of the Nomination and Remuneration Committee, and Member of the Executive Committee

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.1 Board of Directors (continued)

3.1.2 Experience and academic qualifications of the Board Members (continued)



Mr. Nasser Mohammed Al Huqbani,
Board Member and Group President and Chief Executive Officer (CEO)

Membership Type
Executive

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Mr. Nasser Al Huqbani is the Group's President and Chief Executive Officer (CEO) and a member of the Board of Directors of the Group.

Mr. Nasser Al Huqbani also currently serves in the following capacities:

- Chairman of the Board of Managers of Sehat Al Olaya Medical Complex Company since 2016;
- Chairman of the Board of Managers of Asharq Alawsat Pharmacies Company since 2016;
- Chairman of the Board of Managers of Cloud Solutions International Private Limited Company since 2017;
- Chairman of the Board of Managers of Buraidah Al Takhassusi Hospital for Healthcare Company since 2016;
- Chairman of the Board of Managers of Al Rayan Hospital for Healthcare Company since 2016;
- Chairman of the Board of Managers of Home Healthcare Company since 2016;
- Chairman of the Board of Managers of Al Gharb Al Takhassusi Hospital for Healthcare Company since 2016;
- Chairman of the Board of Managers of Al Mokhtabarat Diagnostic Medical Company since 2016;
- Chairman of the Board of Managers of Sehat Al Suwaidi Medical Company since 2016;
- Chairman of the Board of Managers of Intensive Care Company for Healthcare since 2017;
- Chairman of the Board of Managers of Sehat Al Sharq Medical Limited Company since 2016;
- Chairman of the Board of Managers of Al Wosta Medical Limited Company since 2016;
- Chairman of the Board of Managers of Gharb Jeddah Hospital Company since 2017;
- Chairman of the Board of Managers of Flow Medical Company since 2021;
- Member of the Board of Managers of Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company since 2018;
- Manager of Al Muhammadiyah Hospital for Healthcare Company since 2018;
- General Manager of Pharmachoice Pharmacy since 2018;
- Manager of Dr. Sulaiman Al Habib Hospital FZ-LLC since 2016;
- General Manager of Shamal Al Riyadh for Healthcare Company since 2018;
- Manager of Al Marakez Al Awwalyah for Health Care Company since 2020;
- Manager of Rawabet Medical Company since 2020;

- Manager of Taswyat Management Company since 2020;
- General Manager at Sehat Al Kharj for Healthcare Company since 2021;
- Member of the Executive Committee of the National Health Committee of the Council of Saudi Chambers since 2020;
- Member of the Health Insurance Strategic National Committee since 2020;
- Member of the Saudi-Russian Joint Economic Committee since 2019;
- Member of the advisory board of the First Health Cluster in Riyadh since 2018;
- Member of the Board of Trustees of the Saudi Commission for Health Specialties since 2017;
- Member of the Board of the Saudi Patient Safety Center since 2017;
- Member of the Board of Managers of Saudi Serco Services Company since 2014;
- Chairman of the Board of Managers of Hulool Al Sahabah for IT & Communication Company since 2013; and
- Member of the American College of Healthcare Executives (ACHE), an independent global organization based in the United States of America since 2010.

Mr. Nasser Al Huqbani has also previously served in the following capacities:

- Chairman of the Board of Managers of Al Afia Pharmacies for Medicines Company from 2016 to 2021;
- Chairman of the Board of Managers of Antab Al Riyadh for Operation and Maintenance Company from 2016 to 2021;
- Chairman of the Board of Managers of Al Rayan for Maintenance and Operation Company from 2016 to 2021;
- Chairman of the Board of Managers of Bone, Joint and Spine Hospital Company from 2016 to 2020;
- Chairman of the Board of Managers of Al Mustaqbal for Hospitals Development Company from 2016 to 2020;
- Director of the Division of User Support of the Institute of Public Administration from 1994 to 2000; and
- Lecturer in the Institute of Public Administration from 1992 to 1994.

Qualifications

Mr. Nasser Al Huqbani earned a Master's degree in Office Management from the Institute of Public Administration in Riyadh in 1994 and a Bachelor's degree in Administrative Sciences and Public Administration from King Saud University in Riyadh in 1992.

Committee Membership

Member of the Executive Committee



Mr. Faisal Abdullah Al Nassar,
Board Member and Group Chief Financial Officer (CFO)

Membership Type
Executive

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Mr. Faisal Al Nassar is a member of the Board, and the Group's Chief Financial Officer (CFO) since 2011. Mr. Faisal Al Nassar currently serves in the following capacities:

- Member of the Board of Managers and Chairman of the Investment Committee of Al Ramz Real Estate Company since 2021;
- Member of the Board of Directors of Wethaq Capital Platform Company since 2021;
- Manager of Al Marakez Al Awwalyah for Health Care Company since 2020;
- Manager of Rawabet Medical Company since 2020;
- Manager of Taswyat Management Company since 2020;
- General Manager of Pharmachoice Pharmacy since 2018;
- Manager of Dr. Sulaiman Al Habib Hospital FZ-LLC since 2016;
- Member of the Board of Managers of Sehat Al Olaya Medical Complex Company since 2016;
- Member of the Board of Managers of Asharq Alawsat Pharmacies Company since 2016;
- Member of the Board of Managers of Cloud Solutions International Private Limited Company since 2017;
- Member of the Board of Managers of Buraidah Al Takhassusi Hospital for Healthcare Company since 2016;
- Member of the Board of Managers of Al Rayan Hospital for Healthcare Company since 2016;
- Member of the Board of Managers of Home Healthcare Company since 2016;
- Member of the Board of Managers of Al Gharb Al Takhassusi Hospital for Healthcare Company since 2016;
- Member of the Board of Managers of Al Mokhtabarat Diagnostic Medical Company since 2016;
- Member of the Board of Managers of Sehat Al Suwaidi Medical Company since 2016;
- Member of the Board of Managers of Intensive Care Company for Healthcare since 2017;
- Member of the Board of Managers of Sehat Al Sharq Medical Limited Company since 2016;
- Member of the Board of Managers of Al Wosta Medical Limited Company since 2016;
- Member of the Board of Managers of Gharb Jeddah Hospital Company since 2017;

- Member of the Board of Managers of Flow Medical Company since 2021;
- Member of the Board of Managers of Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company since 2018;
- Member of the Board of Managers of Travezy Investments Pvt Ltd since 2014;
- Member of the Board of Managers of Saudi Serco Services Company since 2014; and
- Member of the Board of Managers of Hulool Al Sahabah for IT & Communication Company since 2013.
- Manager of Al Muhammadiyah Hospital for Healthcare Company since 2018;
- General Manager of Shamal Al Riyadh for Healthcare Company since 2018.

Mr. Faisal Al Nassar has also previously served in the following capacities:

- Member of the Board of Managers of Al Afia Pharmacies for Medicines Company from 2016 to 2021;
- Member of the Board of Managers of Antab Al Riyadh for Operation and Maintenance Company from 2016 to 2021;
- Member of the Board of Managers of Al Rayan for Maintenance and Operation Company from 2016 to 2021;
- Member of the Board of Managers of Bone, Joint and Spine Hospital Company from 2016 to 2020;
- Member of the Board of Managers of Al Mustaqbal for Hospitals Development Company from 2016 to 2020;
- CFO and Member of the Board and Executive Committee at Roiaa Investment Company (previously ACWA Holding) from 2006 to 2011; and
- Senior Manager at Samba Financial Group from 1999 to 2006.

Qualifications

Mr. Faisal Al Nassar earned a Bachelor's degree in Accounting and Information Systems from the College of Industrial Management at King Fahd University of Petroleum and Minerals in Dhahran in 2001.

Committee Membership

Member of the Executive Committee

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.1 Board of Directors (continued)

3.1.2 Experience and academic qualifications of the Board Members (continued)



Mr. Hesham Sulaiman Al Habib,
Board Member and Vice President of Business Development

Membership Type
Executive

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Mr. Hesham Al Habib is a member of the Board and Vice President of Business Development of the Group since 2014. Mr. Hesham Al Habib currently serves in the following capacities:

- Board Member and Member of Nomination and Remuneration Committee of Kingdom Holding Company since 2018;
- Member of the Board of Managers of Namara Limited Company since 2016;
- Member of the Board of Managers of Namara Investment Company since 2014;
- Member of the Board of Managers of Saudi Serco Services Company since 2014;
- Member of the Board of Hamat Holding Company since 2012;
- Member of the Board of Managers of Qimam Al Tabadul for Investment Company since 2020;
- Member of the Board of Managers of Thabat Al Amal Company since 2014;

- Member of the Board of Managers of Jawaher Al Mustaqbal Real Estate company since 2019;
- Member of the Board of Managers of Al Masa Al Zarqa Real Estate company since 2019;
- Member of the Board of Directors of Mohammad Abdulaziz Al Habib and Sulaiman Abdulaziz Al Habib for Energy Company since 2019; and
- Member of the Board of Managers of Manazel Al Wosta Real Estate Company since 2020.

Mr. Hesham Al Habib has previously served in the capacity of Director of Business Development in the Group from 2009 to 2014.

Qualifications

Mr. Hesham Al Habib earned a Bachelor’s degree in Financial Management from the American University of Sharjah, UAE in 2009.

Committee Membership

Member of the Executive Committee



Dr. Abdulrahman Sulaiman Al Turaigi,
Board Member

Membership Type
Independent

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Dr. Abdulrahman Al Turaigi is a member of the Board, and the Chairman of the Group’s Audit Committee. Dr. Abdulrahman Al Turaigi currently serves in the following capacities:

- Chairman of Audit Committee of First Milling Company since 2021;
- Member of the Board of Directors and Chairman of the Nomination and Remuneration Committee, Member of the Governance, Risk and Compliance Committee, and Member of the Executive Committee at Saudi Investment Recycling Company SIRC since 2018;
- Member of the Nominations and Remuneration Committee at the Arabian Agriculture Services Company (ARASCO), since 2018;
- Member of the Audit Committee in King Abdullah University of Science and Technology since 2017;
- Board Member and Member of the Audit and Risk Committee in the Agriculture Development Fund since 2015; and
- Member of the Audit and Risk Committee at Almarai Company since 2013.

Dr. Abdulrahman Al Turaigi has previously served in the following capacities:

- Advisor to the Minister of Environment, Water & Agriculture in the Kingdom from 2015 to 2020;
- CEO of the Presidency of Meteorology and Environment (PME) from 2019 to 2020;
- Board Member at Almarai Company from 2017 to 2019;
- Chairman of the Audit Committee at Almarai Company from 2014 to 2019;
- Board Member, the Chairman of the Audit Committee and Risk Committee and member of the Nomination and Remuneration Committee in Arabian Shield Cooperative Insurance from 2013 to 2018;
- Secretary-General of the Board of Directors at Almarai Company from 2004 to 2018;
- Member of the Audit Committee of the Arab Agricultural Services Company (ARASCO) from 2015 to 2018;
- Member of the Audit Committee of the Saudi Electricity Company from 2015 to 2018;

- Chairman of the Board of Directors of the Gulf Industrial Development Company from 2012 to 2018;
- Member of the Board of Directors and a member of the Audit Committee of Al Hassan Ghazi Ibrahim Shaker Company from 2013 to 2016;
- Assistant to the CEO at Almarai Company in New Projects from 2009 to 2010;
- General Manager of the Support Services Department in Almarai Company from 2007 to 2010;
- General Director of Human Resources department at Almarai Company from 2004 to 2007;
- Director of HR, Sales and Marketing Department at Almarai Company from 2001 to 2003;
- Director of HR, Operation Department at Almarai Company from 1999 to 2001;
- Head of Production Engineering Department at the Technical College in Riyadh, at the Technical and Vocational Training Corporation from 1997 to 1999;
- Vice President of the Arab Students Association in Missouri University of Science and Technology, USA from 1993 to 1996;
- Consultant at Small Enterprise Center of Business Management Department at the University of Missouri, USA, from 1994 to 1995; and
- Associate Professor in the Technical College of the Technical and Vocational Training Corporation, from 1986 to 1988.

Qualifications

Dr. Abdulrahman Al Turaigi earned a Ph.D. in Engineering Management from the University of Missouri, USA in 1997, a Bachelor’s degree in Engineering Management from the University of Missouri, USA, in 1994, a Master’s degree in Industrial Systems Engineering from the University of Michigan, USA, in 1990 and a Bachelor’s degree in Industrial Systems Engineering from King Saud University, KSA, in 1986. Dr. Abdulrahman Al Turaigi is a Certified Auditor in ISO 9000 Quality Management Systems since 2000.

Committee Membership

Chairman of the Audit Committee

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.1 Board of Directors (continued)

3.1.2 Experience and academic qualifications of the Board Members (continued)



Mr. Rasheed Abdulrahman Al Rasheed,
Board Member

Membership Type
Independent

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Mr. Rasheed Al Rasheed is a member of the Board, and a member of the Group's Audit Committee, and currently serves in the following capacities:

- Member of the Board of Directors of Saudi District Cooling Company since 2021;
- Member of the Board of Directors of Al Ramz Real Estate Company since 2020;
- Member of the Board of Managers of the Integrated Towers Company for Communication Company since 2019;
- Member of the Board of Directors and member of the Nomination and Remuneration Committee of SAL Saudi Logistics Services since 2019;
- Member of the Board of Managers and Chairman of the Risk and Audit Committee of Jazan Gas Projects Company since 2015;
- Member of the Board of Managers of Al Athat Company since 2014;
- Managing Director at Tarabot Investment and Development Company since 2014;
- Member of the Board of Managers of Tarabot Air Cargo Services Company since 2014;
- Member of the Board of Managers of Saudi Integrated Company for Waste Treatment since 2013;
- Member of the Board of Directors of Tarabot Investment & Development Company (Formerly Integrated Transportation Company) since 2012;
- Member of the Board of Directors and member of the Executive Committee and Chairman of the Nomination and Remuneration Committee of Saudi Airlines Cargo Company since 2012;
- Member of the Board of Directors and member of the Audit Committee of the International Company for Water and Power Projects since 2008;
- Member of the Board of Directors and member of the Executive Committee of Vision International Investment Company (Formerly Arabian Company for Water and Power Development) since 2007; and
- Member of the Board of Managers of Zelan Arabia Company since 2007.

Mr. Rasheed Al Rasheed has previously served in the following capacities:

- Chairman of the board of managers at Dhahran Valley Colling Company in Al Khobar from 2019 to Aug 2021;
- Chairman of the board of managers at Saudi Riyadh Cooling Company in Riyadh from 2015 to Aug 2021;
- Chairman of the board of managers at Network Coverage Company for Communication in Riyadh from 2020 - to June 2021;
- Chairman of the board of managers at Riyadh Water Production Company in Riyadh from 2015 to 2020;
- Member of the board of managers at Global Ports & Railways Company in Riyadh from 2014 to 2019;

- Member of the board of managers at Central District Cooling Company in Makkah Al Mukarramah from 2011 to Oct 2021;
- Managing Director at Saudi District Cooling Company in Al Khobar from 2011 to Aug 2021;
- Chairman of the board of managers at Saudi Dhahran Cooling Company in Al Khobar from 2009 to Aug 2021;
- Chairman of the board of managers at Saudi Tabreed Operations & Maintenance Company in Al Khobar from 2009 to Aug 2021;
- Board Member at Saudi District Cooling Company in Al Khobar from 2008 to Aug 2021;
- Member of the board of managers at Welspun Middle East Pipes Company in Dammam from 2008 to 2014;
- Member of the board of managers at Arabian Japanese Membrane Company in Riyadh from 2008 to 2014;
- President & CEO at Arabian Company for Water and Power Development Company (Formerly ACWA Holding) from 2007 to 2014;
- Member of the board of managers at Shuaibah Water and Electricity Company in Jeddah from 2006 to 2009;
- Board Member at Abdullah Abunayyan Group from 2006 to 2009;
- Member of the board of managers at Shuqaiq Water and Electricity Company in Jazan from 2006 to 2009;
- Member of the board of managers at Rabigh Water and Electricity Company in Jeddah from 2006 to 2009;
- Member of the board of managers at Arabian Company for Water and Power Projects from 2004 to 2011;
- Group Vice President & Chief Financial Officer at Abdullah Abunayyan Group from 2000 to 2007;
- Senior Management Information Advisor at AL Rashed Certified Public Accountants from 1998 to 2000;
- Senior Management Consultant at AL Rashed Certified Public Accountants from 1996 to 1997;
- Management Consultant at AL Rashed Certified Public Accountants from 1993 to 1995;
- Computer Programmer and Systems Analyst at Royal Saudi Air Force (BDM International) from 1992 to 1993;
- Computer Programmer at Saudi Telecom Company (STC) from 1988 to 1992

Qualifications

Mr. Rasheed Al Rasheed earned a Higher Diploma in Management Information Technology Systems from King Saud University, KSA in 1988.

Committee Membership

Member of the Audit Committee



Mr. Sulaiman Nasser Al Qahtani

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Mr. Sulaiman Al Qahtani is a member of HMG Audit Committee, and currently serves in the following capacities:

- Member of the Board, Member of the Audit Committee, and Chairman of the Nominations and Remuneration Committee of the Saudi Company for the Production of Clay Pipes since October 2020;
- Member of the Audit Committee at the Saudi Arabian Airlines Public Corporation since October 2020;
- Member of the Audit Committee at Bupa Arabia for Cooperative Insurance since 2018;
- Member of the Board and Managing Director at Maharah Human Resources Company since 2017;
- Member of the Board at Al Hilal Saudi Club since 2018; and
- Member of the Audit Committee at Almarai Company since 2010.

Mr. Sulaiman Al Qahtani has previously served in the following capacities:

- Member of the Audit Committee at the Saudi Research and Marketing Group from 2018 to 2020;
- Member of the Board and Chairman of the Audit Committee at Maalem Financing Company from 2016 to 2020;
- Member of the Audit Committee at Bank Albilad from 2010 to 2019;
- Member of the Board, and Chief Executive Officer (CEO) at the House of National Consulting Company (HNC) from 2008 to 2020;

- Member of the Nomination and Remuneration Committee and the Risk Committee at the Arabian Shield Cooperative Insurance Company from 2016 to 2017;
- Member of the Board at the Arabian Shield Cooperative Insurance Company from 2014 to 2017;
- Chairman of the Audit Committee at Arab Shield Cooperative Insurance Company from 2014 to 2016;
- Member of the Board of Directors and Chairman of the Audit Committee of Al-Jazirah Home Appliances Company from 2012 to 2013;
- Director of Consulting at Al-Hamid and Al-Nimer Consulting Company from 2006 to 2008;
- Trainer in the financial programs sector at the Institute of Public Administration from 1998 to 2006; and
- Assistant trainer at the Institute of Public Administration from 1994 to 1995.

Qualifications

Mr. Sulaiman Al Qahtani earned a Master's degree in Professional Accounting from California State University, USA in 1998 and a Bachelor's degree in Accounting from King Saud University, Riyadh in 1994.

Committee Membership

Member of the Audit Committee

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.2 Non-Board Committee Members (continued)



Prof. Abdullah Sulaiman Al Herbish

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills
Prof. Abdullah Al Herbish is a Member of the Patient Safety and Quality of Care Committee. He is also a medical practitioner with extensive experience in private and public healthcare. Prof. Abdullah Al Herbish currently serves in the following capacities:

- Chairman of the Academic Council in the Group since 2020;
- Chairman of the Board of Medical Directors of the Group since 2008;
- Examiner for the Pediatric Endocrinology Fellowship in the Saudi Commission for Health Specialties since 2010;
- Member of the Clinical Excellence Committee in the Directorate of Health Affairs in Riyadh since 2021;
- In addition to being a Member in the Advisory Boards for several medical companies since 2006.

Prof. Abdullah Al Herbish joined the Group in 1995 as a part time medical practitioner and started to work with the Group as a full-time medical practitioner from 2009.

Prof. Abdullah Al Herbish served as Professor and consultant at the Department of Pediatrics, Faculty of Medicine, King Saud University from 1982 to 2009, he also served as a Chairman of the Clinical Studies at the Food and Drug Authority from 2019 to 2021, in addition to the memberships in many committees previously.

Qualifications
Prof. Abdullah Al Herbish earned the Canadian Fellowship in Pediatric Endocrinology and Diabetes from the Royal Canadian College of Physicians and Surgeons, University of Toronto, Toronto, Canada, in 1989, moreover, Prof. Abdullah Al Herbish earned American Board in Pediatric Endocrinology and Diabetes from the American Board Association, USA, 1989, and the Canadian Fellowship in pediatrics from the Royal Canadian College of Physicians and Surgeons, University of Calgary, Calgary, Canada, 1988, in addition to the American Board in pediatrics from the American Board Association, Seattle, USA, 1988.

Committee Membership
Member of the Patient Safety and Quality of Care Committee



Prof. Mahmoud Shahin Al Ahwal

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills
Prof. Mahmoud Al Ahwal is the Chairman of the Patient Safety and Quality of Care Committee at the Group. He is also the Dean of the Faculty of Medicine at King Abdulaziz University since 2009. Prof. Mahmoud Al Ahwal currently serves in the following capacities:

- Supervisor of the Vaccine Center at King Abdulaziz University during 2021;
- Chairman of the Saudi Medical Colleges Deans’ Committee at King Abdulaziz University since 2010;
- Chairman of the Health Personnel Allowances Committee, King Abdulaziz University since 2015;
- Member of the Board of Trustees of the Saudi Commission for Health Specialties since 2015;
- Chairman of the Saudi Medical Colleges Deans’ Committee since 2012;
- The Editor of the Saudi Journal of Internal Medicine, a journal of King Abdulaziz University operating in the field of scientific research since 2010;
- Member at the Supreme National Committee for Cancer Control since 2010;
- Member of the Board of Sheikh Mohammed Hussien Al-Amoudi Center of Excellence in Breast Cancer, an entity affiliated to the King Abdulaziz University operating in the field of medical care since 2010;
- Chairman of the Medical Board of King Abdulaziz University since 2009;
- Member of the King Fahd Center for Medical Research since 2009;
- Secretary of the Higher Supervisory Committee at the University Hospital affiliated to King Abdulaziz University since 2009;
- Member of the Board of Wadi Jeddah Company, King Abdulaziz University, since 2015;
- Member of the Gulf Federation for Cancer Control, a regional organization operating in the field of development and support of cancer control programs in the Arabian Gulf region since 2007;
- Local Editor for the Gulf Journal of Oncology, a reference journal in the US National Register operating in the field of scientific research since 2007;
- Professor/Consultant of Medical Oncology at the Faculty of Medicine, King Abdulaziz University since 2006; and
- Member and Founder of Al-Eman Association for the Care of Cancer Patients, a charitable association operating in the field of supporting and caring for cancer patients in need since 2004.

Prof. Mahmoud Al Ahwal has previously served in the following capacities:

- Member of the Center of Innovation in Personalized Medicine from 2015 to 2021;
- Acting Dean of the College of Medicine at the University of Jeddah from 2014 to 2021;
- Member of the Center of Excellence for Osteoporosis Research, a center of King Abdulaziz University operating in the field of scientific research from 2013 to 2021;
- Supervisor of the Colorectal Cancer Chair, a Chair of King Abdulaziz University operating in the field of scientific research from 2010 to 2018;
- Vice Dean of the Faculty of Medicine for Clinical Sciences, King Abdulaziz University from 2005 to 2009;
- Associate Professor at Faculty of Medicine, King Abdulaziz University from 1999 to 2006;
- Head of Internal Medicine Department, Faculty of Medicine, King Abdulaziz University from 2001 to 2005;
- Assistant in the Faculty of Medicine, King Abdulaziz University from 1992 to 1999;
- Professor and General Director of Medical Department, King Abdulaziz University from 1993 to 1994; and
- Teaching Assistant at the Faculty of Medicine, King Abdulaziz University from 1987 to 1992.
- Prof. Mahmoud Al Ahwal has also published many scientific papers in local and international journals for more than 80 papers in the field of cancerous tumors.

Qualifications
Prof. Mahmoud Al Ahwal earned a Bachelor’s degree in Medicine and Surgery from King Abdulaziz University Jeddah, Saudi Arabia 1983, and the American Board in Internal Diseases in 1990. Prof. Mahmoud Al Ahwal also earned the Canadian Fellowship in Internal Diseases from University of Alberta, Canada, in 1991, and the Canadian Fellowship in Cancer Diseases from University of Alberta, Canada, in 1994.

Committee Membership
Chairman of the Patient Safety and Quality of Care Committee

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.2 Non-Board Committee Members (continued)



Dr. Abdulelah Mohammed Rabe Al Hawsawi

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Dr. Abdulelah Al Hawsawi is a member of the Patient Safety and Quality of Care Committee at the Group. Dr. Abdulelah Al Hawsawi currently serves in the following capacities:

- Advisor at the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) since 2020; and
- Executive Committee Member of the Global Sepsis Alliance (GSA) since 2020.

Dr. Abdulelah Al Hawsawi has previously served in the following capacities:

- Director General of the Saudi Patient Safety Center from 2017 to October 2020;
- Consultant HBP Surgeon and Assistant Professor at King Abdulaziz University from 2012 to 2019;
- Assistant Director General for Technical Affairs at the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI) from 2012 to 2016;
- Program Director at King Abdulaziz University from 2012 to 2015;

- Assistant Professor of Surgery at King Abdulaziz University from 2001 to 2019;
- General Surgery Resident from 2002 to 2004 and Intern from 2001 to 2002 at King Abdulaziz University Hospital;
- Transplant and HBP Surgery Fellow, Dalhousie University, New York from 2009 to 2011; and
- Chair of the Organizing Committee of the 4th Global Ministerial Summit on Patient Safety held in KSA in Jeddah, in 2019.
- Dr. Abdulelah Al Hawsawi has also published many scientific papers, articles, books and chapters in international journals.

Qualifications

Dr. Abdulelah Al Hawsawi earned a Bachelor's degree in Medicine and Surgery from King Abdulaziz University in 2001, and Fellowship from Canadian Board in 2009 and American Board in 2010. Dr. Abdulelah Al Hawsawi is also a Certified Surgeon for hepatobiliary organs since 2011.

Committee Membership

Member of the Patient Safety and Quality of Care Committee



Mr. Ahmed Saleh Al Sudais

Date of Appointment (Current Term)
10 December 2021

Professional Experience and Skills

Mr. Ahmed Al Sudais is a member of the Nomination and Remuneration Committee at the Group, and Head of the Human Resources Group at Al-Rajhi Bank since 2019. Mr. Ahmed Al Sudais also currently serves in the following capacities:

- Member of the Nominations Committee in the Events Fund since 2021;
- Member of the Nominations Committee in the Central Jeddah Development Company since 2020;
- Member of the Nominations and Remunerations Committee at the Saudi Payments Company since 2020;
- Member of the Nominations Committee at the National Development Fund (Saudi Arabia) since 2020;
- Member of the Nominations Committee at the Tourism Development Fund since 2020;
- Member of the Nominations Committee at the General Authority for Statistics since 2020;
- Member of the Nominations Committee at Tabadul Company since 2019;
- Member of the Nomination and Remuneration Committee at Masik Holding Company since 2018; and
- Member of the Remuneration Committee at Thakher Investment and Real Estate Development Company Ltd since 2018.

Mr. Ahmed Al Sudais has previously served in the following capacities:

- Member of the Nominations and Remuneration Committee at the Saudi Ground Services Company from 2018 to 2021;
- Member of the Nomination and Remuneration Committee at Mashroat National Program from 2018 to 2021;
- Board Member and Member of the Remuneration Committee at Abdullatif Alissa Group from 2018 to 2021;

- Vice President of Human Capital at ACWA Power Company from 2017 to 2019;
- Member of the Nomination and Remuneration Committee at HSBC Holding from 2016 to 2019;
- Board Member of Al Amad Company from 2017 to 2019;
- Member of the Board and Chairman of the Nomination and Remuneration Committee at Al Yusr Company from 2018 to 2019;
- General Director of Human Resources at the Saudi British Bank from 2012 to 2017;
- Head of Branches and Sales Department at Saudi British Bank from 2011 to 2012;
- Chief Operating Officer of National Air Services Company (NAS) from 2009 to 2011;
- Deputy Managing Director of Saudi Research and Publishing Company from 2006 to 2009;
- Senior Manager of the Branch Network of Saudi British Bank from 2005 to 2006;
- Regional Manager of Human Resources at Saudi British Bank from 2004 to 2005;
- Branch Manager of Saudi British Bank from 1997 to 2000;
- Privilege Officer at the Saudi British Bank for the year 1997;
- Program of new managers development for banking qualification at the Saudi British Bank from 1996 to 1997; and
- Director of Communication at Colsa International from 1992 to 1996.

Qualifications

Mr. Ahmed Al Sudais earned a Bachelor's degree in Accounting from King Abdulaziz University in Jeddah in the year 1992.

Committee Membership

Member of the Nomination and Remuneration Committee

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.3 Executive Management



Mr. Nasser Mohammed Al Huqbani

Position
President and Chief Executive Officer (CEO) of the Group

Professional Experience and Skills

Mr. Nasser Al Huqbani is the Group's President and Chief Executive Officer (CEO), and a member of the Board of Directors of the Group.

Mr. Nasser Al Huqbani also currently serves in the following capacities:

- Chairman of the Board of Managers of Sehat Al Olaya Medical Complex Company since 2016;
- Chairman of the Board of Managers of Asharq Alawsat Pharmacies Company since 2016;
- Chairman of the Board of Managers of Cloud Solutions International Private Limited Company since 2017;
- Chairman of the Board of Managers of Buraidah Al Takhassusi Hospital for Healthcare Company since 2016;
- Chairman of the Board of Managers of Al Rayan Hospital for Healthcare Company since 2016;
- Chairman of the Board of Managers of Home Healthcare Company since 2016;
- Chairman of the Board of Managers of Al Gharb Al Takhassusi Hospital for Healthcare Company since 2016;
- Chairman of the Board of Managers of Al Mokhtabarat Diagnostic Medical Company since 2016;
- Chairman of the Board of Managers of Sehat Al Suwaidi Medical Company since 2016;
- Chairman of the Board of Managers of Intensive Care Company for Healthcare since 2017;
- Chairman of the Board of Managers of Sehat Al Sharq Medical Limited Company since 2016;
- Chairman of the Board of Managers of Al Wosta Medical Limited Company since 2016;
- Chairman of the Board of Managers of Gharb Jeddah Hospital Company since 2017;
- Chairman of the Board of Managers of Flow Medical Company since 2021;
- Member of the Board of Managers of Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company since 2018;
- Manager of Al Muhammadiyah Hospital for Healthcare Company since 2018;
- General Manager of Pharmachoice Pharmacy since 2018;
- Manager of Dr. Sulaiman Al Habib Hospital FZ-LLC since 2016;
- General Manager of Shamal Al Riyadh for Healthcare Company since 2018;
- Manager of Al Marakez Al Awwalyah for Health Care Company since 2020;

- Manager of Rawabet Medical Company since 2020;
- Manager of Taswyat Management Company since 2020;
- General Manager at Sehat Al Kharj for Healthcare Company since 2021;
- Member of the Executive Committee of the National Health Committee of the Council of Saudi Chambers since 2020;
- Member of the Health Insurance Strategic National Committee since 2020
- Member of the Saudi-Russian Joint Economic Committee since 2019;
- Member of the advisory board of the First Health Cluster in Riyadh since 2018;
- Member of the Board of Trustees of the Saudi Commission for Health Specialties since 2017;
- Member of the Board of the Saudi Patient Safety Center since 2017;
- Member of the Board of Managers of Saudi Serco Services Company since 2014;
- Chairman of the Board of Managers of Hulool Al Sahabah for IT & Communication Company since 2013; and
- Member of the American College of Healthcare Executives (ACHE), an independent global organization based in the United States of America since 2010.

Mr. Nasser Al Huqbani has also previously served in the following capacities:

- Chairman of the Board of Managers of Al Afia Pharmacies for Medicines Company from 2016 to 2021;
- Chairman of the Board of Managers of Antab Al Riyadh for Operation and Maintenance Company from 2016 to 2021;
- Chairman of the Board of Managers of Al Rayan for Maintenance and Operation Company from 2016 to 2021;
- Chairman of the Board of Managers of Bone, Joint and Spine Hospital Company from 2016 to 2020;
- Chairman of the Board of Managers of Al Mustaqbal for Hospitals Development Company from 2016 to 2020;
- Director of the Division of User Support of the Institute of Public Administration from 1994 to 2000; and
- Lecturer in the Institute of Public Administration from 1992 to 1994.

Qualifications

Mr. Nasser Al Huqbani earned a Master's degree in Office Management from the Institute of Public Administration in Riyadh in 1994 and a Bachelor's degree in Administrative Sciences and Public Administration from King Saud University in Riyadh in 1992.



Mr. Faisal Abdullah Al Nassar

Position
Chief Financial Officer (CFO)

Professional Experience and Skills

Mr. Faisal Al Nassar is a member of the Board, and the Group's Chief Financial Officer (CFO) since 2011. Mr. Faisal Al Nassar currently serves in the following capacities:

- Member of the Board of Managers and Chairman of the Investment Committee of Al Ramz Real Estate Company since 2021;
- Member of the Board of Directors of Wethaq Capital Platform Company since 2021;
- Manager of Al Marakez Al Awwalyah for Health Care Company since 2020;
- Manager of Rawabet Medical Company since 2020;
- Manager of Taswyat Management Company since 2020;
- General Manager of Pharmachoice Pharmacy since 2018;
- Manager of Dr. Sulaiman Al Habib Hospital FZ-LLC since 2016;
- Member of the Board of Managers of Sehat Al Olaya Medical Complex Company since 2016;
- Member of the Board of Managers of Asharq Alawsat Pharmacies Company since 2016;
- Member of the Board of Managers of Cloud Solutions International Private Limited Company since 2017;
- Member of the Board of Managers of Buraidah Al Takhassusi Hospital for Healthcare Company since 2016;
- Member of the Board of Managers of Al Rayan Hospital for Healthcare Company since 2016;
- Member of the Board of Managers of Home Healthcare Company since 2016;
- Member of the Board of Managers of Al Gharb Al Takhassusi Hospital for Healthcare Company since 2016;
- Member of the Board of Managers of Al Mokhtabarat Diagnostic Medical Company since 2016;
- Member of the Board of Managers of Sehat Al Suwaidi Medical Company since 2016;
- Member of the Board of Managers of Hulool Al Sahabah for IT & Communication Company
- Member of the Board of Managers of Intensive Care Company for Healthcare since 2017;
- Member of the Board of Managers of Sehat Al Sharq Medical Limited Company since 2016;

- Member of the Board of Managers of Al Wosta Medical Limited Company since 2016;
- Member of the Board of Managers of Gharb Jeddah Hospital Company since 2017;
- Member of the Board of Managers of Flow Medical Company since 2021;
- Member of the Board of Managers of Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company since 2018;
- Member of the Board of Managers of Travezy Investments Pvt Ltd since 2014;
- Member of the Board of Managers of Saudi Serco Services Company since 2014; and
- Member of the Board of Managers of Hulool Al Sahabah for IT & Communication Company since 2013.
- Manager of Al Muhammadiyah Hospital for Healthcare Company since 2018;
- General Manager of Shamal Al Riyadh for Healthcare Company since 2018.

Mr. Faisal Al Nassar has also previously served in the following capacities:

- Member of the Board of Managers of Al Afia Pharmacies for Medicines Company from 2016 to 2021;
- Member of the Board of Managers of Antab Al Riyadh for Operation and Maintenance Company from 2016 to 2021;
- Member of the Board of Managers of Al Rayan for Maintenance and Operation Company from 2016 to 2021;
- Member of the Board of Managers of Bone, Joint and Spine Hospital Company from 2016 to 2020;
- Member of the Board of Managers of Al Mustaqbal for Hospitals Development Company from 2016 to 2020;
- CFO and Member of the Board and Executive Committee at Roiaa Investment Company (previously ACWA Holding) from 2006 to 2011; and
- Senior Manager at Samba Financial Group from 1999 to 2006.

Qualifications

Mr. Faisal Al Nassar earned a Bachelor's degree in Accounting and Information Systems from the College of Industrial Management at King Fahd University of Petroleum and Minerals in Dhahran in 2001.

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.3 Executive Management (continued)



Mr. Hesham Sulaiman Al Habib

Position
Vice President for Business Development

Professional Experience and Skills

Mr. Hesham Al Habib is a member of the Board and Vice President of Business Development at the Group since 2014. Mr. Hesham Al Habib currently serves in the following capacities:

- Board Member and Member of Nomination and Remuneration Committee of Kingdom Holding Company since 2018;
- Member of the Board of Managers of Namara Limited Company since 2017;
- Member of the Board of Managers of Namara Investment Company since 2014;
- Member of the Board of Managers of Saudi Serco Services Company since 2014;
- Member of the Board of Hamat Holding Company since 2012;
- Member of the Board of Managers of Qimam Al Tabadul for Investment Company since 2020;
- Member of the Board of Managers of Thabat Al Amal Company since 2014;

- Member of the Board of Managers of Jawaher Al Mustaqbal Real Estate company since 2019;
- Member of the Board of Managers of Al Masa Al Zarqa Real Estate company since 2019
- Member of the Board of Directors of Mohammad Abdulaziz Al Habib and Sulaiman Abdulaziz Al Habib for Energy Company since 2019; and
- Member of the Board of Managers of Manazel Al Wosta Real Estate Company since 2020.

Mr. Hesham Al Habib has previously served in the capacity of Director of Business Development in the Group from 2009 to 2014.

Qualifications

Mr. Hesham Al Habib earned a Bachelor's degree in Financial Management from the American University of Sharjah, UAE in 2009.



Prof. Abdullah Sulaiman Al Herbish

Positions

- Vice President for Physician Affairs; and
- Consultant of Pediatric Endocrinology and Diabetes

Professional Experience and Skills

Prof. Abdullah Al Herbish is a Member of the Patient Safety and Quality of Care Committee, he is also a medical practitioner with extensive experience in private and public healthcare. Prof. Abdullah Al Herbish currently serves in the following capacities:

- Chairman of the Academic Council in the Group since 2020;
- Chairman of the Board of Medical Directors of the Group since 2008;
- Examiner for the Pediatric Endocrinology Fellowship in the Saudi Commission for Health Specialties since 2010;
- Member of the Clinical Excellence Committee in the Directorate of Health Affairs in Riyadh since 2021;
- In addition to being a Member in the Advisory Boards for several medical companies since 2006.

Prof. Abdullah Al Herbish joined the Group in 1995 as a part time medical practitioner and started to work with the Group as a full-time medical practitioner from 2009.

Prof. Abdullah Al Herbish served as Professor and consultant at the Department of Pediatrics, Faculty of Medicine, King Saud University from 1982 to 2009, he also served as a Chairman of the Clinical Studies at the Food and Drug Authority from 2019 to 2021, in addition to the memberships in many committees previously.

Qualifications

Prof. Abdullah Al Herbish earned the Canadian Fellowship in Pediatric Endocrinology and Diabetes from the Royal Canadian College of Physicians and Surgeons, University of Toronto, Toronto, Canada, in 1989; moreover, Prof. Abdullah Al Herbish earned American Board certification in Pediatric Endocrinology and Diabetes from the American Board Association, USA, 1989, and the Canadian Fellowship in Pediatrics from the Royal Canadian College of Physicians and Surgeons, University of Calgary, Calgary, Canada, 1988, in addition to the American Board certification in Pediatrics from the American Board Association, Seattle, USA, 1988.



Mr. Saud Abdulaziz Al Arifi

Positions

- Vice President, General Counsel; and
- Secretary of the Board of Directors

Professional Experience and Skills

Mr. Saud Al Arifi serves as the Vice President, General Counsel of the Group since 2016, and Secretary of the Board of Directors. Mr. Saud Al Arifi has served in a number of senior roles in the legal sector at several renowned institutions, including:

- Of Counsel at Clyde & Co LLP, Dubai, United Arab Emirates from 2009 to 2015;
- Legal Advisor at DLA Piper Middle East LLP, Dubai, United Arab Emirates from 2007 to 2009; and
- Legal Researcher at the Saudi Arabian Monetary Authority (SAMA), from 2001 to 2002, and from early 2003 to the end of 2003.

Qualifications

Mr. Saud Al Arifi earned a Bachelor's degree in Islamic Call and Media awarded by Mohammed Bin Saud Islamic University, Riyadh, in 1998, and a Master's Degree in Securities and Financial Regulations, Georgetown University, Washington, in 2007. Mr. Saud Al Arifi also earned a Master's degree in Law, Duke University, Durham in 2004, and Functional Master's degree in System Studies, Institute of Public Administration, Riyadh in 2001.



Prof. Sulaiman Abdul Aziz Al Majed

Positions

- Vice President for Medical and Nursing Affairs;
- Consultant of Internal and Chest Diseases;
- Supervisor of diagnostic radiology, laboratory and nursing; and
- Acting Medical Director of Sehat Al Suwaidi Medical Company during 2021

Professional Experience and Skills

Prof. Sulaiman Al Majed has over 40 years of experience in the healthcare sector. He served in various roles including:

- Professor and Consultant in the College of Medicine at King Saud University from 1988 to 2007;
- Head of Department of Chest in the College of Medicine at King Saud University from 1992 to 2007; and
- Head of the Department of Training and Recognition in Medical Specialties of Internal Medicine at the Faculty of Medicine, King Saud University from 1998 to 2006.

Qualifications

Prof. Sulaiman Al Majed earned a Bachelor's degree in Medicine from King Saud University in 1980 in addition to:

- Canadian Fellowship in Internal Diseases and Chest Diseases, University of British Columbia in Vancouver, Canada in 1986;
- Canadian Fellowship in Chest Diseases University of British Columbia in Vancouver, Canada in 1987;
- Fellowship in American Board certification for Internal Medicine in 1987;
- Fellowship in American Board certification for Chest Diseases in 1988;
- Associate Professor at King Saud University in 1992; and
- Professor at King Saud University in 1996.

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.3 Executive Management (continued)



Mr. Amer Hussain Al-Mu'min

Position
Vice President for Digital Business

Professional Experience and Skills
Mr. Amer Al-Mu'min has more than 17 years of experience in several fields and is currently holding the position of Vice President of Digital Business in the group since April 2021. Mr. Amer Al-Mu'min previously held a number of senior positions in many well-known institutions, including:

- Assistant Undersecretary for Technology Adoption and Investment in the Ministry of Communications and Information Technology from October 2020 to March 2021;
- Member of the E-Commerce Council and the Executive Committee of the Council representing the private sector from 2019 to 2020;
- Vice President of E-Commerce at Jarir Bookstore (Jarir Marketing Company) from 2011 to 2020;

- Senior advisor at Elixir Business Consulting Company from 2009 to 2010; and
- Director of Digital Marketing for the Middle East and Africa at Procter & Gamble from 2004 to 2008.

Qualifications
Mr. Amer Al-Mu'min earned a Bachelor's degree in Management Information Systems from King Fahd University of Petroleum and Minerals, in the Kingdom of Saudi Arabia in 2004, and he is a Project Manager Professional (PMP) from the International Project Management Organization (PMI) since 2009, in addition to that Mr. Amer Al-Mu'min earned a Digital Excellence Diploma from IMD University, Switzerland in 2019.



Dr. Riyadh Saleh Al Atiqi

Position
General Director of Pharmaceutical Facilities

Professional Experience and Skills
Dr. Riyadh Al Atiqi held several senior positions in the pharmaceutical sector including:

- Manager of the Central Region Branch of the Saudi International Trading Company from 1997 to 2008, and
- Regulatory Relations Officer, Swiss Novartis, Scientific Office Branch from 1992 to 1997.

Qualifications
Dr. Riyadh Al Atiqi earned a Bachelor's degree in Pharmaceutical Sciences from King Saud University in 1991, and a Master's degree in Business Administration from King Saud University in 1996, Riyadh. Dr. Riyadh Al Atiqi also holds a Diploma in International Finance, awarded by the Paris Business School in 2017.



Eng. Abdulelah Abdulrahman Al Mayman

Position
Chief Executive Officer (CEO) of Hulool Al Sahabah for IT & Communication Company

Professional Experience and Skills
Eng. Abdulelah Al Mayman has more than 20 years of professional experience, and is currently the Chief Executive Officer (CEO) of Hulool Al Sahabah for IT & Communication Company (a wholly owned subsidiary of the Group).

Eng. Abdulelah Al Mayman previously served in several senior positions throughout his career, including:

- Vice President for Information Technology in the Group from 2012 to 2018;
- Executive Director for Business Specifications, Samba Financial Group from 2011 to 2012;

- Executive Director for Banking Applications, Alinma Bank from 2007 to 2011;
- Head of American Express Systems, the Saudi Investment Bank from 2006 to 2007;
- General Supervisor of the main banking systems, the Saudi Investment Bank from 2002 to 2006; and
- Programmer at the Saudi Investment Bank from 2000 to 2002.

Qualifications
Eng. Abdulelah Al Mayman earned a Bachelor's degree in Computer Engineering from King Saud University, Riyadh, in 2000.



Mr. Mustapha El Omari Al Aoui

Position
Vice President for Supply Chain

Professional Experience and Skills
Mr. Mustapha Al Aoui held several senior positions throughout his career, including:

- General Manager of Biscuterie Moderne Zine from 2017 to 2019;
- Director of the Department of Supply and Logistics Development for Mondelez International from 2013 to 2017;
- Director of the Department of Supply, Logistics and Procurement, Bimo, Casablanca from 2010 to 2012;

- Regional Supply and Logistics Manager, Procter & Gamble (P & G Int.) from 2007 to 2009; and
- Supply and Logistics Manager, Procter & Gamble (P & G Int.) from 2000 to 2006.

Qualifications
Mr. Mustapha Al Aoui is a State Engineer and a graduate of Mohammadia School of Engineers, Kingdom of Morocco in 2000.

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.3 Executive Management (continued)



Dr. Abdulwahab Abdullah Al Abdulwahab

Position
Chief Operating Officer (COO)

Professional Experience and Skills

Dr. Abdulwahab Al Abdulwahab held several senior management positions within the healthcare industry, with over 25 years of experience in the sector. Dr. Abdulwahab Al Abdulwahab has previously served in the following capacities:

- General Manager of the Group's hospital in Rayan from 2017 to 2019;
- General Manager of Home Healthcare Company, at the Group from 2013 to 2019;
- General Manager of UMC at King Abdullah Medical City, Bahrain, a center affiliated to Arabian Gulf University from 2012 to 2019;
- General Manager of private projects (obesity center units, physical therapy divisions and skin and plastic surgery centers) at the Group from 2010 to 2019;
- Consultant of the General Directorate of Medical Services at the Ministry of Defense from 2009 to 2010;

- Consultant of the General Directorate at Prince Sultan Medical Military City from 2008 to 2009;
- Administrative Manager of the Department of Family from 2006 to 2008, and Manager of Human Resources from 2005 to 2006, and Planning Development Officer, Human Resources department from 2002 to 2004 at Prince Sultan Medical Military City; and
- Manager of MoH rehabilitation division from 1995 to 1997.

Qualifications

Dr. Abdulwahab Al Abdulwahab earned a Bachelor's degree in Applied Medical Sciences from King Saud University in 1995, and has been awarded a Master's degree in 2000, and a Ph.D. in Healthcare Management in 2002, both awarded by the University of Wales, UK.



Mr. Vimal Subramanian

Positions

- Head of Internal Audit Department
- Audit Committee Secretary

Professional Experience and Skills

Mr. Vimal Subramanian is the Head of the Internal Audit Department and the Secretary of the Audit Committee at the Group since 2016. Mr. Vimal Subramanian has vast experience in the risk consulting and internal audit domain over the past 19 years.

Previously, Mr. Vimal Subramanian has worked with various renowned consulting firms, including:

- Assistant Manager of Risk Consulting at KPMG Saudi Arabia from 2014 to 2015;
- Manager of Internal Audit at RSM international from 2011 to 2014;
- Senior Consultant in Protiviti from 2010 to 2011;
- Assistant Manager at Astral Consulting Limited from 2007 to 2010; and
- Professional Consultant at Astral Consulting Limited from 2002 to 2007.

Qualifications

Mr. Vimal Subramanian earned a Bachelor's degree in Commerce - Accounting, from the University of Anamalai, India in 2002, and a Master's degree in Business Administration - Finance, from Bharathiar University in 2014. He is also a Certified Internal Auditor (CIA), the Institute of Internal Auditors, USA, in 2009, and a Certified Fraud Examiner (CFE), the Association of Certified Fraud Examiners, USA, in 2010.

Mr. Vimal Subramanian also holds Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors, USA, 2011 and Certified Information Systems Auditor (CISA), the Association of Information Systems Audit and Control Association, USA, 2014.

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.4 Board of Directors Formation and Function

The Board has adopted performance standards to evaluate its actions, members and committees' members. In the interest of the Board to ensure continuity of development and raise the efficiency of its performance, it has set standards and procedures to evaluate the performance of the Board, its members and committees' members. The Board has also established a procedure to evaluate its work periodically.

3.4.1 Names of other companies of which a Board Member holds a position or membership

Member Name	Board Membership in Companies inside and outside of KSA	Inside/Outside the Kingdom	Board Membership Current/ Previous	Legal Entity
Dr. Sulaiman Abdulaziz Al Habib	Board of Trustees of the National Museum	Inside the Kingdom	Current	Governmental Entity
	Namara Investment Company	Inside the Kingdom	Current	Limited Liability Company
	Mohammad A. Al Habib & Partner Co. For Real Estate Investment	Inside the Kingdom	Current	Limited Liability Company
	International Healthcare Company	Inside the Kingdom	Previous	Limited Liability Company
Mr. Mazen Abdulrazzaq Al Rumaih	Banque Saudi Fransi	Inside the Kingdom	Current	Listed Joint Stock Company
	Future Generation Company	Inside the Kingdom	Current	Limited Liability Company
	Ministry of Tourism of Saudi Arabia	Inside the Kingdom	Current	Governmental Entity
	Local Content & Government Procurement Authority	Inside the Kingdom	Current	Governmental Entity
	Real Estate Development Fund	Inside the Kingdom	Current	Governmental Entity
	Saudi Arabian Airlines Public Corporation	Inside the Kingdom	Current	Governmental Entity
	Al Yamamah Steel Company	Inside the Kingdom	Previous	Listed Joint Stock Company
	Samba Capital & Investment Management Company	Inside the Kingdom	Previous	Closed Joint Stock Company
	Saudi Fransi Capital	Inside the Kingdom	Previous	Closed Joint Stock Company
Eng. Saleh Mohammed Al Habib	Capital Market Authority (CMA)	Inside the Kingdom	Previous	Governmental Entity
	Al Jawhara Al Kubra Company	Inside the Kingdom	Current	Limited Liability Company
	Jawaher Al Gharbia Real Estate Development and Investment Company	Inside the Kingdom	Current	Limited Liability Company
	Gheras United Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Nitaq Capital Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Andalus Property	Inside the Kingdom	Current	Listed Joint Stock Company
	Al Hayat Real Estate	Inside the Kingdom	Current	Closed Joint Stock Company
	Almasa Al Khadraa Real Estate Development and Investment Company	Inside the Kingdom	Current	Limited Liability Company
	Manafaa Al Andalus Company	Inside the Kingdom	Current	Limited Liability Company
	Awal Energy Solutions Company	Inside the Kingdom	Current	Limited Liability Company
	Jawharat Al Bahr Investment Company	Inside the Kingdom	Current	Limited Liability Company

Member Name	Board Membership in Companies inside and outside of KSA	Inside/Outside the Kingdom	Board Membership Current/ Previous	Legal Entity
Eng. Saleh Mohammed Al Habib	Qawaed Modern Technology for Information Technology Company	Inside the Kingdom	Current	Limited Liability Company
	Ebdaa Taiba Real Estate Development Company	Inside the Kingdom	Current	Limited Liability Company
	Gharb Jeddah Hospital	Inside the Kingdom	Current	Limited Liability Company
	Asala Elmarkz Company	Inside the Kingdom	Current	Limited Liability Company
	Araqa Elmarkz Company	Inside the Kingdom	Current	Limited Liability Company
	Al Nakheel Housing Company	Inside the Kingdom	Current	Limited Liability Company
	Maalem Investment Holding Company	Inside the Kingdom	Current	Limited Liability Company
	Sorouh Almarakiz Company	Inside the Kingdom	Current	Limited Liability Company
	Mohammed Abdulaziz Al Habib and Sons Holding Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Hamat Holding Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Hamat Property Company	Inside the Kingdom	Current	Limited Liability Company
	Advanced Markets Company	Inside the Kingdom	Current	Limited Liability Company
	Global Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Mohammad A. Al-Habib & Partner Real Estate Company	Inside the Kingdom	Current	Limited Liability Company
	Burooj International Company	Inside the Kingdom	Current	Limited Liability Company
Mr. Hesham Sulaiman Al Habib	Qawaem for Real Estate Development Company	Inside the Kingdom	Current	Limited Liability Company
	Kingdom Holding Company	Inside the Kingdom	Current	Listed Joint Stock Company
	Namara Limited Company	Inside the Kingdom	Current	Limited Liability Company
	Mohammad Abdulaziz Al Habib and Sulaiman Abdulaziz Al Habib for Energy Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Manazel Al Wosta Real Estate Company	Inside the Kingdom	Current	Limited Liability Company
	Al Masa Al Zarqa Real Estate Company	Inside the Kingdom	Current	Limited Liability Company
	Qimam Al Tabadul for Investment Company	Inside the Kingdom	Current	Limited Liability Company
	Thabat Al Amal Company	Inside the Kingdom	Current	Limited Liability Company
	Jawaher Al Mustaqbal Real Estate Company	Inside the Kingdom	Current	Limited Liability Company
	Namara Investment Company	Inside the Kingdom	Current	Limited Liability Company
	Saudi Serco Services Company	Inside the Kingdom	Current	Limited Liability Company
	Hamat Holding Co.	Inside the Kingdom	Current	Closed Joint Stock Company

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.4 Board of Directors Formation and Function (continued)

Member Name	Board Membership in Companies inside and outside of KSA	Inside/Outside the Kingdom	Board Membership Current/ Previous	Legal Entity
Dr. Abdulrahman Sulaiman Al Turaigi	First Miling Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Saudi Investment Recycling Company-SIRC	Inside the Kingdom	Current	Private company owned by a governmental entity
	Agriculture Development Fund	Inside the Kingdom	Current	Governmental credit institution
	Presidency of Meteorology and Environment (PME)	Inside the Kingdom	Previous	Governmental Entity
	AlMarai company	Inside the Kingdom	Previous	Listed Joint Stock Company
	Arabian Shield Cooperative Insurance	United Arab Emirates	Previous	Listed Joint Stock Company
	Gulf Industrial Development Company	Inside the Kingdom	Previous	Closed Joint Stock Company
	Al Hassan Ghazi Ibrahim Shaker Company	Inside the Kingdom	Previous	Listed Joint Stock Company
Mr. Nasser Mohammed Al Huqbani	Saudi Commission for Health Specialties	Inside the Kingdom	Current	Governmental Entity
	Saudi Patient Safety Center	Inside the Kingdom	Current	Governmental Entity
	Hulool Al Sahabah for IT & Communication Company	Inside the Kingdom	Current	Limited Liability Company
	Sehat Al Olaya Medical Complex Company	Inside the Kingdom	Current	Limited Liability Company
	Asharq Alawsat Pharmacies Company	Inside the Kingdom	Current	Limited Liability Company
	Cloud Solutions International Private Limited Company	Inside the Kingdom	Current	Limited Liability Company
	Buraidah Al Takhassusi Hospital for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Al Rayan Hospital for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Home Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Al Gharb Al Takhassusi Hospital for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Al Mokhtabarat Diagnostic Medical Company	Inside the Kingdom	Current	Limited Liability Company
	Sehat Al Suwaidi Medical Company	Inside the Kingdom	Current	Limited Liability Company
	Intensive Care Company for Healthcare	Inside the Kingdom	Current	Limited Liability Company
	Sehat Al Sharq Medical Limited Company	Inside the Kingdom	Current	Limited Liability Company
	Al Wosta Medical Limited Company	Inside the Kingdom	Current	Limited Liability Company
	Gharb Jeddah Hospital Company	Inside the Kingdom	Current	Limited Liability Company
	Flow Medical Company	Inside the Kingdom	Current	Limited Liability Company
	Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company	Inside the Kingdom	Current	Limited Liability Company
	Al Muhammadiyah Hospital for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Pharmachoice Pharmacy	United Arab Emirates	Current	Limited Liability Company
	Dr. Sulaiman Al Habib Hospital FZ/LLC	United Arab Emirates	Current	Limited Liability Company

Member Name	Board Membership in Companies inside and outside of KSA	Inside/Outside the Kingdom	Board Membership Current/ Previous	Legal Entity
Mr. Nasser Mohammed Al Huqbani	Shamal Al Riyadh for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Al Marakez Al Awwalyah for Health Care Company	Inside the Kingdom	Current	Limited Liability Company
	Rawabet Medical Company	Inside the Kingdom	Current	Limited Liability Company
	Taswyat Management Company	Inside the Kingdom	Current	Limited Liability Company
	Sehat Al Kharj for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	The First Health Cluster	Inside the Kingdom	Current	Governmental Entity
	Saudi Serco Services Company	Inside the Kingdom	Current	Limited Liability Company
	Al Afia Pharmacies for Medicines Company	Inside the Kingdom	Previous	Limited Liability Company
	Antab Al Riyadh for Operation and Maintenance Company	Inside the Kingdom	Previous	Limited Liability Company
	Al Rayan for Maintenance and Operation Company	Inside the Kingdom	Previous	Limited Liability Company
	Al Mustaqbal for Hospitals Development Company	Inside the Kingdom	Previous	Limited Liability Company
	Bone, Joint and Spine Hospital Company	Inside the Kingdom	Previous	Limited Liability Company
Mr. Obaid Abdullah Al Rasheed	Arab National Bank	Inside the Kingdom	Current	Listed Joint Stock Company
	Saudi Home Loans	Inside the Kingdom	Current	Closed Joint Stock Company
	Saudi Chemical Company	Inside the Kingdom	Current	Listed Joint Stock Company
	Tabuk Cement Company	Inside the Kingdom	Previous	Listed Joint Stock Company
	Al-Arabi Heavy Equipment Lease Company	Inside the Kingdom	Previous	Closed Joint Stock Company
	Malath Cooperative Company	Inside the Kingdom	Previous	Listed Joint Stock Company
	Saudi Airlines Company for Aviation Engineering and Industry	Inside the Kingdom	Previous	Subsidiary for a governmental entity
Mr. Rasheed Abdulrahman Al Rasheed	Tarabot Investment and Development Company	Inside the Kingdom	Current	Closed Joint Stock Company
	International Company for Water and Power Projects	Inside the Kingdom	Current	Listed Joint Stock Company
	Vision International Investment Company (Formerly Arabian Company for Water and Power Development)	Inside the Kingdom	Current	Closed Joint Stock Company
	Saudi District Cooling Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Saudi Airlines Cargo Company	Inside the Kingdom	Current	Closed Joint Stock Company
	SAL Saudi Logistics Services	Inside the Kingdom	Current	Closed Joint Stock Company
	AL Ramz Real Estate Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Tarabot Investment & Development Company (Formerly Integrated Transportation Company)	Inside the Kingdom	Current	Closed Joint Stock Company
	Jazan Gas Projeacts Company	Inside the Kingdom	Current	Limited Liability Company
	Tarabot Air Cargo Services Company	Inside the Kingdom	Current	Limited Liability Company
	AL Athat Company	Inside the Kingdom	Current	Limited Liability Company

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.4 Board of Directors Formation and Function (continued)

Member Name	Board Membership in Companies inside and outside of KSA	Inside/Outside the Kingdom	Board Membership Current/ Previous	Legal Entity
Mr. Rasheed Abdulrahman Al Rasheed	Integrated Towers Company for Communication	Inside the Kingdom	Current	Limited Liability Company
	Saudi Integrated Company for Waste Treatment	Inside the Kingdom	Current	Limited Liability Company
	Zelan Arabia Company	Inside the Kingdom	Current	Limited Liability Company
	Dhahran Valley Colling Company	Inside the Kingdom	Previous	Limited Liability Company
	Riyadh Cooling Company	Inside the Kingdom	Previous	Limited Liability Company
	Network Coverage Company for Communication	Inside the Kingdom	Previous	Limited Liability Company
	Riyadh Water Production Company	Inside the Kingdom	Previous	Limited Liability Company
	Global Ports & Railways Company	Inside the Kingdom	Previous	Limited Liability Company
	Central District Cooling Company	Inside the Kingdom	Previous	Limited Liability Company
	Arabian Company for Water and Power Projects	Inside the Kingdom	Previous	Limited Liability Company
	Saudi Dhahran Cooling Company	Inside the Kingdom	Previous	Limited Liability Company
	Saudi Tabreed Operations & Maintenance Company	Inside the Kingdom	Previous	Limited Liability Company
	Rabigh Water and Electricity Company	Inside the Kingdom	Previous	Limited Liability Company
	Welspun Middle East Pipes Company	Inside the Kingdom	Previous	Limited Liability Company
	Arabian Japanese Membrane Company	Inside the Kingdom	Previous	Limited Liability Company
	Arabian Company for Water and Power Development Company (Formerly ACWA Holding)	Inside the Kingdom	Previous	Limited Liability Company
	Shuaibah Water and Electricity Company	Inside the Kingdom	Previous	Limited Liability Company
	Abdullah Abunayyan Group	Inside the Kingdom	Previous	Closed Joint Stock Company
	Shuqaiq Water and Electricity Company	Inside the Kingdom	Previous	Limited Liability Company
Mr. Faisal Abdullah Al Nassar	Saudi Serco Services Company	Inside the Kingdom	Current	Limited Liability Company
	Pharmachoice Pharmacy	United Arab Emirates	Current	Limited Liability Company
	Dr. Sulaiman Al Habib Hospital FZ/LLC	United Arab Emirates	Current	Limited Liability Company
	Al Marakez Al Awwalyah for Health Care Company	Inside the Kingdom	Current	Limited Liability Company
	Rawabet Medical Company	Inside the Kingdom	Current	Limited Liability Company
	Taswyat Management Company	Inside the Kingdom	Current	Limited Liability Company
	Sehat Al Olaya Medical Complex Company	Inside the Kingdom	Current	Limited Liability Company
	Asharq Alawsat Pharmacies Company	Inside the Kingdom	Current	Limited Liability Company
	Cloud Solutions International Private Limited Company	Inside the Kingdom	Current	Limited Liability Company
	Buraidah Al Takhassusi Hospital for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company

Member Name	Board Membership in Companies inside and outside of KSA	Inside/Outside the Kingdom	Board Membership Current/ Previous	Legal Entity
Mr. Faisal Abdullah Al Nassar	Al Rayan Hospital for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Home Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Al Gharb Al Takhassusi Hospital for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Al Mokhtabarat Diagnostic Medical Company	Inside the Kingdom	Current	Limited Liability Company
	Sehat Al Suwaidi Medical Company	Inside the Kingdom	Current	Limited Liability Company
	Hulool Al Sahaba for IT & Communication Company	Inside the Kingdom	Current	Limited Liability Company
	Intensive Care Company for Healthcare	Inside the Kingdom	Current	Limited Liability Company
	Sehat Al Sharq Medical Limited Company	Inside the Kingdom	Current	Limited Liability Company
	Al Wosta Medical Limited Company	Inside the Kingdom	Current	Limited Liability Company
	Gharb Jeddah Hospital Company	Inside the Kingdom	Current	Limited Liability Company
	Flow Medical Company	Inside the Kingdom	Current	Limited Liability Company
	Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company	Inside the Kingdom	Current	Limited Liability Company
	Al Ramz Real Estate Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Travezy Investments Pvt Ltd.	Inside the Kingdom	Current	Limited Liability Company
	Wethaq Capital Platform Company	Inside the Kingdom	Current	Closed Joint Stock Company
	Al Muhammadiyah Hospital for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Shamal Al Riyadh for Healthcare Company	Inside the Kingdom	Current	Limited Liability Company
	Al Afia Pharmacies for Medicines Company	Inside the Kingdom	Previous	Limited Liability Company
	Antab Al Riyadh for Operation and Maintenance Company	Inside the Kingdom	Previous	Limited Liability Company
	Al Rayan for Maintenance and Operation Company	Inside the Kingdom	Previous	Limited Liability Company
	Bone, Joint and Spine Hospital Company	Inside the Kingdom	Previous	Limited Liability Company
	Al Mustaqbal for Hospitals Development Company	Inside the Kingdom	Previous	Limited Liability Company
	Roiaa Investment Company (previously ACWA Holding)	Inside the Kingdom	Previous	Closed Joint Stock Company

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.4 Board of Directors Formation and Function (continued)

3.4.2 Board of Directors' Meetings

The following table shows the attendance of the members of the Board of Directors for the Board meetings during the financial year ending on 31 December 2021

No.	Member Name	Five (5) meetings					Total meetings attended
		First meeting 21 February 2021	Second meeting 25 April 2021	Third meeting 8 August 2021	Fourth meeting 24 October 2021	Fifth meeting 12 December 2021	
1	Dr. Sulaiman Abdulaziz Al Habib	✓	✓	✓	✓	✓	5
2	Mr. Mazen Abdulrazzaq Al Rumaih	✓	✓	✓	✓	✓	5
3	Mr. Hesham Sulaiman Al Habib	✓	✓	✓	✓	✓	5
4	H.E. Dr. Nabeel Mohammed Al Amudi*	✓	✓	✓	✓	Membership expired	4
5	Mr. Nasser Mohammed Al Huqbani	✓	✓	✓	✓	✓	5
6	Mr. Obaid Abdullah Al Rasheed	✓	✓	✓	✓	✓	5
7	Mr. Ziad Fouad Al Saleh**	✓	✓	✓	✓	Membership expired	4
8	Mr. Faisal Abdullah Al Nassar	✓	✓	✓	✓	✓	5
9	Eng. Saleh Mohammed Al Habib	✓	✓	x	✓	✓	4
10	Mr. Rasheed Abdulrahman Al Rasheed***	Membership has not started	Membership has not started	Membership has not started	Membership has not started	✓	1
11	Dr. Abdulrahman Sulaiman Al Turaigi****	Membership has not started	Membership has not started	Membership has not started	Membership has not started	✓	1

Last meeting of the General Assembly was on 8 December 2021

✓ In person x Absence

* H.E. Dr. Nabeel Mohammed Al Amudi: His membership in the Board of Directors expired on 9 December 2021 by the end of the previous term of the Board of Directors.

** Mr. Ziad Fouad Al Saleh: His membership in the Board of Directors expired on 9 December 2021 by the end of the previous term of the Board of Directors.

*** Mr. Rasheed Abdulrahman Al Rasheed: His membership in the Board of Directors started on 10 December 2021 with the beginning of the current term of the Board of Directors.

**** Dr. Abdulrahman Sulaiman Al Turaigi: His membership in the Board of Directors started on 10 December 2021 with the beginning of the current term of the Board of Directors.

3.4.3 Annual General Assembly Meetings

In line with its national responsibility to support preventive and precautionary efforts and measures by the relevant and competent health authorities to address the emerging corona virus (COVID-19), the Company held the Shareholders' General Assembly meetings during the year 2021 through modern technology, and the record of attending the Shareholders' General Assembly meetings during the year 2021 was as follows:

No.	Member Name	Ordinary General Assembly Meeting 21 April 2021	Ordinary General Assembly Meeting 8 December 2021
1	Dr. Sulaiman Abdulaziz Al Habib	✓	x
2	Mr. Mazen Abdulrazzaq Al Rumaih	✓	x
3	Mr. Hesham Sulaiman Al Habib	✓	✓
4	H.E. Nabeel Mohammed Al Amudi	✓	✓
5	Mr. Nasser Mohammed Al Huqbani	✓	✓
6	Mr. Obaid Abdullah Al Rasheed	✓	✓
7	Mr. Ziad Fouad Al Saleh	✓	✓
8	Mr. Faisal Abdullah Al Nassar	✓	✓
9	Eng. Saleh Mohammed Al Habib	✓	✓

✓ In person x Absence

3.5 Audit Committee

The Audit Committee represents and assists the Group's Board in fulfilling its oversight responsibility of the integrity of the financial statements and internal control of the Group, through the supervision of both the internal and external auditors, and their independence and effectiveness by:

- Examining the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems and risk management.
- Reviewing arrangements established by management for compliance with regulatory and financial reporting requirements.
- Performing, monitoring and reviewing, on behalf of the Board, compliance with the requirements relating to the audit of the Group in accordance with the Laws and Regulations of the KSA.
- Overseeing and evaluating the performance of the Group's external auditors, including a review and evaluation of the external auditors' qualifications and independence.
- Supervising the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- Reviewing, together with the external auditor, the audit plan and make any comments thereon.
- Reviewing the external auditor's comments on the financial statements and follow up on the actions taken.
- Reviewing the interim and annual financial statements prior to presentation to the Board; and to give opinion and recommendations with respect thereto.

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.5 Audit Committee (continued)

The duties of the Committee shall particularly include:

External Audit

- Recommend to the Board the appointment, dismissal and the remuneration of external auditors.
- Verify the independence of the external auditors, their objectivity, fairness and effectiveness of the audit activity, taking into account the relevant rules and standards.
- Supervise and assess the plan and activities of the external auditors, ensure that the auditor does not provide any technical or administrative work beyond their scope, and recommend to the Board the approval or denial of any activity beyond the scope of the audit work assigned to the external auditors during the performance of their duties.
- Review the external auditors' reports and their comments on the financial statements and follow up the actions taken about them.
- Respond to queries from the Group's external auditors.
- Get to know the lead external audit partner and meet periodically.
- Review the external auditors' proposed audit plan, scope and approach, including coordination of audit effort with internal audit.
- Review with the external auditors any problems or difficulties, and management's response.
- Review the external auditors' report (Auditors' Report on the Financial Statements), review and discuss report on management's internal controls (Management Letter Points), from the time that such reports are prepared, and hold timely discussions with the external auditors regarding the following:
 - All critical accounting policies and practices;
 - All alternative treatments of financial information that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and
 - Other material written communications between the external auditors and management, including, but not limited to, the management letter and schedule of unadjusted differences. The Committee shall follow up on the actions taken about the comments raised by the external auditors.
- Apply the instructions and directives of the Ministry of Commerce and Investment, Saudi Organization for Certified Public Accountants and Capital Market Authority - releasing updates from time to time, with respect to the appointment of the external auditors.

Internal Audit

- Examine and review the Group's internal and financial control systems and risk management system.
- Analyze internal audit reports and follow up on the implementation of corrective measures with respect to remarks made in such reports.
- Supervise the Group's Internal Audit Department (including outsourced internal auditor, if any) to ensure its effectiveness in executing the activities and duties specified by the Board.
- Review and advise on the selection or removal of the Head of Internal Audit. The Internal Audit Department shall report to the Board via the Committee.
- Monitor and oversee the performance and activities of the Internal Audit Department of the Company to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
- Provide a recommendation to the Board on appointing the Head of the Group's Internal Audit Department, and suggest their remuneration, benefits, and assessment of performance.
- Monitor and review the effectiveness of the internal audit function. This includes reviewing the internal audit procedure and preparing a written report on such audit and its recommendation with respect to it; and pursue the implementation of the corrective measures in respect of the comments included in such internal audit.
- Periodically review with the Internal Audit Department any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the Department's work.

Compliance

- Review the findings of the reports of supervisory authorities and ensure that the Company has taken the necessary actions in connection therewith.
- Ensure compliance with relevant laws, regulations, policies and instructions.
- Review the contracts and proposed related party transactions and provide recommendations to the Board in connection therewith.

Overseeing Accounting and Financial Reporting

- Analyze the Group's interim and annual financial statements before presenting them to the Board, and provide opinions and recommendations thereon to ensure their integrity, fairness, and transparency.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas.
- Review estimates in respect of significant matters that are contained in the financial reports.
- Review accounting policies followed by the Group and provide its opinion and recommendations to the Board thereon.
- Review recent professional and regulatory pronouncements and initiatives, and understand their impact on the financial statements.
- Understand how management develops quarterly and annual financial information, and the nature and extent of internal and external auditor involvement.
- Review and discuss annual and quarterly financial statements with the management and the external auditors, as applicable, especially before filing with the Board and follow-up actions. Consider whether the financial reports are complete and consistent with the information known to the Audit Committee members and to give an opinion and recommendations with respect thereto to ensure their integrity fairness, and transparency.
- Provide its technical opinion, at the request of the Board, regarding whether the Board's report and Group's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Group's financial position, performance, business model and strategy.
- Accurately investigate any issues raised by the Group's Chief Financial Officer (or any person assuming such duties), compliance officer, or external auditor.
- Review management responses to CMA inspection reports and management representations declared during audit activities.
- Receive and review any disclosure from the Group's executive management made in connection with the Group's quarterly and annual reports on:
 - All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are likely to adversely affect the Group's ability to record, process, summarize, and report financial data; and
 - Material fraud cases that involve management or other employees who have a significant role in the Group's internal controls.
- Review analysis prepared by management and the external auditors setting forth significant or non-familiar financial reporting issues and judgments made in connection with the preparation of the financial statements.
- In consultation with the external and internal auditors, review the integrity of the Group's financial reporting processes (both internal and external), and the internal control structure (including disclosure controls and procedures and internal control over financial reporting).
- Review with the external auditors, internal auditors and management the extent to which changes or improvements in financial or accounting practices have been implemented.
- Understand key controls and reporting risk areas as assessed by financial management, the internal auditors, and the external auditor, as well as the mitigating controls and safeguards.

Overseeing Controls over the Group's Operations

- Ensure the existence of an effective and efficient system of internal controls over operations of the Group.
- Monitor the application of documented and approved policies and procedures. This includes monitoring the adherence to policies and procedures manuals, and their continuous update.
- Review the process for communicating the Code of Conduct to Group personnel, and for monitoring compliance therewith.
- Establish procedures for the receipt, retention, and treatment of complaints regarding operational matters, accounting matters, operational and accounting internal controls, and auditing matters. This includes establishing procedures for the confidential, anonymous submission by the Group's employees regarding questionable management practices.
- Institute and oversee special investigations as needed, such as fraud cases.

Group Board

- Maintain direct organizational and reporting relations to the Board.
- Report as often as it determines, but not less frequently than quarterly, to the Group's Board about the Audit Committee's activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Group's Board.
- If there is a conflict between the recommendations of the Audit Committee and the Board's decisions, or if the Board refuses to accept the recommendation of the Committee regarding the appointment of the Company's auditor, dismissal, the determination of his fees, the performance evaluation or the appointment of the Internal Auditor, the Board report shall include the Committee's recommendation and justifications and reasons for not taking it.

The Committee members shall not be less than three (3) members and not more than five (5); and shall be composed of Independent, Non-Executive Board members or shareholders or others, at least one (1) of whom shall be an independent member and shall not include any of the executive members or any of the senior executives in the Company; with at least one (1) of whom is competent in financial and accounting matters.

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.5 Audit Committee (continued)

During the fiscal year 2021, the Audit Committee held six (6) meetings, and the attendance of the Committee members was as detailed below:

No.	Member Name	Nature of membership	Six (6) meetings					
			First meeting 18 February 2021	Second meeting 10 March 2021	Third meeting 22 April 2021	Fourth meeting 5 August 2021	Fifth meeting 21 October 2021	Sixth meeting 7 December 2021
1	Dr. Abdulrahman Sulaiman Al Turaigi	Chairman	✓	✓	✓	✓	✓	✓
2	Mr. Sulaiman Nasser Al Qahtani	Member	✓	✓	✓	✓	✓	✓
3	Mr. Ziad Fouad Al Saleh*	Ex-member	✓	x	x	✓	✓	x
4	Mr. Rasheed Abdulrahman Al Rasheed**	Member	Membership has not started yet					

✓ In person x Absence

* Mr. Ziad Fouad Al Saleh: His membership in the Audit Committee expired on 9 December 2021 with the end of the previous term of the Board of Directors

** Mr. Rasheed Abdulrahman Al Rasheed: His membership in the Audit Committee started on 10 December 2021 with the beginning of the current term of the Board of Directors

Results of the Annual Review of the Effectiveness of the Internal Control Procedures of the Company and the Opinion of the Audit Committee with Respect to the Adequacy of the Company's Internal Control System

The Company's management is responsible for establishing an adequate and effective internal control system that includes policies, procedures/ operations, and information systems as approved by the Board of Directors in order to facilitate the achievement of efficient and highly effective operations. The internal control system guarantees the quality of external and internal reports, maintaining appropriate records and procedures, and adherence to internal rules, regulations and policies regarding the workflow.

The Internal Audit Department - independently and objectively - evaluated the adequacy and effectiveness of the Company's internal control system, focusing on significant risks that could affect the Company's business process using the risk-based audit methodology. The Company's operations, during 2021, were subject to periodic audits and follow-ups, as per the Internal Audit plan approved by the Audit Committee. The recommendations were largely implemented by the Executive Management of the Company in accordance with the approved plan.

The Audit Committee studies and reviews quarterly reports prepared by the Company's internal audit department in addition to the Company's external auditor's observations regarding the evaluation of the Company's internal control procedures in terms of their design and implementation. During 2021, based on the audit reports and the evaluation by the Audit Committee in relation to the adequacy of internal controls, and the results of the annual audit of the effectiveness of the control procedures, the Company did not show any significant deficiencies or any fundamental change in the internal control systems, and the evaluation confirmed that it is, to a large extent, effective to prevent and discover material errors, and that no material breach or breach of internal control systems have occurred during the year 2021.

3.6 Board of Directors' Committees

3.6.1 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for nominating members to the Board and the Senior Executive Management, defining rules and setting the remuneration policy for the Board and the Senior Executive Management. The duties and responsibilities of the Nomination and Remuneration Committee include the following:

Nomination

- Recommend clear policies and standards for Board membership, Executive Management and the Group's representatives in subsidiaries and associates.
- Produce an annual review of membership requirements for the Board and Executive Management, and prepare a description of the required remuneration capabilities and qualifications for such membership.
- Determine the time a Board member should allocate to the work of the Board.
- Review the structure and composition of the Board, Board committees, and the Group's executive management, and provide recommendations regarding changes.
- Recommend appointing new members to the Board or Board Committees to fill vacancies as needed.
- Provide job descriptions for executive, non-executive, independent Board members and senior executive management.
- Set procedures to be followed if the position of a member of the Board or a senior executive becomes vacant.

- Assess performance of the Board in terms of strengths and weaknesses, and recommend necessary solutions in the best interests of the Company through proposing the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using KPIs linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company, through assisting the Board in its responsibility toward carrying out the necessary arrangements to obtain an assessment of its performance from a competent third-party every three (3) years.
- Provide recommendations to the Board for the nomination and re-nomination of its members in accordance with approved policies and standards, taking into account that nominations shall not include any person convicted of a crime involving moral turpitude or dishonesty.
- Ensure on an annual basis the independence of independent directors and ensure the absence of any conflicts of interest if a Board member also acts as a member of the Board of another company.
- Study and review the CEO's recommendations concerning the appointment and termination of the Executive Management team.
- Study and review succession plans for the Company in general and for the Board, CEO and Executive Management in particular.
- Provide an appropriate level of training and introduce new Board and committee members to the Company's businesses and assistance to enable them to perform their role effectively and efficiently.
- Develop the necessary mechanisms for Board members and the Executive Management to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.
- Ensure that the Group publishes the Board nomination announcements on the websites of the Group and Tadawul, and through any other medium specified by the CMA to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least one (1) month from the date of the announcement.

Remuneration

- Prepare a clear remuneration policy for Board members, its committees and the Executive Management, which enhances management team motivation and helps in retaining employees. The Committee should present such policy to the Board in preparation for approval by the General Assembly Meeting, provided that such policy follows standards that are linked to performance and disclosing and ensuring the implementation of such policy.
- Clarify the relation between the paid remunerations and the adopted remuneration policy and highlight any material deviation from that policy.
- Review periodically the remuneration policy and assess its effectiveness in achieving its objectives.
- Provide recommendations to the Board in respect of the remunerations of its members, the committees' members and senior executives, in accordance with approved policy.
- Take into consideration situations where remuneration should be suspended or reclaimed if it is determined that such remuneration was set based on inaccurate information provided by a member of the Board or the Executive Management, in order to prevent abuse of power to obtain unmerited remunerations.
- Provide recommendations with respect to the grant of Company shares to the Board members and the Executive Management, whether newly issued or purchased by the Company.
- Review the Executive Management remunerations, including long- and short-term incentives, set the Executive Management KPIs, and recommend to the Board in this regard.
- Review and approve the CEO's recommendations concerning the general guidelines of the Executive Management remuneration and other benefits, which the CEO implements in light of the remuneration policy.
- Committee members shall be knowledgeable, with competence, work experience, and a thorough understanding of qualifications, roles and responsibilities of directors and executives, and shall be able to devote adequate time to their duties.

During the fiscal year 2021, the Nomination and Remuneration Committee held three (3) meetings and the attendance of the committee members was as detailed below:

No.	Member name	Nature of membership	Three (3) meetings		
			First meeting 26 August 2021	Second meeting 22 September 2021	Third meeting 17 October 2021
1	Mr. Obaid Abdullah Al Rasheed	Chairman	✓	✓	✓
2	Eng. Saleh Mohammed Al Habib	Member	x	✓	x
3	Mr. Ahmad Saleh Al Sudais	Member	✓	✓	✓

✓ In person x Absence

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.6 Board of Directors' Committees (continued)

3.6.2 Executive Committee

The main purpose of the Executive Committee is to provide support and advice to the Board on matters as the Board may delegate from time to time to the Committee. The Committee, to the extent permitted by law, exercises the powers delegated to it to manage the business and affairs of the Company and all operational matters where implementation requires input and guidance from the Board. The Committee's duties include the following:

- Track the long-term, medium-term and short-term plans of the Company's strategy, update them and review them from time to time.
- Meet with division heads, internal and external auditors, and whoever is charged with monitoring business and financial performance of the Company and its divisions.
- Track the execution of Company budgets, analyzing deviation from them - if noticed - and submitting recommendations in that respect.
- Recommend entering into new investments and develop existing activities, both vertically and horizontally.
- Track and review all significant issues that are related to legal proceedings and establish insurance and risk strategies and contracts.
- Establish relationships with banks and other financial institutions, and define the terms and conditions under which the relationship will operate.
- Approve credit facilities necessary to operate the business on a day-to-day basis.
- Approve real estate transactions such as the sale, purchase and lease of land and/or facilities.
- Obtain advice and assistance from internal or external legal, accounting or other advisors.
- Form and delegate authority to sub-committees when appropriate.
- Periodically review and reassess the adequacy of the Charter and recommend any proposed changes to the Board for approval.
- Annually review its own performance.

The Committee members shall be knowledgeable, with competence, work experience from diverse professional backgrounds, as well as have a thorough understanding of the Group's scope of business along with rapid knowledge in the healthcare industry and shall be able to devote adequate time to their duties.

During the fiscal year 2021, the Executive Committee held five (5) meetings and the attendance of the committee members was as detailed below:

			Five (5) meetings				
No.	Member name	Nature of membership	First meeting 18 February 2021	Second meeting 22 April 2021	Third meeting 5 August 2021	Fourth meeting 21 October 2021	Fifth meeting 5 December 2021
1	Mr. Mazen Abdulrazzaq Al Rumaih	Chairman	✓	✓	✓	✓	✓
2	Mr. Nasser Mohammed Al Huqbani	Member	✓	✓	✓	✓	✓
3	Mr. Faisal Abdullah Al Nassar	Member	✓	✓	✓	✓	✓
4	Eng. Saleh Mohammed Al Habib	Member	✓	x	✓	✓	✓
5	Mr. Hesham Sulaiman Al Habib	Member	✓	✓	✓	✓	✓

✓ In person x Absence

3.6.3 Patient Safety and Quality of Care Committee

The Patient Safety and Quality of Care Committee is responsible for developing the Group's strategies for improving overall quality, safety, and control of its healthcare facilities. The Patient Safety and Quality of Care Strategy will allow the Group to improve its services to its patients and increase patient's satisfaction.

The following represents the duties and responsibilities of the Patient Safety and Quality of Care Committee (PSQC):

Strategy and performance

- Create a vision for quality of healthcare services for the Group, with long-term performance measures and goals.
- Advise the Group's clinical leadership on competitive strategies in clinical practices to be assessed and implemented, if deemed appropriate.
- Monitor the Group's clinical performance against internal and external benchmarks.
- Oversee the effectiveness of the Group's plans for improving clinical practice performance and quality of healthcare.
- Make recommendations to the Board on the Group's overall quality of care and patient safety, and suggest performance improvement initiatives.
- Provide coordination and oversight of the Group's plan to improve the quality of care and patient safety in the Group's healthcare facilities.
- Help the Group develop, implement, and evaluate its plan to improve the quality of care and patient safety.
- Review reports and minutes of meetings of all Quality Improvement Committees in Group healthcare facilities.
- Grant approval to quality improvement initiatives suggested by Quality Improvement Committees in Group healthcare facilities.
- Review patient satisfaction scores, on a quarterly basis, in Group healthcare facilities.
- Review sentinel events and root cause analysis; and recommend corrective action.
- Review the findings from the analysis of significantly adverse outcomes to approve or recommend actions designed to mitigate re-occurrence.
- Monitor disclosure mechanisms related to critical incidents and quality indicators concerning hospital acquired infections, mortality and any others as required and/or deemed advisable.

Communication

- Enhance awareness of the Group's clinical performance to the Management and other external stakeholders via the appropriate communication channels.
- On a quarterly and annual basis, report to the Board statistical data on the Group's healthcare performance and clinical performance, and quality improvement plans.
- Develop quarterly and annual reports to disclose clinical performance and quality improvement plans.
- Receive quality reports and provide feedback to the relevant stakeholder.
- Review strategic objectives on quality improvement and patient safety to provide feedback and approval.

Policies

- Carry out annual reviews of the policies and procedures developed by the corporate medical departments in relation to healthcare quality and patient safety, including those in relation to errors and injuries.
- Review the development of internal systems and controls to implement the Group's safety and quality standards and policies.
- Develop risk mitigation strategies from a patient safety and quality of care perspective.
- Develop policies on full transparency about data on patient safety and quality of care to emphasize respectful practice, disclosure, support and resolution.

Operations

- Suggest mechanisms to link incentives and compensation for senior management to quality metrics.
- Ensure the attainment of all relevant accreditations including, CBAHI, JCI, etc.
- Committee members shall be knowledgeable, with competence and work experience, as well as have a thorough understanding of the Group's policies and procedures in connection with the delivery of medical care service with quality and safety to patients, and shall be able to devote adequate time to their duties.

During the fiscal year 2021, the Patient Safety and Quality of Care Committee held four (4) meetings and the attendance of the committee members was as detailed below:

			Four (4) meetings			
No.	Member name	Nature of membership	First meeting 17 March 2021	Second meeting 15 June 2021	Third meeting 21 September 2021	Fourth meeting 7 December 2021
1	Prof. Mahmoud Shaheen Al Ahwal	Chairman	✓	✓	✓	✓
2	Dr. Abdulelah Mohammed Rabe Al Hawsawi	Member	✓	✓	✓	✓
3	Prof. Abdullah Sulaiman Al Herbish	Member	✓	✓	✓	✓

✓ In person x Absence

GOVERNANCE (CONTINUED)

3. BOARD OF DIRECTORS, COMMITTEES, AND EXECUTIVE MANAGEMENT (CONTINUED)

3.7 Share Direct Ownership of Board Members, Senior Executives, their wives and minor children

3.7.1 The following table shows any interest of the Board members, their wives and minor children in the shares of the Company and any change in that interest or those rights during the fiscal year 2021

No.	Name of person to whom the interest, contractual securities or rights issue belongs	Number of shares at the beginning of the year	Number of shares at the end of the year	Net change	Percentage change	Debt instruments
1	Dr. Sulaiman Abdulaziz Al Habib	140,106,000	140,111,070	5,070	0.003%	Not available
2	Mr. Hesham Sulaiman Al Habib	7,000,000	7,000,000	-	-	Not available
3	Mr. Mazen Abdulrazzaq Al Rumaih	70,500	76,221	5,721	8.11%	Not available
4	Mr. Obaid Abdullah Al Rasheed	22,200	22,200	-	-	Not available
5	Mr. Nasser Mohammed Al Huqbani	100,000	100,000	-	-	Not available
6	Eng. Saleh Mohammed Al Habib (Mohammad Abdulaziz Al Habib and Sons Company)	118,136,666	118,136,666	-	-	Not available
7	H.E. Nabeel Muhammad Al Amudi	-	-	-	-	Not available
8	Mr. Faisal Abdullah Al Nassar	-	-	-	-	Not available
9	Mr. Ziad Fouad Al Saleh	-	-	-	-	Not available
10	Mr. Rasheed Abdulrahman Al Rasheed	-	-	-	-	Not available
11	Dr. Abdulrahman Sulaiman Al Turaigi	-	15	15	100%	Not available

3.7.2 The following table shows any interest of the Senior Executives, their wives and minor children in the shares of the Company and any change in that interest or those rights during the fiscal year 2021

No.	Name of person to whom the interest, contractual securities or rights issue belongs	Number of shares at the beginning of the year	Number of shares at the end of the year	Net change	Percentage change	Debt instruments
1	Mr. Nasser Mohammed Al Huqbani	100,000	100,000	-	-	Not available
2	Mr. Hesham Sulaiman Al Habib	7,000,000	7,000,000	-	-	Not available
3	Prof. Sulaiman Abdulaziz Al Majed	46,516	121,115	74,599	160%	Not available

3.7.3 Description of any interest in a class of voting shares held by major shareholders (other than the Company's Directors, Senior Executives, their wives and minor children) according to Article (67) of the rules for offering securities and continuing obligations during the fiscal year 2021

No.	Name of person to whom the interest belongs	Number of shares at the beginning of the year	Number of shares at the end of the year	Net change	Percentage change
1	Mohammed Abdulaziz Al Habib and Sons Holding Company	118,136,666	118,136,666	-	-

4. SHAREHOLDER INFORMATION AND SHAREHOLDERS' REGISTER

4.1 Major Shareholders

HMG's Major Shareholders
As of 31 December 2021

	Percentage of ownership	Number of shares
Dr. Sulaiman Abdulaziz Al Habib	40.03%	140,105,000
Mohammed Abdulaziz Al Habib and Sons Holding Company	33.75%	118,136,666
Total	73.78%	258,241,666

4.2 Requests for the Shareholders' Register

	Request date	Request reason
1	4 January 2021	The Company Procedures
2	2 February 2021	Others
3	2 March 2021	Others
4	4 April 2021	Others
5	21 April 2021	General Assembly
6	25 April 2021	Dividend Entitlement
7	3 May 2021	Dividend Entitlement
8	27 July 2021	Others
9	16 August 2021	Dividend Entitlement
10	14 October 2021	Others
11	18 October 2021	Others
12	1 November 2021	Dividend Entitlement
13	28 November 2021	Others

5. RELATED PARTY TRANSACTIONS

During its normal business cycle, the Company deals with Related Parties, and these transactions are done under the same terms applied to the transactions being done with other parties, and the following is the information relating to any business or contract to which the Company is a party and in which a Director of the Company, a Senior Executive or any person related to any of them have interest in, or any transaction between the Company and any Related Party.

GOVERNANCE (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

5.1 Statement of the business or contract to which the Company is a party and in which a Director of the Company, a Senior Executive or any person related to any of them have an interest in

During the fiscal year 2021, some contracts continued, to which the Company was a party, and in which a Director of the Company has an interest in and some of these contracts were agreed upon in previous years and come as an extension of continuous relations that began before the fiscal year 2021:

No.	Related party	Related party's relationship type with the Company	Type of interest	Contract/ purchase order party	Transaction type/contract/ purchase order nature	Transaction conditions/ terms	Contract/ transaction duration	Contract/ purchase order value (Thousand SAR)	Transaction value during 2021 (Thousand SAR)
1	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Direct	Dr. Sulaiman Abdulaziz Al Habib	A lease contract of the Medical Center	There are no preferential terms for the local market	A contract for a period of ten (10) years starting from 2 October 2019	56,155	5,105
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
2	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Mohammed Abdulaziz Al Habib	A rental contract of residential complex for the employees	There are no preferential terms for the local market	A contract for a period of fifteen (15) years from the date of 1 December 2012 and to be auto-renewed	24,000	1,600
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect	Real-Estate Investment Company					
	Mr. Faisal Abdullah Al Nassar	Board Member	Indirect						
	Eng. Saleh Muhammad Al Habib	Board Member	Indirect						
3	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Al Andalus Property Company	A partnership, design, development, management and operation contract for Gharb Jeddah Hospital	There are no preferential terms for the local market	A contract for a period of ninety-nine (99) years from the date of 30 October 2014 and to be auto-renewed	Not Applicable	19,627
	Eng. Saleh Muhammad Al Habib	Board Member	Indirect						
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
4	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A contract for Gypsum Board works for Shamal Al Riyadh Hospital Project	There are no preferential terms for the local market	A contract for a period of fourteen (14) months	50,537	0
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
5	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	Purchase Orders of general contracting for buildings of Shamal Al Riyadh Hospital Project	There are no preferential terms for the local market	Not applicable	37,937	23,572
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
6	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A contract of contracting for Structural Works for Maternity and Pediatric Hospital Project	There are no preferential terms for the local market	A Contract for a period of one (1) year	71,037	0
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						

No.	Related party	Related party's relationship type with the Company	Type of interest	Contract/ purchase order party	Transaction type/contract/ purchase order nature	Transaction conditions/ terms	Contract/ transaction duration	Contract/ purchase order value (Thousand SAR)	Transaction value during 2021 (Thousand SAR)
7	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A contract for construction of additional works for Shamal Al Riyadh Hospital Project	There are no preferential terms for the local market	A contract for a period of thirty (30) months or less	14,658	3,970
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
8	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A Contract of General Contracting for Buildings of Shamal Al Riyadh Hospital Project	There are no preferential terms for the local market	A contract for a period of eighteen (18) months or less	1,035	0
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
9	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A contract of contracting for Structural Works for Shamal Al Riyadh Hospital Project	There are no preferential terms for the local market	A contract for a period of one (1) year and eight (8) months	348,877	154,248
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
10	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	Additional Purchase Orders for Structural Works for Shamal Al Riyadh Hospital Project	There are no preferential terms for the local market	Not Applicable	30,084	887
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
11	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	Additional Steel Purchase Orders for Shamal Al Riyadh Hospital Project	There are no preferential terms for the local market	Not Applicable	36,439	23,918
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
12	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A contract for Glazing Works, Mechanical, Electrical and Plumbing (MEP) works for Shamal Al Riyadh Hospital Project	There are no preferential terms for the local market	A contract for a period of eighteen (18) months	518,132	0
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
13	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A contract of additional structural works for outpatient clinics at Buraidah Hospital	There are no preferential terms for the local market	A contract for a period of five (5) months	18,690	0
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						

GOVERNANCE (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

5.1 Statement of the business or contract to which the Company is a party and in which a Director of the Company, a Senior Executive or any person related to any of them have an interest in (continued)

No.	Related party	Related party's relationship type with the Company	Type of interest	Contract/ purchase order party	Transaction type/contract/ purchase order nature	Transaction conditions/ terms	Contract/ transaction duration	Contract/ purchase order value (Thousand SAR)	Transaction value during 2021 (Thousand SAR)
14	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A contract of structural works for a Medical Center project in Buraidah City	There are no preferential terms for the local market	A contract for a period of five (5) months	11,593	0
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
15	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	A contract for Enabling and structural works for Sehat Al-Kharj Hospital	There are no preferential terms for the local market	A contract for a period of thirteen (13) months	98,446	0
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
16	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Rawafed Health International Company	Purchase Orders of medical tools, supplies and Devices and furniture for the hospitals	There are no preferential terms for the local market	A contract for a period of one (1) year and to be renewed on an annual basis thereafter, the value of the contract is linked to Purchase Orders	57,088	28,948
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
17	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Direct	Wajahat Al Hamra for Investment Company	An agreement to purchase (12) plots of land in Al Hamra district at Riyadh city for Al Marakez Al Awwalyah for Healthcare Company (Subsidiary Company)	There are no preferential terms for the local market	Not Applicable	72,492	72,492
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
18	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Direct	Dr. Sulaiman Abdulaziz Al Habib	A lease contract of Warehouse	There are no preferential terms for the local market	A contract for a period of one (1) year and to be renewed on an annual basis thereafter	52	52
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
19	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Direct	Dr. Sulaiman Abdulaziz Al Habib	A lease contract of Warehouse	There are no preferential terms for the local market	A contract for a period of one (1) year and to be renewed on an annual basis thereafter	104	104
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						

No.	Related party	Related party's relationship type with the Company	Type of interest	Contract/ purchase order party	Transaction type/contract/ purchase order nature	Transaction conditions/ terms	Contract/ transaction duration	Contract/ purchase order value (Thousand SAR)	Transaction value during 2021 (Thousand SAR)
20	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Namara Specialized for Trading Est.	Purchase Orders of electrical tools and supplies for multiple projects	There are no preferential terms for the local market	A contract for a period of three (3) years from the date of signing the agreement, and it will be renewed automatically annually thereafter. The value of the contract is linked to purchase orders	524	508
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
21	Dr. Sulaiman Abdulaziz Al Habib	Board Chairman	Indirect	Masah Construction Company	Purchase Orders of Structural works for multiple projects	There are no preferential terms for the local market	Not Applicable	2,658	1,982
	Mr. Hesham Sulaiman Al Habib	Board Member	Indirect						
22	H.E Nabeel Muhammad Al Amudi*	Board Member	Indirect	Arabian Business Machines Company	Purchase Orders for supply of IT equipment	There are no preferential terms for the local market	Not Applicable	224	158
23	H.E Nabeel Muhammad Al Amudi*	Board Member	Indirect	Baxter Company Limited	Purchase Orders for supply of medical products and pharmaceutical supplies	There are no preferential terms for the local market	Not Applicable	290	7
24	H.E Nabeel Muhammad Al Amudi*	Board Member	Indirect	Arabian Health Care Supply Company	Purchase Orders for supply of medical products and pharmaceutical supplies	There are no preferential terms for the local market	Not Applicable	1,486	881
25	H.E Nabeel Muhammad Al Amudi*	Board Member	Indirect	Schindler Olayan Elevator Co. Ltd. (SCHINDLER)	Purchase Orders for elevators' supply and maintenance	There are no preferential terms for the local market	Not Applicable	1,255	619
26	H.E Nabeel Muhammad Al Amudi*	Board Member	Indirect	General Trading Company	Purchase Orders for supply of medical products and pharmaceutical supplies	There are no preferential terms for the local market	Not Applicable	1,585	1,052

GOVERNANCE (CONTINUED)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

5.1 Statement of the business or contract to which the Company is a party and in which a Director of the Company, a Senior Executive or any person related to any of them have an interest in (continued)

No.	Related party	Related party's relationship type with the Company	Type of interest	Contract/ purchase order party	Transaction type/contract/ purchase order nature	Transaction conditions/ terms	Contract/ transaction duration	Contract/ purchase order value (Thousand SAR)	Transaction value during 2021 (Thousand SAR)
27	H.E Nabeel Muhammad Al Amudi*	Board Member	Indirect	Olayan Kimberly-Clark Saudi Company	Purchase Orders for supply of pharmaceutical supplies for Middle East Pharmacies Company	There are no preferential terms for the local market	Not Applicable	1,028	770
28	H.E Nabeel Muhammad Al Amudi*	Board Member	Indirect	Arabian Medical Products Manufacturing Company	Purchase Orders for supply of medical products and pharmaceutical supplies	There are no preferential terms for the local market	Not Applicable	9,629	5,828

* Indirect interest as a Board Member at the Holding Company that owns this Company and as the Chief Executive Officer (CEO) of the Company that owns the Holding Company.

5.2 Any Transaction between the Company and any Related Party:

During the fiscal year 2021, some contracts continued, to which the Company/its affiliates was a party; some of these contracts were agreed upon in previous years and were actually started before the fiscal year 2021:

No.	Related party	Related party's relationship type with the Company	Transaction type/contract nature	Transaction conditions/terms	Transaction duration	Transaction value during 2021 (SAR)
1	Serco Saudi Services Company	Associate	Purchases and services	There are no preferential terms for the local market	A contract for a period of three (3) years from the date of 1 January 2013 and to be auto-renewed	36,843,122
2	Dr. Abdulaziz Ibrahim Ajaji Dental Clinics Company	Associate	Revenue	There are no preferential terms for the local market	A contract for a period of fifteen (15) years from the date of 24 April 2014 and to be auto-renewed	52,131,223

6. DIVIDEND POLICY

The shares give their holders the right to obtain the profits announced by the Company, and the Company intends to distribute annual dividends to its shareholders in order to enhance the value obtained by the shareholders in line with the Company's profits, its financial situation and the restrictions that distribution of profits are subject to, according to financing and debt agreements, and the results of the Company's business activities, the Company's current and future cash needs, expansion plans, the Company's investment requirements, and other factors including analysis of investment opportunities, the Company's investment requirements, monetary and capital requirements, trade expectations, and the impact of any distribution of profits on any of the legal or regulatory considerations. The dividend policy can also change from time to time.

Although the Company intends to distribute annual profits to its shareholders, there are no guarantees for an actual distribution of profits, and there is no guarantee regarding the amounts to be paid in any year.

As per the Company's by-laws, the Company's annual net profits will be distributed as follows:

- 10% of net income shall be retained from net profit to form a statutory reserve. In this regard, the Ordinary General Assembly may decide that such retention be discontinued when the total of such reserve becomes equivalent to 30% of the paid-up capital.
- A percentage of the profit allocated to the Preferred Shares shall be distributed to the holders of such shares.
- A percentage of net income shall be retained to form an additional reserve allocated to such purposes as may be suggested by the Board and approved by the Ordinary General Assembly. The Ordinary General Assembly may decide to form other reserves, to the extent that it is in the interest of the Company or to ensure that fixed profits are distributed as much as possible to shareholders. The aforementioned assembly may also deduct from the net profits sums to establish social institutions for the Company's employees or to assist the existing ones.
- From the remaining net income balance, a first installment of the dividends equivalent to 5% of the paid capital shall be distributed to the Shareholders.
- Subject to the provisions stipulated in the 22nd Article of the Company's by-laws, and the 76th Article of the Companies Law, a percentage of no more than 10% shall be allocated to the remuneration of the Board, provided that the entitlement to this remuneration is proportional to the number of sessions attended by the Member.
- The remaining is then distributed to the shareholders as additional profits.

The Company may, after fulfilling the controls set by the competent authorities, distribute semi-annual and quarterly profits.

During the year 2021, the Board of Directors announced the recommendation to distribute interim dividends of SAR 945,000,000 at SAR 2.70 per share, based on the authorization to distribute interim dividends to the shareholders, quarterly or semi-annually, for the fiscal year 2020, which was granted to the Board of Directors by the Extraordinary General Assembly No. (8), which was held on Sunday 17 Ramadan 1441 AH (corresponding to 10 May 2020) and based on the authorization to distribute interim dividends to the shareholders, quarterly or semi-annually, for the fiscal year 2021 which was granted to the Board of Directors by the Ordinary General Assembly, which was held on 9 Ramadan 1442 AH (corresponding to 21 April 2021), as follows:

- On 20 February 2021, the Board of Directors announced the recommendation to distribute interim dividends of SAR 210 million at (SAR 0.60) only 60 Halala per share (representing 6% of the nominal value of the share) for the 4th quarter of 2020.
- On 24 April 2021, the Board of Directors announced the recommendation to distribute interim dividends of SAR 245 million at (SAR 0.70) only 70 Halala per share (representing 7% of the nominal value of the share) for the first quarter of 2021.
- On 7 August 2021, the Board of Directors announced the recommendation to distribute interim dividends of SAR 245 million at (SAR 0.70) only 70 Halala per share (representing 7% of the nominal value of the share) for the second quarter of 2021.
- On 23 October 2021, the Board of Directors announced the recommendation to distribute interim dividends of SAR 245 million at (SAR 0.70) only 70 Halala per share (representing 7% of the nominal value of the share) for the third quarter of 2021.

Total interim dividends during the year 2021 is SAR 945,000,000, at SAR 2.70 per share (representing 27% of the nominal value of the share) (2020: dividends of SAR 525,000,000 at (SAR 1.50) per share representing 15% of the nominal value of the share).

Total interim dividends for the year 2021 is SAR 735,000,000, at SAR 2.10 per share (representing 21% of the nominal value of the share) and will be presented for approval during the next meeting of the General Assembly of Shareholders. (2020: dividends of SAR 525,000,000 at (SAR 1.50) per share representing 15% of the nominal value of the share).

The dividends that were distributed for the year ending on 31 December 2020 were approved by the Ordinary General Assembly meeting held on 9 Ramadan 1442 AH (corresponding to 21 April 2021).

GOVERNANCE (CONTINUED)

6. DIVIDEND POLICY (CONTINUED)

The following is a summary of the dividends that the Company announced and paid to its shareholders during the financial year 2021:

					Proposed dividends to be distributed for the fourth quarter of 2021	Total dividends*
Fiscal year 2021	Distributed dividends during 2021					
Distribution date	5 May 2021	18 May 2021	30 August 2021	15 November 2021	To be defined later	-
Dividend per share (%)	6%	7%	7%	7%	7%	34%
Total distributed dividends	210,000,000	245,000,000	245,000,000	245,000,000	245,000,000	1,190,000,000

* On 19 February 2022, the Board of Directors also recommended to the General Assembly to distribute dividends for the fourth quarter of 2021, amounting to SAR 245 million, the equivalent of SAR 0.70 per share. The total final and proposed dividends for 2021 will be SAR 980 million or SAR 2.8 per share representing 28% of the nominal value of the share.

There are no agreements or arrangements to waive any rights to dividends by any of the shareholders.

7. MAIN TRANSACTIONS, INVESTMENTS AND OTHER EVENTS

7.1 Future Projects

The Group is currently planning to establish several private healthcare facilities in the Kingdom in line with the Group's future plans to expand the scope of its geographical services, these projects are:

(1) Gharb Jeddah (South West Jeddah) Hospital

Gharb Jeddah (South West Jeddah) Hospital is located on King Abdulaziz Square at the junction of King Abdullah Road with Prince Majed Road in Jeddah in the Western Province in KSA, and owned 50% by the Group. The hospital will be built on an area of 30,251.08m² and an estimated total built-up area of 211,679m². The Group aims to make Gharb Jeddah (South West Jeddah) Hospital an integrated hospital to provide healthcare services through multi-specialty clinics and 330 beds. The Group has obtained a building permit from Jeddah Municipality and the MoH initial approval on project designs and plans. Further, the Company awarded and signed the structure construction contract with a value of SAR 194.0 million with United Standards Company during the fiscal year 2019. The Board of Directors also approved, in its meeting held on Sunday, 24 October 2021, to award and sign the contract for the implementation of Electrical, Mechanical and Gypsum works to Abdul Latif Al-Arfaj and Brothers Holding Company, with a value of SAR 288,398,587. The Group announced the signing of a Murabaha financing agreement with Sharia compliance for the Gharb Jeddah Hospital Project, with the Saudi British Bank (SABB) by SAR 1.24 billion. The Group expects to complete the project and commence operations by the end of 2023, after obtaining the relevant regulatory approvals.

(2) Shamal Al Riyadh (North Riyadh) Hospital

Shamal Al Riyadh (North Riyadh) Hospital is located on King Fahd Road in Al Sahafa District, in the city of Riyadh, in the central region of the Kingdom. Shamal Al Riyadh (North Riyadh) Hospital will be built on an area of 43,601m² owned by the Group and an estimated total built-up area of 353,371m². The Group aims to make Shamal Al Riyadh (North Riyadh) Hospital an integrated hospital to provide healthcare services through multi-specialty clinics and 500 beds. The Group has obtained a building permit from Riyadh Municipality and an initial approval on the project designs and plans from the MoH. The project will include building a tower for the Group's headquarters. Further, the Company awarded the structure construction contract of SAR 348.9 million to Masah Contracting Company (a related party) during the fiscal year 2019. The Board of Directors also approved, in its meeting held on Sunday, 8 August 2021, to award and sign the contract of Glazing Works, Mechanical, Electrical and Plumbing (MEP) works with MASAH Construction Company (a related party) with a value of SAR 518,131,558.15. The Group intends to finance the project through a Ministry of Finance loan and Sharia-compliant loans from local banks, and its internally generated cash flows. The Group expects to complete the project and commence operations by the end of 2023, after obtaining the relevant regulatory approvals. The Group announced the signing of a Murabaha financing agreement with Sharia compliant for the Shamal Al Riyadh (North Riyadh) Hospital Project, with the Saudi British Bank (SABB) by SAR 2.17 billion.

(3) Al Muhammadiyah (North Jeddah) Hospital

Al Muhammadiyah (North Jeddah) Hospital is located on Prince Sultan Street in Al Muhammadiyah District in Jeddah City in the western region of the Kingdom. Al Muhammadiyah (North Jeddah) Hospital will be built on an area of 24,128m² owned by the Group with an estimated total built-up area of 233,970m². The Group aims to make Al Muhammadiyah (North Jeddah) Hospital an integrated hospital to provide healthcare services through multi-specialty clinics and 350 beds. It is worth noting that the Board of Directors approved, in its meeting held on Sunday, 21 February 2021 to award and sign the contract of Structural works with MASAH Construction Company (a related party) with a value of SAR 71,036,972. It is worth noting that the Board of Directors approved, in its meeting held on Sunday, 24 October 2021 to award and sign the contract of Enabling & Structural Works with United Standards Company with a value of SAR 311,151,308. The Group expects to finance the project through a Sharia-compliant loans from local banks, and its internally generated cash flows. The Group intends to complete the project and commence operations by the end of 2024, after obtaining the relevant regulatory approvals.

(4) Maternity & Pediatric Hospital

Maternity and Pediatric Hospital is located at the intersection of Al Takhassusi Street with King Abdullah Road in Al Rahmaniyah district in Riyadh, in the central region of the Kingdom. Maternity and Pediatric Hospital will be built on an area of 7,170m² owned by the Group with an estimated total built-up area of 62,274m². The Group aims to make Maternity and Pediatric Hospital an integrated hospital to provide healthcare services for women and children through multi-specialty clinics and 145 beds. The Group has obtained a building permit from Riyadh Municipality and an initial approval on the project designs and plans from the MoH. It is worth noting that the Board of Directors approved, in its meeting held on Sunday, 21 February 2021 to award and sign the contract of Structural works with MASAH Construction Company (a related party) with a value of SAR 71,036,972. The Group expects to finance the project through long-term Sharia-compliant loans and its internally generated cash flows. The Group intends to complete the project and commence operations by the end of 2024, after obtaining the relevant regulatory approvals.

(5) Sehat Al Kharj Hospital

Sehat Al-Kharj Hospital is located in Al-Kharj Governorate (south of Riyadh City), on a land owned by the Company, which is located at Jawharat Al-Kharj neighborhood opposite to Prince Sattam bin Abdul-Aziz University at the intersection of King Khaled Road with Abdullah bin Amer Street, with an area of 44,303.33m² and an estimated total built-up area of 73,870m². The Group aims to make Sehat Al-Kharj Hospital an integrated hospital to provide healthcare services and it will have a multi-specialty clinics and 141 beds, at an estimated cost of SAR 458 million. The group obtained a building permit from Riyadh Municipality and a preliminary approval from the Ministry of Health on the designs and plans of the project. It is worth mentioning that the Board of Directors had approved in its meeting held on Sunday, 12 December 2021 to award and sign the contract for enabling and structural works of the project with Masah Construction Company (a related party) with a value of SAR 98,446,190.45. The Group intends to finance the project through a Sharia-compliant loans from local banks, and its internally generated cash flows. The group expects to complete the project and start operating during the fourth quarter of 2024, after obtaining the relevant regulatory approvals.

(6) Expansion of the outpatient clinics of Qassim Hospital

The expansion of the outpatient clinics of Qassim Hospital is located on Othman bin Affan Road in Al Safra district in the Buraidah City, next to the current building of the hospital. The built-up area of the expansion project is 15,580m², and includes multi-specialty clinics, medical procedures room and a pharmacy open for 24/7. The Group expects to complete the project and start its operation during the third quarter of 2023, after obtaining the relevant regulatory approvals.

(7) Expansion of the outpatient clinics in Dubai Hospital

The expansion of the outpatient clinics of Dubai Hospital is located in the area of Umm Hurair Al Thania in Dubai Medical City at Dubai Emirate, UAE, next to the current building of the hospital. The built-up area of the expansion project is 21,336m², and includes multi-specialty clinics, medical procedures room and a pharmacy open for 24/7. The Group expects to complete the implementation of the project and start its operation during the first quarter of 2022, after obtaining the relevant regulatory approvals.

(8) Al-Madinah Al-Munawwarah Hospital

On 25 November 2021, the Group signed a lease contract to invest a land in construction, operation and maintenance of a hospital in Al-Madinah Al-Munawwarah with the Municipality of Al Madina for a period of fifty (50) years, with a lease amount of SAR 30,194,731.34 (without VAT) representing the total rent value for the entire Duration of the contract. According to the contract, the Municipality of Al-Madinah Al-Munawwarah region has leased the Group the plot of land located in the Mudhainib neighborhood in the Mittan area at Al-Madinah Al-Munawwarah, which is located on King Abdullah bin Abdulaziz Road after the second notary, with an area of 18,772.24m². The group plans to establish a hospital on the leased land that provides integrated healthcare services that include many different medical specialties, after obtaining the necessary approvals and licenses from the relevant authorities.

GOVERNANCE (CONTINUED)

7. MAIN TRANSACTIONS, INVESTMENTS AND OTHER EVENTS (CONTINUED)

7.1 Future Projects (continued)

(9) Medical Centers

On 25 October 2021 the Group announced on the website of Saudi Exchange (Tadawul) that on Sunday, 18 Rabia Aawal 1443AH corresponding to 24 October 2021 the Board of Directors approved the Group’s strategy to expand the Medical Centers services under the Trademark “Dr. Sulaiman Al Habib (Medical Center)” through “Al Marakez Al Awwalyah for Healthcare Company”, a wholly owned subsidiary of the Group. The operations of Al Marakez Al Awwalyah for Healthcare Company began in the first quarter of the fiscal year 2021, through the operation of the Medical Center at Riyadh’s Diplomatic Quarter, which is the first Medical Center that was opened under the Trademark “Dr. Sulaiman Al Habib (Medical Center)”. The Group is planning to expand the Medical Centers under the Trademark “Dr. Sulaiman Al Habib (Medical Center)”, in line with the Group’s future plans to expand its reach, geographically broaden its services and enhances its operating model according to the highest standards in modern design, construction and operations, and to continue distinguishing its services through the deployment of the latest equipment and technologies in the world to provide health services that enhances patient experience. The beginning of this expansion will be the establishment of the following medical centers projects, which the Group intends to finance the projects through long-term Sharia-compliant loans and its internally generated cash flows:

- Digital City Medical Center, Riyadh City**
The Medical Center is located in the Digital City at Al Nakheel neighborhood, Riyadh City, in the central region of the Kingdom with a total area of 1,725m². The Medical Center will be an integrated medical center to provide primary healthcare services through multi-specialty clinics, medical procedures room and a pharmacy open for 24/7. The Group expects to complete the project and start its operation during the third quarter of 2022, after obtaining the relevant regulatory approvals.
- Medical Center, Buraidah City**
The Medical Center is located on Omar bin Abdulhattab street in Al Rayan neighborhood, Buraidah City, in Al Qassim region of the Kingdom with a total built-up area of 16,022m². The Medical Center will be an integrated medical center to provide primary healthcare services through multi-specialty clinics, medical procedures room, radiology services, laboratory and a pharmacy open for 24/7. The Group expects to complete the project and start its operation during the third quarter of 2023, after obtaining the relevant regulatory approvals.
- Medical Center, Al Ghadeer Neighborhood, Riyadh City**
The Medical Center is located on King Abdulaziz Road in Al Ghadeer neighborhood, Riyadh City, in the central region of the Kingdom with a total built-up area of 18,825m². The Medical Center will be an integrated medical center to provide primary healthcare services through multi-specialty clinics, medical procedures room, laboratory services, emergency services and a pharmacy open for 24/7. The Group expects to complete the project and start its operation during the third quarter of 2023, after obtaining the relevant regulatory approvals.
- Medical Center, Al Narjis Neighborhood, Riyadh City**
The Medical Center is located on Abu Bakr Al Siddik Street in Al Narjis neighborhood, Riyadh City, in the central region of the Kingdom with a total built-up area of 26,624m². The Medical Center will be an integrated medical center to provide primary healthcare services through multi-specialty clinics, medical procedures room, radiology services, laboratory services, emergency services and a pharmacy open for 24/7. The Group expects to complete the project and start its operation during the fourth quarter of 2023, after obtaining the relevant regulatory approvals.
- Medical Center, Al Hamra Neighborhood, Riyadh City**
The Medical Center is located on King Abdullah Road in Al Hamra neighborhood, Riyadh City, in the central region of the Kingdom with a total built-up area of 53,600m². The Medical Center will be an integrated medical center to provide primary healthcare services through multi-specialty clinics, medical procedures room, 40 beds for one-day operations, radiology services, laboratory, emergency services and a pharmacy open for 24/7. The Group expects to complete the project and start its operation during the second quarter of 2024, after obtaining the relevant regulatory approvals.

8. STATUTORY PAYMENTS

Except as provided below, there is no material punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Capital Market Authority or any other supervisory, regulatory or judiciary authority. The following table shows a summary of the violations that were imposed on the Company in 2021 and the corrective measures taken by the Company in relation to these violations and the steps taken to avoid their recurrence:

No.	Punishment, penalty, precautionary procedure or preventive measure	Reasons for non-compliance	The imposing authority	The measures undertaken to remedy and avoid such non-compliance in the future
1	SAR 221,000	Violation of the Law of Private Health Institutions	The Committee of the Violations of the Law of Private Health Institutions	The Company has paid the fine, and corrective actions were taken by the Company at the time, and the commitment of the competent department to the Regulatory Requirements was confirmed.
2	SAR 185,000	Violation of Labor Law	Ministry of Human Resources and Social Development	The Company has paid the fine, and corrective actions were taken by the Company at the time, and the commitment of the competent department to the Regulatory Requirements was confirmed.
3	SAR 18,300	Violation of Ministry of Commerce Law	Ministry of Commerce	The Company has paid the fine, and corrective actions were taken by the Company at the time, and the commitment of the competent department to the Regulatory Requirements was confirmed.
4	AED 75,180	Violation of Dubai Healthcare City Authority Law and Dubai Health Authority Law	Dubai Healthcare City Authority and Dubai Health Authority	The Company has paid the fine, and corrective actions were taken by the Company at the time, and the commitment of the competent department to the Regulatory Requirements was confirmed.

8.1 Statutory Payments

The numbers are rounded to the nearest million in SAR.

Statement	2021		A brief description of the statutory payment	Reasons statement
	Paid	Outstanding and have not been paid until the end of the annual financial period		
Zakat	83.8	131.4	Zakat on income	Annual Zakat declaration
Taxes	543.7	33.9	VAT, withholding tax	VAT on supplies of goods and services, as well as withholding tax on foreign service providers and non-Saudis
General Organization for Social Insurance (GOSI)	77.5	5.2	Social Insurance	The monthly insurance payable for Saudi and non-Saudi workers
Visa and passport costs	82.5	-	Visas of the employees	First time entry visas, exit and re-entry visas for employees
Labor office fees	17.7	-	Other governmental payments	Other governmental payments regarding employees

GOVERNANCE (CONTINUED)

9. COMPENSATION AND REMUNERATION

The Board, based on the recommendation of the Nomination and Remuneration Committee, determines the remuneration of each member of the Board, and a member of the Committee from members of the Board, and a member of the Committee who are not members of the Board and Executive Management, in accordance with the policy approved by the Board and the Remuneration Policy for Board, Committees, and Executive Management, approved by the General Assembly of the Company.

9.1 Remuneration Policy

The Remuneration policy for the Board, Committees, and Executive Management aims to stipulate and clearly outline the remuneration for the Board and its committee members and Executive Management in line with the requirements of the Companies Law and CMA regulations. In addition, the policy aims to attract talented professionals to work on the Group's Board, its committees, and Executive Management through adapting performance-related motivational plans and programs for remuneration, which contributes to improve the performance of the Group to achieve the best results for its shareholders. This policy is prepared in coordination with the Nomination and Remuneration Committee.

9.2 Principles and Standards Regulating the Remuneration

In light of the provisions regulating the remuneration of the Board and its sub-committees set forth in the Companies Law, the Corporate Governance Regulations, the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies, and the by-laws of the Company, the remuneration of the members of the Board and its sub-committees and senior executives shall be in accordance with the following principles and criteria:

- The remuneration to be proportionate to Group activities and the required skills for its management;
- The variable part of the remuneration shall be linked to long-term performance;
- Remuneration shall be consistent with the strategy, objectives, the magnitude, nature, and level of risks faced by the Group;
- Benchmarking shall be used to take into consideration the remuneration practices by other companies and the market, and shall avoid unjustifiable increases in remuneration and compensations;
- Remuneration shall be determined on the basis of job level, duties and responsibilities, educational qualifications, practical experience, skills, and level of performance;
- Remuneration shall be fair and proportionate to the Board or committees members' activities carried out and responsibilities borne by the Board or committees' members, in addition to the objectives set out by the Board to be achieved during the financial year;
- Take into consideration the sector in which the Group operates, its size, and experience of its Board members;
- Remuneration shall be reasonably sufficient to attract and retain highly qualified and experienced Board members and employees; and
- The remuneration shall be suspended if it has been determined that such remuneration was based on inaccurate information provided by a member of the Board or the Executive Management, in order to prevent abuse of power and prevent such individuals from obtaining unmerited remunerations.

9.3 Remuneration of Board Members

- The remuneration of HMG Board members may consist of: a specified sum; an attendance fee; expense fees; other in-kind benefits; a certain percentage of the net profits; or a combination of two (2) or more of those benefits. The remuneration of a Board member shall not exceed the limit stated in the Companies Law, and shall be in line with the Remuneration Policy for the Board, Committees, and Executive Management, and any amendments that may take place in the future to be approved in line with relevant regulations.
- Where the remuneration represents a certain percentage of HMG's profits, provisions of Article 76, Item No. 2 of the Companies Law shall be taken into consideration, in addition to Article 22 of HMG's by-laws. In no event may the total amount of any compensation and remuneration, whether it be cash or in-kind benefits received by a Board member, be greater than SAR 500,000 annually.
- The remuneration of Independent Board members shall not be a percentage of the profits that are realized by HMG, nor shall it be based directly or indirectly on HMG's profitability.

9.4 Remuneration of the Committees' Members

- The Board shall determine and approve its committees' remuneration - excluding the Audit Committee and Nomination and Remuneration Committee remuneration - attendance fees and other benefits based on a recommendation from the Nomination and Remuneration Committee.
- Committee member remuneration shall comprise an annual remuneration (a lump sum) and attendance fees, and other benefits as defined in the Policy for the Board, Committees, and Executive Management.
- Audit Committee and Nomination and Remuneration Committee members' remuneration shall be governed by its charters that are approved by the General Assembly of the Company as per the regulations.
- When forming any Board committee, the number of seats that are occupied by each Board member shall be taken into consideration as the total amount paid for his/her membership on both the Board and committees shall not exceed the statutory limit defined in the Companies Law.

9.5 Remuneration of the Executive Management

The Nomination and Remuneration Committee shall review and approve the salary scale and the incentive scheme for all employees and executive management, on a regular basis, based on the Management's recommendations. The Executive Management remuneration includes:

- Basic salary (to be paid on a monthly basis at the end of each Gregorian month).
- Allowances that include, for example, (and not limited to) housing, transportation, children's education/school fees, and phone allowances.
- Medical insurance benefits for all employees and executive management and their families.
- Life insurance policy (including events of partial or permanent disability, and death at workplace).
- Annual bonus, based on KPI objectives associated with individual annual appraisal evaluation.
- Short-term incentive plans linked with extraordinary/exceptional performance and long-term incentive plans, such as stock programs (whenever these exist).
- Other benefits included, but are not limited to, annual leave, annual air tickets, and end-of-service benefits according to Labor Law and HR policies adopted by the Company.

9.6 Remuneration During 2021

The annual remuneration for the members of the Board is paid after the approval of the General Assembly of the Company. Below is the total remuneration paid or allocated by the Company to the members of the Board, committee Chairs and members, and senior executive for the fiscal year ending 31 December 2021.

GOVERNANCE (CONTINUED)

9. COMPENSATION AND REMUNERATION (CONTINUED)

9.6 Remuneration During 2021 (continued)

9.6.1 Remuneration of the Board Members⁽¹⁾ (SAR)

Member name	Fixed remuneration							Variable remuneration								
	Specific amount	Allowance for attending Board meetings	Total allowance for attending Committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	End-of-service award	Aggregate amount	Expenses allowance
1. Non-Executive Directors																
Dr. Sulaiman Abdulaziz Al Habib	200,000	15,000	-	-	-	-	215,000	-	-	-	-	-	-	-	215,000	-
Eng. Saleh Mohammed Al Habib	160,000	12,000	15,000	-	-	-	187,000	-	-	-	-	-	-	-	187,000	-
Total	360,000	27,000	15,000	-	-	-	402,000	-	-	-	-	-	-	-	402,000	-
2. Executive Directors																
Mr. Nasser Mohammed Al Huqbani	200,000	15,000	15,000	-	-	-	230,000	-	-	-	-	-	-	-	230,000	-
Mr. Faisal Abdullah Al Nassar	200,000	15,000	15,000	-	-	-	230,000	-	-	-	-	-	-	-	230,000	-
Mr. Hesham Sulaiman Al Habib	200,000	15,000	15,000	-	-	-	230,000	-	-	-	-	-	-	-	230,000	-
Total	600,000	45,000	45,000	-	-	-	690,000	-	-	-	-	-	-	-	690,000	-
3. Independent Directors																
Mr. Mazen Abdulrazzaq Al Rumaih	200,000	15,000	15,000	-	-	-	230,000	-	-	-	-	-	-	-	230,000	-
Mr. Obaid Abdullah Al Rasheed	200,000	15,000	9,000	-	-	-	224,000	-	-	-	-	-	-	-	224,000	-
Dr. Abdulrahman Sulaiman Al Turaigi	40,000	3,000	18,000	-	-	-	61,000	-	-	-	-	-	-	-	61,000	-
Mr. Rasheed Abdulrahman AlRasheed	40,000	3,000	0	-	-	-	43,000	-	-	-	-	-	-	-	43,000	-
Total	480,000	36,000	42,000	-	-	-	558,000	-	-	-	-	-	-	-	558,000	-
4. Non-Executive Directors whose membership expired during 2021																
H.E. Nabeel Mohammed Al Amudi	160,000	12,000	0	-	-	-	172,000	-	-	-	-	-	-	-	172,000	-
Total	160,000	12,000	0	-	-	-	172,000	-	-	-	-	-	-	-	172,000	-
5. Independent Directors whose membership expired during 2021																
Mr. Ziad Fouad Al Saleh	160,000	12,000	9,000	-	-	-	181,000	-	-	-	-	-	-	-	181,000	-
Total	160,000	12,000	9,000	-	-	-	181,000	-	-	-	-	-	-	-	181,000	-

(1) The annual remuneration for the Board membership for the year 2021 will be paid after the approval of the General Assembly.

GOVERNANCE (CONTINUED)

9. COMPENSATION AND REMUNERATION (CONTINUED)

9.6 Remuneration During 2021 (continued)

9.6.2 Remuneration of Senior Executives for the Financial Year ended 31 December 2021 (SAR)

The numbers are rounded to the nearest million in SAR.

Capacity	Fixed remuneration				Variable remuneration						End-of-service award	Total remuneration for Board	Grand total
	Salaries	Allowances	In-kind benefits	Total	Periodic remuneration	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares	Total			
Top five (5) senior executives who received the highest remuneration from the company, including the CEO and CFO	2.7	9.2	0	11.9	16.5	0	0	0	0	16.5	0.9	0.6	29.9

The Company disclosed the remunerations granted to senior executives in total in accordance with the statutory requirements contained in sub-paragraph (4/b) of paragraph (A) of article no. (93) of Corporate Governance Regulations, without disclosing it in detail; to protect the interest of the Company from the damage that may be inflicted in case of disclosing in detail, and this damage is represented in creating an atmosphere of competition and job instability, which will be reflected on the company's performance and consequently on the Shareholders.

9.6.3 Remuneration of Committee Members for the Financial Year ended 31 December 2021 (SAR)

Committee member name	Fixed remuneration (excluding the allowance for attending Committee meetings)	Allowance for attending Committee meetings	Total
1. Audit Committee members			
1 Dr. Abdulrahman Sulaiman Al Turaigi	150,000	18,000	168,000
2 Mr. Sulaiman Nasser Al Qahtani	150,000	18,000	168,000
3 Mr. Rasheed Abdulrahman Al Rasheed	0	0	0
Total	300,000	36,000	336,000
2. Nomination and Remuneration Committee			
1 Mr. Obaid Abdullah Al Rasheed	50,000	9,000	59,000
2 Eng. Saleh Mohammed Al Habib	16,667	3,000	19,667
3 Mr. Ahmad Saleh Al Sudais	50,000	9,000	59,000
Total	116,667	21,000	137,667
3. Patient Safety and Quality of Care Committee			
1 Prof. Mahmoud Shahin Al Ahwal	50,000	12,000	62,000
2 Prof. Abdullah Sulaiman Al Herbish	50,000	12,000	62,000
3 Dr. Abdulelah Mohammed Rabe Al Hawsawi	50,000	12,000	62,000
Total	150,000	36,000	186,000

Committee member name	Fixed remuneration (excluding the allowance for attending Committee meetings)	Allowance for attending Committee meetings	Total
4. Executive Committee			
1 Mr. Mazen Abdulrazzaq Al Rumaih	50,000	15,000	65,000
2 Mr. Nasser Mohammed Al Huqbani	50,000	15,000	65,000
3 Mr. Faisal Abdullah Al Nassar	50,000	15,000	65,000
4 Eng. Saleh Mohammed Al Habib	40,000	12,000	52,000
5 Mr. Hesham Sulaiman Al Habib	50,000	15,000	65,000
Total	240,000	72,000	312,000
5. Audit Committee members whose membership expired during 2021			
1 Mr. Ziad Fouad Al Saleh	75,000	9,000	84,000
Total	75,000	9,000	84,000

There are no agreements or arrangements to waive any remuneration by any of the Company's Board members or a Senior Executive.

10. SUMMARY OF ASSETS, LIABILITIES, AND BUSINESS RESULTS

The table below shows the Company's assets, liabilities, and its business results of the past five (5) fiscal years:

10.1 Assets and Liabilities Comparison

The numbers are rounded to the nearest million SAR.

Particulars	2021	2020	2019	2018	2017
Current assets	4,133.4	3,793.4	3,285.0	3,211.0	3,294.0
Non-current assets	6,693.9	5,687.7	5,182.0	4,331.0	3,706.0
Total assets	10,827.4	9,481.1	8,467.0	7,541.0	7,000.0
Current liabilities	2,047.7	1,693.7	1,495.0	1,364.0	1,303.0
Non-current liabilities	3,252.6	2,698.9	2,381.0	1,620.0	1,147.0
Total liabilities	5,300.3	4,392.7	3,877.0	2,984.0	2,450.5

10.2 Profit and Loss Comparison

The numbers are rounded to the nearest million SAR.

Particulars	2021	2020	2019	2018	2017
Revenue	7,250.5	5,861.6	5,016.3	4,587.6	4,379.0
Cost of revenue	4,920.2	3,997.2	3,492.7	3,225.6	3,113.6
Gross profit	2,330.3	1,864.4	1,523.6	1,362.0	1,265.4
Operating income	1,466.2	1,114.9	867.7	801.5	655.3
Net income	1,376.6	1,055.5	870.2	801.3	656.2

GOVERNANCE (CONTINUED)

10. SUMMARY OF ASSETS, LIABILITIES, AND BUSINESS RESULTS (CONTINUED)

10.2 Profit and Loss Comparison (continued)

Clarification of any material differences in the operational results compared with the preceding year’s results, or any expectations announced by the Company:

The numbers are rounded to the nearest million SAR.

Particulars	2021	2020	Change (+) or (-)	Percentage change
Revenue	7,250.5	5,861.6	1,388.9	23.7%
Cost of revenue	4,920.2	3,997.2	923.0	23.1%
Gross profit	2,330.3	1,864.4	465.9	25.0%
Operating expenses	864.1	749.5	114.6	15.3%
Operating income	1,466.2	1,114.9	351.3	31.5%
Net income	1,376.6	1,055.5	321.1	30.4%

10.3 Geographical Analysis of the Company's, and its Subsidiaries, and Affiliates, Gross Revenue

The numbers are rounded to the nearest million SAR.

Year	Gross revenue	The eastern geographic region (Khobar)	The central geographic region (Riyadh)	The central geographic region (Qassim)	The external geographic region (United Arab Emirates)	The external geographic region (Bahrain)
2021	7,250.5	819.8	5,442.6	491.7	492.6	3.8

11. LOANS

The Group has used a variety of banking facilities, along with cash flows from operating activities, to meet the capital expenditure requirements. The Group intends to continue its strategy of leveraging cash flows from operating activities and long-term loans from banks to maintain an ideal financing structure. It is worth noting that all the bank facilities obtained by the Company are in accordance with the provisions of Islamic Sharia and are approved by the Sharia committees inside the banks.

Loans as of 31 December 2021 (numbers are rounded to the nearest million SAR):

	The creditor name	The amount of the principal loan	The loan term	Amounts paid by the Company in repayments of loans during the year	The remaining amount	Statement of the total indebtedness of the Company and its subsidiaries and affiliates
a	Loans from local banks	3,469.6		307.9	2,355.9	2,355.9
1	Saudi British Bank	1,681.3		135.8	1,242.8	1,242.8
	Loan #1	608.3	Last installment due in 2022	135.8	169.8	169.8
	Loan #2	643.0	Last installment due in 2033	-	643.0	643.0
	Loan #3	430.0	Last installment due in 2030	-	430.0	430.0

	The creditor name	The amount of the principal loan	The loan term	Amounts paid by the Company in repayments of loans during the year	The remaining amount	Statement of the total indebtedness of the Company and its subsidiaries and affiliates
2	National Commercial Bank	1,788.3		172.1	1,113.1	1,113.1
	Loan #1	536.3	Last installment due in 2021	36.5	-	-
	Loan #2	25.8	Last installment due in 2021	22.5	-	-
	Loan #3	1,226.2	Last installment due in 2030	113.1	1,113.1	1,113.1
b	Ministry of Finance	627.3		24.2	477.9	477.9
	Loan #1	20.8	Last installment due in 2026	1.3	6.5	6.5
	Loan #2	37.1	Last installment due in 2028	2.3	18.5	18.5
	Loan #3	44.1	Last installment due in 2026	2.8	16.5	16.5
	Loan #4	50.0	Last installment due in 2027	3.1	18.8	18.8
	Loan #5	75.3	Last installment due in 2028	4.7	37.6	37.6
	Loan #6	200.0	Last installment due in 2039	10.0	180.0	180.0
	Loan #7	200.0	Last installment due in 2041	-	200.0	200.0
	Total Loans	4,096.9		332.1	2,833.8	2,833.8

* This amount represents the remaining balance of the loans granted by the Ministry of Finance, which is divided into loans and Government grants where both included in the consolidated financial statements and presented as per IAS 20 according standards requirements.

12. STATEMENT OF THE BOARD OF DIRECTORS’ RESPONSIBILITIES

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other Standards and issuances endorsed by the Saudi Organization for Auditors and Accountants.

The External Auditor’s report has not contained any reservations on the Annual Financial Statements. There is no recommendation from the Board to replace the external auditor before the end of its term.

There was no recommendation by the Audit Committee regarding the need to appoint an Internal Auditor because the Company already has an Internal Audit Department.

The Board confirms the following:

- Proper books of accounts have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no significant doubts concerning the Company's ability to continue its activity.
- There was no recommendations by the Audit Committee which conflicts with Board resolutions, or any recommendations that the Board refused to take regarding the appointment, dismissal, determining the remuneration and assessment of the performance of an external auditor to the Company, or appointment of an internal auditor.
- No convertible debt instruments, contractual securities, preemptive right or similar rights were issued or granted by the Company during the year 2021.
- No conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights were issued or granted by the Company during the year 2021 or any preceding years.
- No debt instruments were issued by the Company or its affiliates. Consequently, the Company did not purchase, redeem or cancel any debt instruments or such securities mentioned above.
- No investments have been made and no reserves have been set up for the benefit of the employees of the Company.

Committed to strong financial performance

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INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP
COMPANY (SAUDI JOINT STOCK COMPANY)

OPINION

We have audited the consolidated financial statements of Dr. Sulaiman Al Habib Medical Services Group Company and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
During the year ended 31 December 2021, the Group recognized revenue of SR 7.2 billion (2020: SR 5.9 billion).	Our audit procedures included, among others, the following:
The Group recognizes revenue upon satisfaction of performance obligations attached to medical and related services at the fair value of consideration received or receivable, net of variable consideration.	<ul style="list-style-type: none">Assessed the appropriateness of the Group’s revenue recognition.Assessed the appropriateness of significant accounting judgments, estimates and assumptions made by the management to determine the variable consideration.Assessed the design and tested (on a sample basis) the operating effectiveness of relevant controls in relation to revenue recognition.Involved our IT experts in testing the applied IT controls and the internal control around them.Performed analytical procedures by comparing the expectations with actual revenue and analysing the variances.Performed tests (on a sample basis) of settlements, claims and collections made with major clients of the group.Assessed the adequacy of relevant disclosures in the consolidated financial statements.
Certain contracts with customers include variable considerations in the form of prompt payment discount or any expected discounts for some of the services provided. Significant accounting judgments, estimates and assumptions are made by the management to determine the variable consideration.	
Revenue recognition is considered as a key audit matter due to the existence of risks associated with the amount of revenues related to the controls and judgments that mainly depend on management’s estimates when the amount of revenue is recognised.	
Refer to note 4.4 for the accounting policy related to revenue recognition and note 5.1 for estimates and assumption used in revenue recognition.	

OTHER INFORMATION INCLUDED IN THE GROUP’S 2021 ANNUAL REPORT

Other information consists of the information included in the Group’s 2021 annual report, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information in its annual report. The Group’s 2021 annual report is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group’s 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies’ Law and Company’s By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DR. SULAIMAN AL HABIB MEDICAL SERVICES GROUP COMPANY (SAUDI JOINT STOCK COMPANY) (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services




Rashid S. Roshod
Certified Public Accountant
License No. (366)

Riyadh: 19 Rajab 1443
(20 February 2022)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	31 December 2021 SR	31 December 2020 SR
Assets			
Current assets			
Cash and cash equivalents	7	2,643,829,664	2,339,263,767
Accounts receivable	8	899,270,622	844,329,440
Advances to suppliers and contractors		15,866,026	8,325,335
Prepaid expenses and other assets	9	167,575,020	221,531,447
Inventories	10	406,888,624	379,910,293
Total current assets		4,133,429,956	3,793,360,282
Non-current assets			
Investments in associates	11	41,358,409	39,869,789
Property and equipment	12	6,652,578,893	5,647,943,122
Total non-current assets		6,693,937,302	5,687,812,911
Total assets		10,827,367,258	9,481,173,193
Liabilities and equity			
Liabilities			
Current liabilities			
Current portion of long-term loans	28.1	317,666,499	330,020,751
Accounts payable	13	805,131,366	628,162,484
Advances from customers		33,211,656	37,334,621
Accrued expenses and other liabilities	15	715,804,263	555,075,323
Zakat payable	16	131,383,111	101,144,451
Current portion of government grant	17	5,328,414	3,670,596
Current portion of lease liabilities	28.2	39,194,713	38,320,170
Total current liabilities		2,047,720,022	1,693,728,396
Non-current liabilities			
Long-term loans	28.1	2,444,907,730	2,029,640,764
Government grant	17	65,891,978	74,458,835
Lease liabilities	28.2	252,636,080	232,519,658
Employees' end-of-service benefits	18	489,135,445	362,296,404
Total non-current liabilities		3,252,571,233	2,698,915,661
Total liabilities		5,300,291,255	4,392,644,057
Equity			
Issued and paid-up share capital	19	3,500,000,000	3,500,000,000
Statutory reserve	20	711,082,326	573,420,806
Retained earnings		1,128,089,112	838,322,887
Equity attributable to equity holders of the parent		5,339,171,438	4,911,743,693
Non-controlling interests		187,904,565	176,785,443
Total equity		5,527,076,003	5,088,529,136
Total liabilities and equity		10,827,367,258	9,481,173,193

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 SR	2020 SR
Revenue		7,250,472,190	5,861,604,636
Cost of revenue		(4,920,242,730)	(3,997,193,532)
Gross profit		2,330,229,460	1,864,411,104
Selling and marketing expenses	22	(242,327,120)	(214,669,584)
General and administrative expenses	23	(621,751,073)	(534,885,033)
Operating income		1,466,151,267	1,114,856,487
Share of income (loss) of associates	11	7,488,620	1,837,777
Finance costs	24	(37,896,011)	(48,495,019)
Other income	25	65,599,807	59,602,357
Income before zakat		1,501,343,683	1,127,801,602
Zakat	16	(114,066,324)	(92,787,895)
Income for the year		1,387,277,359	1,035,013,707
Attributable to:			
Equity holders of the parent		1,376,615,197	1,055,482,320
Non-controlling interests		10,662,162	(20,468,613)
		1,387,277,359	1,035,013,707
Earnings per share:	26		
<i>Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent</i>		3.93	3.02

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 SR	2020 SR
Income for the year		1,387,277,359	1,035,013,707
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement loss on employees' end-of-service benefits	18	(3,730,492)	(12,278,343)
Other comprehensive loss for the year		(3,730,492)	(12,278,343)
Total comprehensive income for the year		1,383,546,867	1,022,735,364
Attributable to:			
Equity holders of the parent company		1,372,427,745	1,042,866,974
Non-controlling interests		11,119,122	(20,131,610)
		1,383,546,867	1,022,735,364

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders of the parent				Non-controlling interests SR	Total equity SR
	Issued and paid-up share capital SR	Statutory reserve SR	Retained earnings SR	Total SR		
As at 1 January 2020	3,500,000,000	467,872,574	426,004,145	4,393,876,719	196,917,053	4,590,793,772
Income for the year	-	-	1,055,482,320	1,055,482,320	(20,468,613)	1,035,013,707
Other comprehensive income (loss)	-	-	(12,615,346)	(12,615,346)	337,003	(12,278,343)
Total comprehensive income (loss)	-	-	1,042,866,974	1,042,866,974	(20,131,610)	1,022,735,364
Transfer to statutory reserve	-	105,548,232	(105,548,232)	-	-	-
Dividends (note 21)	-	-	(525,000,000)	(525,000,000)	-	(525,000,000)
As at 31 December 2020	3,500,000,000	573,420,806	838,322,887	4,911,743,693	176,785,443	5,088,529,136
Income for the year	-	-	1,376,615,197	1,376,615,197	10,662,162	1,387,277,359
Other comprehensive income (loss)	-	-	(4,187,452)	(4,187,452)	456,960	(3,730,492)
Total comprehensive income	-	-	1,372,427,745	1,372,427,745	11,119,122	1,383,546,867
Transfer to statutory reserve	-	137,661,520	(137,661,520)	-	-	-
Dividends (note 21)	-	-	(945,000,000)	(945,000,000)	-	(945,000,000)
As at 31 December 2021	3,500,000,000	711,082,326	1,128,089,112	5,339,171,438	187,904,565	5,527,076,003

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 SR	2020 SR
Operating activities			
Income before zakat		1,501,343,683	1,127,801,602
Non-cash adjustments to reconcile income before zakat to net cash flows:			
Depreciation	12	314,793,507	317,823,000
Share of income of associates	11	(7,488,620)	(1,837,777)
Allowance for expected credit losses	8 & 22	145,674,650	132,749,706
Finance costs	24	37,896,011	48,495,019
Employees' end-of-service benefits	18	156,872,615	115,535,500
		2,149,091,846	1,740,567,050
Working capital adjustments:			
Accounts receivable		(200,615,832)	530,060,437
Advances to suppliers and contractors		(7,540,691)	8,258,376
Inventories		(26,978,331)	(83,968,935)
Prepaid expenses and other assets		54,112,902	44,054,175
Accounts payable		176,968,882	(27,806,461)
Advances from customers		(4,122,965)	(6,122,497)
Accrued expenses and other liabilities		159,469,046	141,750,377
Cash generated from operations		2,300,384,857	2,346,792,522
Zakat paid	16	(83,827,664)	(79,675,070)
Employees' end-of-service benefits paid	18	(33,764,066)	(32,828,231)
Net cash from operating activities		2,182,793,127	2,234,289,221
Investing activities			
Purchase of property and equipment		(1,253,523,660)	(813,979,282)
Dividends from associates	11	6,000,000	2,000,000
Net cash used in investing activities		(1,247,523,660)	(811,979,282)
Financing activities			
Proceeds from long-term loans, net		396,003,675	349,707,432
Finance costs paid		(36,636,117)	(50,625,156)
Lease liabilities paid		(45,071,128)	(53,789,090)
Dividends paid	21	(945,000,000)	(525,000,000)
Net cash used in financing activities		(630,703,570)	(279,706,814)
Net increase in cash and cash equivalents		304,565,897	1,142,603,125
Cash and cash equivalents at the beginning of the year	7	2,339,263,767	1,196,660,642
Cash and cash equivalents at the end of the year	7	2,643,829,664	2,339,263,767
Non-cash transactions:			
Recognition of right-of-use assets	12	79,800,405	12,838,743
Recognition of lease liabilities	28.2	79,800,405	12,838,743

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

1. CORPORATE INFORMATION AND ACTIVITIES

Dr. Sulaiman Al Habib Medical Services Group Company (the “Company”) (a Saudi joint stock company) is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010118330 dated 11 Jumad Thani 1414H (corresponding to 25 November 1993). The registered office is located at Olaya District, P.O. Box 301578, Riyadh 11372, KSA, and the Company was listed on the Saudi Stock Exchange (Tadawul) on 22 Rajab1441H (corresponding to 17 March 2020).

The activities of the company and its following subsidiaries (collectively referred to as “the Group”) are to provide private health services and ancillary services for its operations in the Kingdom and the region through the establishment, management, and operation of hospitals, general and specialized medical complexes, day surgery centers, pharmaceutical facilities, and other ancillary areas, which include providing services. Home medical care, specialized medical laboratories, technology services, information systems, and facility maintenance services.

The Company has two branches, the first in Riyadh, Kingdom of Saudi Arabia, “Branch of Dr. Sulaiman Al Habib Medical Services Group Company” (“the Branch”) under commercial registration number 1010357146 dated 24 Muharram 1434H (corresponding to 8 December 2012). The Branch’s objectives include trading in wholesale and retail of cosmetics and maintenance of medical equipment. The second one in the Kingdom of Bahrain is “Dr. Sulaiman Al-Habib Medical Services Group Holding Company – Foreign Branch” (“the Foreign Branch”) under commercial registration number 81609-1 dated 22 Rajab 1433H (corresponding to 12 June 2012). The objectives of the Foreign Branch include activities of head offices and management offices.

The consolidated financial statements include the financial information of the branches mentioned above and subsidiaries mentioned in note 3.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations as issued by the International Accounting Standards Board (“IASB”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (collectively referred to as “IFRS” as endorsed in Kingdom of Saudi Arabia).

These consolidated financial statements are prepared on a historical cost basis unless otherwise stated in the accounting policies below. The consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company and all values are rounded to the nearest one Riyal, except when otherwise indicated.

3. BASIS OF CONSOLIDATION

These consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (collectively referred to as “the Group”), mainly domiciled in Kingdom of Saudi Arabia (“KSA”) and United Arab Emirates (“UAE”) as at 31 December 2021 and 31 December 2020:

	Country of incorporation and business	Activities	Ownership %	
			31 December 2021	31 December 2020
Sehat Al Olaya Medical Complex Company	KSA	Hospital	100%	100%
Asharq Alawsat Pharmacies Company*	KSA	Pharmacy	100%	100%
Dr. Sulaiman Al Habib Hospital FZ - LLC	UAE	Hospital	100%	100%
Buraidah Al Takhassusi Hospital for Healthcare Company	KSA	Hospital	100%	100%
Al Rayan Hospital for Healthcare Company	KSA	Hospital	100%	100%
Home Healthcare Company	KSA	Home Healthcare services	100%	100%
Antab Al Riyadh for Operation and Maintenance Company**	KSA	Ancillary services	–	100%
Al Gharb Al Takhassusi Hospital for Healthcare Company	KSA	Hospital	100%	100%
Al Mokhtabarat Diagnostic Medical Company	KSA	Laboratory services	100%	100%
Sehat Al Suwaidi Medical Company	KSA	Hospital	100%	100%
Hulool Al Sahaba for IT & Communication Company	KSA	IT support services	100%	100%
Al Rayan for Maintenance and Operation Company**	KSA	Ancillary services	–	100%
Al Afia Pharmacies for Medicines Company**	KSA	Pharmacy	–	100%
Intensive Care Company for Healthcare	KSA	Medical services	100%	100%
Sehat Al Sharq Medical Limited Company	KSA	Hospital	50%	50%
Al Wosta Medical Limited Company	KSA	Hospital	50%	50%
Gharb Jeddah Hospital Company	KSA	Hospital	50%	50%
Shamal Al Riyadh for Healthcare Company	KSA	Hospital	100%	100%
Al Muhammadiyah Hospital for Healthcare Company	KSA	Hospital	100%	100%
Taswyat Management Company	KSA	Revenue cycle management	100%	100%
Al Marakez Al Awwalyah for Health Care Company	KSA	Medical Primary Healthcare centers	100%	100%
Rawabet Medical Company	KSA	Telemedicine services	100%	100%
Flow Medical Company	KSA	Medical equipments maintenance	100%	–
Sehat Al Kharj for Healthcare Company	KSA	Hospital	100%	–

* During 2020, the other partner (other party) has assigned his share to the benefit of the Company (which is 1%).

** During 2021, Al Afia Pharmacies for Medicines Company, Antab Al Riyadh for Operation and Maintenance Company and Al Rayan for Maintenance and Operation Company were transferred as a branch to Asharq Alawsat Pharmacies Company, Sehat Al Olaya Medical Complex Company and Al Rayan Hospital for Healthcare respectively. All legal requirements related to the transfer were completed. Transfer was done at net book value of the assets and liabilities.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

3. BASIS OF CONSOLIDATION (CONTINUED)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

4.1 Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in consolidated statement of income. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

4.2 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of income reflects the Group's share of income of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of income of an associate is shown on the face of the consolidated statement of income outside operating profit and represents income after zakat and tax wherever applicable.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as 'Share of income of associates' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

4.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or the liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Fair value measurement (continued)

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.4 Revenue recognition

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Patient services

The patient services revenue is recognized when the services are rendered to the patient net off for any discount or rebates expected at the time of providing services to the patients.

Sale of goods

The sales from medicine, cosmetics, medical supplies and medical equipment are recognized when goods are delivered to patients and all the control have been transferred to them. The sales are recorded net off any discount or rebates expected at the time of delivery of goods to the patients.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of income.

Others

All other revenues are recognized on an accrual basis.

For advance from customer or accounts receivable, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

4.5 Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rate prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income, if material.

The results and financial position of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of equity (except retained earnings and non-controlling interest) are translated at the rate prevailing on the acquisition date.
- Assets and liabilities are translated using the exchange rate prevailing at the reporting date.
- Statement of income items are translated using the weighted average rate for the year. Material gains and losses are translated at the rate prevailing on the date of their occurrence.
- All resulting exchange differences, if material, are recognized as a separate component of equity.

When those entities are partially sold or disposed of, exchange differences that were recorded in equity are recognized in the consolidated statement of income as part of the gains or losses on sale.

4.6 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to consolidated statement of income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

4.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing parts of the property and equipment, borrowing costs for long-term construction projects if the recognition criteria are met and decommissioning and site restoration costs, if applicable.

Depreciation is calculated on all property and equipment, other than land and capital work-in-progress, at the following useful lives calculated to write off the cost of each asset on a straight-line basis over its expected useful life:

	Years
Buildings	10 - 33
Leasehold improvements	The estimated useful life or lease period whichever is lower
Medical and general equipment	5 - 10
Motor vehicles and ambulances	4 - 10
Furniture, fixtures and office equipment	4 - 6.67
Right of use Assets	The estimated useful life or lease period whichever is lower

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Property and equipment (continued)

Capital work-in-progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated statement of income as the expense is incurred.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income under other operating income when the asset is de-recognized.

The expected useful lives and residual values of property and equipment are reviewed annually and adjusted prospectively as appropriate. The review of the asset lives and residual values of properties and equipment takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the property and equipment in a fit and proper state for their ongoing use at hospitals and the forecast timing of disposal.

4.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized as income immediately in the consolidated statement of income.

4.9 Leases

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value (i.e., below SR 20,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

Classification

The Group classifies its financial assets into the following measurement categories:

- Those to be measured subsequently at amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Financial instruments (continued)

The classification depends on the Group's contractual terms of the financial assets cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income. Financial liabilities are not reclassified.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through profit or loss and other comprehensive income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through the profit or loss are expensed in the consolidated statement of income or other comprehensive income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the profit or loss or other comprehensive income (irrevocable election at the time of recognition).

De-recognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income or other comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

For accounts receivables, the Group recognizes expected credit losses based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognizes a loss allowance based on lifetime expected credit losses at each reporting date.

Objective evidence that financial assets are impaired may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.12 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

4.13 Inventories

Inventories are measured at the lower of cost or net realizable value with due allowance for any obsolete or slow moving items, near to expiry items and damages. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

4.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group may expect some or all of a provision to be reimbursed, for example under an insurance contract, these reimbursements are recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4.15 Employees' end-of-service benefits

The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The plan is unfunded. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, excluding amounts included in consolidated statement of income on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

Past service costs are recognized in consolidated statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs.

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

4.16 Zakat and Value Added Tax (VAT)

Zakat is provided for in accordance with Zakat, Tax and Customs Authority ("ZATCA") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the consolidated statement of income. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Zakat is calculated on a consolidated basis for the Company and its 100% legally owned subsidiaries since 31 December 2009. Accordingly, the Company and its 100% legally owned subsidiaries are considered as a single entity for the purposes of Zakat calculation. As for the subsidiaries which are less than 100% owned by the Company, Zakat is calculated on a standalone basis.

The subsidiary registered in free zone - Dubai, United Arab Emirates and the branch in the Kingdom of Bahrain, are not subject to any Zakat or taxation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Zakat and Value Added Tax (VAT) (continued)

Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

4.17 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018–2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the International Accounting Standards Board issued amendments to IAS 8, introducing a definition of "accounting estimates". Adjustments clarify the difference between changes in accounting estimates and changes in accounting policies and corrections of errors. It also describes how entities use measurement and input techniques to develop accounting estimates.

The amendment is effective for annual periods beginning on or after 1 January 2023 and applies to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early application is permitted as long as the relevant estimates are disclosed.

The amendment is not expected to have a material impact on the Group.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, ASSUMPTIONS

5.1 Estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue Recognition

The application of IFRS 15 has required management to make the following judgements:

Satisfaction of performance obligations

The Group is required to assess each of its contracts with patients to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, ASSUMPTIONS (CONTINUED)

5.1 Estimates and assumptions (continued)

Revenue Recognition (continued)

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its agreements with customers (mainly insurance companies). In making such judgment the Group assess the impact of any variable consideration in the contract, due to insurance claims discount or any other variable items, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

Transfer of control in contracts with customers

In case where the Group determines that performance obligation are satisfied at a point in time, revenue is recognized when services or control over the assets that is subject of contract is transferred to the patients.

Allowance for expected credit losses

For accounts receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from published default rates and historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Employees' end-of-service benefits

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Useful lives of property and equipment

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

Provision for inventories

Inventories are held at the lower of cost or net realizable value. When inventories become slow moving or obsolete or near to expiry or damages, an estimate is made for their fair value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are slow moving or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

5.2 Critical judgements in applying accounting standards

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Component parts of property and equipment

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately.

Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

Determination of control and significant influence

Management's judgement in assessing control over consolidated subsidiaries

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

In certain cases where the Group owns less than 50% of voting rights, it may still be the single largest partner with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-Vote the Group.

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of 5 to 15 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

6. SEGMENT INFORMATION

Operating segments is determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM").

The CODM uses underlying income as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' performance for the period under evaluation. Revenue and segment profit is a consistent measure within the Group.

The identified key segments are Hospitals/Healthcare Facilities, Pharmacies and HMG Solutions/Others. The segment results for the year ended 31 December 2021 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

Year ended 31 December 2021	Hospitals/ Healthcare Facilities	Pharmacies	HMG Solutions/ Others	Total
	SR' millions			
Saudi Arabia:				
Revenue	5,156	1,293	305	6,754
Gross profit	1,701	430	120	2,251
Outside Saudi Arabia:				
Revenue	430	62	4	496
Gross profit	62	13	4	79
Total				
Revenue	5,586	1,355	309	7,250
Gross profit*	1,763	443	124	2,330
Unallocated income (expenses)				
Selling and marketing				(242)
General and administrative				(622)
Operating income				1,466
Share of income of associates				7
Finance costs				(38)
Other income				66
Income before zakat				1,501
Zakat				(114)
Income for the year				1,387
As at 31 December 2021				
Saudi Arabia:				
Total assets	7,411	320	2,526	10,257
Total liabilities	4,040	435	686	5,161
Outside Saudi Arabia				
Total assets	514	40	16	570
Total liabilities	123	13	3	139
Total				
Total assets	7,925	360	2,542	10,827
Total liabilities	4,163	448	689	5,300

Year ended 31 December 2020	Hospitals/ Healthcare Facilities	Pharmacies	HMG Solutions/ Others	Total
	SR' millions			
Saudi Arabia:				
Revenue	4,155	987	255	5,397
Gross profit	1,350	330	101	1,781
Outside Saudi Arabia:				
Revenue	447	14	4	465
Gross profit	77	2	4	83
Total				
Revenue	4,602	1,001	259	5,862
Gross profit*	1,427	332	105	1,864
Unallocated income (expenses)				
Selling and marketing				(215)
General and administrative				(535)
Operating income				1,114
Share of income of associates				2
Finance costs				(48)
Other income				60
Income before zakat				1,128
Zakat				(93)
Income for the year				1,035
As at 31 December 2020				
Saudi Arabia:				
Total assets	6,328	304	2,289	8,921
Total liabilities	3,168	326	782	4,276
Outside Saudi Arabia				
Total assets	536	15	9	560
Total liabilities	100	15	2	117
Total				
Total assets	6,864	319	2,298	9,481
Total liabilities	3,268	341	784	4,393

* Cost of revenue includes employees' cost amounting to SR 2,614 million (2020: SR 2,142 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

7. CASH AND CASH EQUIVALENTS

	As at 31 December 2021 SR	As at 31 December 2020 SR
Short-term deposits with banks	2,068,891,279	1,673,445,113
Cash at banks	564,723,677	658,181,842
Cash on hand	10,214,708	7,636,812
	2,643,829,664	2,339,263,767

8. ACCOUNTS RECEIVABLE

	As at 31 December 2021 SR	As at 31 December 2020 SR
Accounts receivable - trade	1,079,938,638	960,028,010
Less: allowance for expected credit losses	(180,668,016)	(115,698,570)
	899,270,622	844,329,440

The movement in the allowance for expected credit losses is as follows:

	As at 31 December 2021 SR	As at 31 December 2020 SR
At the beginning of the year	115,698,570	60,317,650
Charge for the year (note 22)	145,674,650	132,749,706
Write-off during the year	(80,705,204)	(77,368,786)
At the end of the year	180,668,016	115,698,570

As of 31 December, the ageing analysis of unimpaired trade receivables is as follows:

	Total SR	Less than one year SR	Greater than one year SR
31 December 2021	899,270,622	849,618,644	49,651,978
31 December 2020	844,329,440	836,945,793	7,383,647

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. As at 31 December 2021 the allowance for expected credit losses reached SR 180,668,016 (as at 31 December 2020: SR 115,698,570).

As at 31 December 2021, approximately 93% of the Group's accounts receivable's balance was due from various governmental and insurance entities (31 December 2020: SR 94%).

The Group's credit terms require receivables to be repaid within 30-90 days of the claim date depending on the type of customer, which is in line with healthcare industry. Due to short credit period offered to customers, a significant amount of accounts receivable are neither past due nor impaired.

9. PREPAID EXPENSES AND OTHER ASSETS

	As at 31 December 2021 SR	As at 31 December 2020 SR
Prepaid expenses	115,287,093	119,455,486
Advances to employees	21,853,674	68,952,684
Others	30,434,253	33,123,277
	167,575,020	221,531,447

10. INVENTORIES

	As at 31 December 2021 SR	As at 31 December 2020 SR
Inventories	413,425,181	385,746,703
Less: provision for inventories	(6,536,557)	(5,836,410)
	406,888,624	379,910,293

Cost of inventories recognized in the consolidated statement of income for the year ended 31 December 2021 amounted to SR 1,607,687,533 (2020: SR 1,200,725,576).

11. INVESTMENTS IN ASSOCIATES

The Group investment in associates comprise of:

- 50% interest in Dr. Abdulaziz Ibrahim Al Ajaji Dental Clinic Group Company ("Ajaji Dental"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010218565 dated 6 Ramadan 1434H (corresponding to 14 July 2013). Ajaji Dental objectives include establishment and management of hospitals, dentistry centers and laboratories tests and x-rays centers, dentistry colleges and institutes and import and distribute medical equipment.
- 40% interest in Serco Saudi Services Company ("SERCO"), a Saudi limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration no. 1010242254 dated 15 Ramadan 1434H (corresponding to 23 July 2013). SERCO objectives include works and maintenance to buildings construction, electricity, mechanical, cooling systems, and building cleaning.

The Group's interest in its associates is accounted for using the equity method in the consolidated financial statements. The financial information of the associates are not material at the Group level therefore, summarized financial information of the associates have not been presented.

During the year, the movement of investments in associates is as follows:

	Opening balance SR	Share of income (loss) SR	Dividends SR	Ending balance SR
2021				
Ajaji Dental	32,077,746	7,127,812	(6,000,000)	33,205,558
SERCO	7,792,043	360,808	-	8,152,851
Total	39,869,789	7,488,620	(6,000,000)	41,358,409
2020				
Ajaji Dental	30,447,858	3,629,888	(2,000,000)	32,077,746
SERCO	9,584,154	(1,792,111)	-	7,792,043
Total	40,032,012	1,837,777	(2,000,000)	39,869,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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12. PROPERTY AND EQUIPMENT

Cost	Land SR	Buildings and leasehold improvements SR	Medical and general equipment SR	Motor vehicles and ambulances SR	Furniture, fixtures and office equipment SR	Right of use Assets SR	Capital work-in- progress* SR	Total SR
At 1 January 2020	1,711,012,754	2,624,462,649	1,187,434,023	10,229,117	477,016,054	378,080,342	208,347,389	6,596,582,328
Additions	376,540,530	4,195,017	68,721,194	192,878	38,335,593	12,838,743	334,496,649	835,320,604
Disposals/transfers	-	54,877,306	27,241,129	(371,550)	49,206,458	(14,936,733)	(147,489,469)	(31,472,859)
At 31 December 2020	2,087,553,284	2,683,534,972	1,283,396,346	10,050,445	564,558,105	375,982,352	395,354,569	7,400,430,073
Additions	410,441,527	48,280,357	77,889,207	3,099,702	34,721,853	79,800,405	705,305,296	1,359,538,347
Disposals/transfers	64,590,505	15,253,347	(21,406,456)	(5,455)	7,431,970	(28,797,578)	(130,553,554)	(93,487,221)
At 31 December 2021	2,562,585,316	2,747,068,676	1,339,879,097	13,144,692	606,711,928	426,985,179	970,106,311	8,666,481,199
Depreciation								
At 1 January 2020	-	412,417,832	668,531,351	8,302,141	317,379,824	47,672,408	-	1,454,303,556
Charge for the year	-	92,169,612	109,717,983	599,960	60,739,432	54,596,013	-	317,823,000
Disposals/transfers	-	(809,232)	(3,576,975)	(373,500)	(6,370,358)	(8,509,540)	-	(19,639,605)
At 31 December 2020	-	503,778,212	774,672,359	8,528,601	371,748,898	93,758,881	-	1,752,486,951
Charge for the year	-	93,890,037	108,875,977	330,704	59,014,671	52,682,118	-	314,793,507
Disposals/transfers	-	(316,725)	(34,494,396)	-	(3,664,240)	(14,902,791)	-	(53,378,152)
At 31 December 2021	-	597,351,524	849,053,940	8,859,305	427,099,329	131,538,208	-	2,013,902,306
Net book value								
At 31 December 2021	2,562,585,316	2,149,717,152	490,825,157	4,285,387	179,612,599	295,446,971	970,106,311	6,652,578,893
At 31 December 2020	2,087,553,284	2,179,756,760	508,723,987	1,521,844	192,809,207	282,223,471	395,354,569	5,647,943,122

* Capital work-in-progress represents cost incurred to date on different hospital projects of the Group.

** Property and equipment include land, building and medical equipment amounting to the extent of SR 627,254,500 (2020: SR 627,254,500) pledged against the loans obtained from the Ministry of Finance (note 28).

The depreciation charge has been allocated in the consolidated statement of income as follows:

	For the year ended	
	31 December 2021 SR	31 December 2020 SR
Cost of revenue	261,444,077	269,382,148
General and administrative expenses (note 23)	50,443,843	45,911,796
Selling and marketing expenses (note 22)	2,905,587	2,529,056
	314,793,507	317,823,000

13. ACCOUNTS PAYABLE

	As at 31 December 2021 SR	As at 31 December 2020 SR
Accounts payable*	751,371,665	595,078,874
Contractors' payables and retentions	46,153,199	27,743,084
Others	7,606,502	5,340,526
	805,131,366	628,162,484

* Included in the accounts payable are balances payable to related parties amounting to SR 62,908,203 (2020: SR 52,449,559).

14. RELATED PARTY DISCLOSURES

Related parties represent shareholders, Directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Related party transactions

Significant transactions and balances with related parties in the ordinary course of business which are included in the consolidated financial statements are summarized as follows:

Nature of transaction	Related party	Relationship	2021 SR	2020 SR
Capital work-in-progress	Masah Contracting Company	Other related party	208,576,741	186,143,813
Capital work-in-progress	Namara Specialist Establishment for Trading	Other related party	508,496	354,578
Purchases and services	Serco Saudi Services Company	Associate	36,843,122	47,737,400
Purchases and services	Rawafed Al Seha International Company	Other related party	32,485,728	39,658,427
Revenue	Dr. Abdulaziz Ibrahim Ajaji Dental Clinics Company	Associate	52,131,223	38,260,862
Purchases and services	Members of the Board of Directors	Affiliates	108,295,862	20,070,891

Compensation of key management personnel of the Group

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

	For the year ended	
	31 December 2021 SR	31 December 2020 SR
Short-term employee benefits	11,880,000	11,280,000
Post-employment and medical benefits	933,151	674,500
Board of Directors and its committees remuneration	2,947,667	3,130,999
Total compensation paid to key management personnel	15,760,818	15,085,499

The board of directors has also approved during 2021 remuneration to senior executives for the year ended on 31 of December 2020 by SR 18.5 million.

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 31 December 2021 SR	As at 31 December 2020 SR
Accrued employees' salaries and benefits	563,960,263	408,827,200
Accrued expenses	92,885,468	93,743,541
Others	58,958,532	52,504,582
	715,804,263	555,075,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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16. ZAKAT PAYABLE

The Group's Zakat provision for the year ended 31 December 2021 amounted to SR 114,066,324 (2020: SR 92,787,895) which is charged to the consolidated statement of income in accordance with the ZATCA regulations.

a. Zakat base

The principal elements of the Zakat base are as follows:

	As at 31 December 2021 SR	As at 31 December 2020 SR
Shareholders' equity	4,175,920,805	4,070,372,574
Non-current assets and others	(6,058,859,686)	(5,815,184,275)
Non-current liabilities and others	4,344,810,927	3,946,521,231
Adjusted net income	1,951,185,741	1,398,907,272
Zakat base	4,413,057,787	3,600,616,802

b. Zakat provision

The movement in Zakat provision as of 31 December is as follows:

	As at 31 December 2021 SR	As at 31 December 2020 SR
Balance at the beginning of the year	101,144,451	88,031,626
Charge for the year	114,066,324	92,787,895
Paid during the year	(83,827,664)	(79,675,070)
Balance at the end of the year	131,383,111	101,144,451

c. Zakat status

The Company has filed its consolidated zakat returns for the Company and its subsidiaries (100% owned subsidiaries note 1) to ZATCA and obtained both zakat certificates and final Zakat assessments for all years up to 31 December 2020.

As for other subsidiaries (with ownership less than 100% - note 1) that are not part of the consolidated zakat base, which required submitting separate zakat returns. Sehat Al Sharq Medical Limited Company, Gharb Jeddah Hospital Company, and Al Wosta Medical Limited Company submitted their zakat returns to ZATCA, and zakat certificates were obtained up to 31 December 2020. Sehat Al Sharq Medical Limited Company obtained the final zakat assessments for all years up to 31 December 2016.

17. GOVERNMENT GRANT

The movement of the government grant during the year ending December 31 is shown as follows:

	As at 31 December 2021 SR	As at 31 December 2020 SR
As at 1 January	78,129,431	67,940,142
Received during the year	-	13,661,050
Amortised during the year	(6,909,039)	(3,471,761)
As at 31 December	71,220,392	78,129,431
Current	5,328,414	3,670,596
Non-current	65,891,978	74,458,835
	71,220,392	78,129,431

The grant represents the difference between the fair value and carrying value of the interest free loans obtained in 2019 and 2020 from Ministry of Finance to fund the construction of the new hospital and the purchase of medical and non-medical equipment. The conditions and contingencies included in the grant have been met.

18. EMPLOYEES' END-OF-SERVICE BENEFITS

a. Net defined benefit expense recognized in profit or loss

	For the year ended	
	31 December 2021 SR	31 December 2020 SR
Current service cost	144,699,456	102,784,775
Interest cost on defined benefit obligation	12,173,159	12,750,725
Net defined benefit expense	156,872,615	115,535,500

b. Changes in the present value of the defined benefit obligation:

	SR
Employees' end-of-service benefits as at 1 January 2020	267,310,792
Interest cost on defined benefit obligation	12,750,725
Current service cost	102,784,775
Actuarial loss on the defined benefit obligation recognized in OCI	12,278,343
Benefits paid	(32,828,231)
Employees' end-of-service benefits as at 31 December 2020	362,296,404
Interest cost on defined benefit obligation	12,173,159
Current service cost	144,699,456
Actuarial loss on the defined benefit obligation recognized in OCI	3,730,492
Benefits paid	(33,764,066)
Employees' end-of-service benefits as at 31 December 2021	489,135,445

c. Significant assumptions

	31 December 2021 %	31 December 2020 %
Discount rate	3.36	3.36
Future salary increases	3.00	3.00

Sensitive analysis:

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 December 2021:

31 December 2021	Impact on employees' end-of-service benefits			
	Change in assumption	Base value SR	Increase in assumption SR	Decrease in assumption SR
Sensitivity level				
Discount rate	1%	489,135,445	470,128,693	509,226,630
Future salary increases	1%	489,135,445	504,653,255	474,031,248

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation because of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

19. ISSUED AND PAID-UP SHARE CAPITAL

The Company's authorised, issued and paid-up share capital comprise of 350,000,000 shares of SR 10 each amounting to SR 3,500,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

20. STATUTORY RESERVE

In accordance with Saudi Regulations for Companies and the Group's bylaws, the Company is establishing the statutory reserve by appropriation of 10% of the annual net profit until the reserve is equal to 30% of share capital. This statutory reserve is not available for distribution to shareholders currently.

21. DIVIDEND DISTRIBUTION

During the year 2021, the Board of Directors announced the recommendation to distribute interim dividends of SR 945,000,000 at SR 2.70 per share, based on the authorization to distribute interim dividends to the shareholders, quarterly or semi-annually, for the fiscal year 2020, which was granted to the Board of Directors by the Extraordinary General Assembly No. (8), which was held on Sunday 17 Ramadan 1441H (corresponding to 10 May 2020), and the authorization to distribute interim dividends to the shareholders, quarterly or semi-annually, for the fiscal year 2021 which was granted to the Board of Directors by the Ordinary General Assembly, which was held on 9 Ramadan 1442H (corresponding to 21 April 2021), as follows:

- On 20 February 2021, the Board of Directors announced the recommendation to distribute interim dividends of SR 210 million at SR 0.60 per share (representing 6% of the nominal value of the share) for the 4th quarter of 2020. (approved by the Ordinary General Assembly meeting held on 9 Ramadan 1442 AH corresponding to 21 April 2021).
- On 24 April 2021, the Board of Directors announced the recommendation to distribute interim dividends of SR 245 million at SR 0.70 per share (representing 7% of the nominal value of the share) for the first quarter of 2021. (will be presented for approval during the next meeting of the General Assembly of Shareholders).
- On 7 August 2021, the Board of Directors announced the recommendation to distribute interim dividends of SR 245 million at SR 0.70 per share (representing 7% of the nominal value of the share) for the second quarter of 2021. (will be presented for approval during the next meeting of the General Assembly of Shareholders).
- On 23 October 2021, the Board of Directors announced the recommendation to distribute interim dividends of SR 245 million at SR 0.70 per share (representing 7% of the nominal value of the share) for the third quarter of 2021. (will be presented for approval during the next meeting of the General Assembly of Shareholders).

The interim dividends that were distributed during the year ending on 31 December 2020 were approved at the Ordinary General Assembly meeting held on 9 Ramadan 1442 AH (corresponding to 21 April 2021).

22. SELLING AND MARKETING EXPENSES

	For the year ended	
	31 December 2021 SR	31 December 2020 SR
Allowance for expected credit losses (note 8)	145,674,650	132,749,706
Employees' salaries, wages and other related benefits	58,897,402	51,937,235
Promotion and advertisement	22,789,672	17,798,159
Depreciation (note 12)	2,905,587	2,529,056
Others	12,059,809	9,655,428
	242,327,120	214,669,584

23. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended	
	31 December 2021 SR	31 December 2020 SR
Employees' salaries, wages and other related benefits	343,360,318	297,542,023
Directors' remuneration and management incentive	93,000,862	52,447,206
Depreciation (note 12)	50,443,843	45,911,796
Licenses and government fees	21,161,693	13,437,312
Repair and maintenance	13,798,486	11,619,567
Utilities and communication	13,723,590	15,190,141
Fees and subscriptions	13,716,823	5,936,753
Bank charges and commissions	10,696,581	5,640,754
Housekeeping	10,641,937	8,490,468
Consultation and professional fees	10,163,268	6,302,830
Rent	7,812,200	7,089,262
Travel expenses	2,302,038	1,888,187
Others	30,929,434	63,388,734
	621,751,073	534,885,033

24. FINANCE CHARGES

	For the year ended	
	31 December 2021 SR	31 December 2020 SR
Related to long-term loan	27,624,435	37,041,722
Related to lease liability	10,271,576	11,453,297
	37,896,011	48,495,019

25. OTHER INCOME

	For the year ended	
	31 December 2021 SR	31 December 2020 SR
Scientific support from suppliers	17,973,769	17,092,752
Rental income	15,856,181	19,742,728
HRDF receipts	13,810,702	10,885,657
Finance income	9,903,142	13,051,957
Others	8,056,013	(1,170,737)
	65,599,807	59,602,357

26. EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") is calculated by dividing the income for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is the same as the regular or basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

The following table reflects the income for the year attributable to equity holders of the parent and share data used in the basic and diluted EPS computations:

	2021 SR	2020 SR
Income for the year attributable to equity holders of the parent	1,376,615,197	1,055,482,320
Weighted average number of ordinary shares	350,000,000	350,000,000
<i>Basic and diluted earnings per share from Income for the year attributable to equity holders of the parent</i>	3.93	3.02

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

27. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group has capital commitment for construction of hospitals, as follows:

	As at 31 December 2021 SR	As at 31 December 2020 SR
Capital commitments	1,622,782,007	329,625,922

Letter of credits and guarantees

The Group has guarantees related to, as follows:

	As at 31 December 2021 SR	As at 31 December 2020 SR
Letters of credit	28,396,792	52,492,739
Letters of guarantee	148,658,877	91,412,986
	177,055,669	143,905,725

28. FINANCIAL ASSETS AND LIABILITIES

28.1 Long-term borrowings

	As at 31 December 2021 SR	As at 31 December 2020 SR
Current-portion of loans and borrowings:		
Loans from local banks ⁽ⁱ⁾	293,463,093	305,817,344
Loans from Ministry of Finance ⁽ⁱⁱⁱ⁾	24,203,406	24,203,407
	317,666,499	330,020,751
Non-current portion of loans and borrowings:		
Loans from local banks ⁽ⁱ⁾	2,062,371,403	1,628,013,057
Loans from Ministry of Finance ⁽ⁱⁱⁱ⁾	382,536,327	401,627,707
	2,444,907,730	2,029,640,764

i) Loans from local banks

The Group is financed through Islamic facilities in the form of long-term and short-term loans (Murabaha/Tawarruq) from local banks. These facilities are subject to commission rates based on Saudi Arabia Interbank Offered Rate "SIBOR" plus an agreed margin. The facilities are secured by corporate promissory notes.

Aggregate maturities of loans from local banks are as follows:

	As at 31 December 2021 SR	As at 31 December 2020 SR
Within one year	293,463,093	305,817,344
After one year but not more than five years	771,609,827	696,541,590
More than five years	1,290,761,576	931,471,467
	2,355,834,496	1,933,830,401

ii) Loans from Ministry of Finance (MoF)

The Group's long-term financing includes MoF non-interest bearing loans to finance the capital expenditures related to the Company and its subsidiaries. The loan repayment instalments are settled on equal yearly installments. Certain assets are pledged against the loans obtained from the MoF (note 12).

Aggregate maturities of loans from MoF are as follows:

	As at 31 December 2021 SR	As at 31 December 2020 SR
Within one year	24,203,406	24,203,407
After one year but not more than five years	113,026,859	136,590,094
More than five years	269,509,468	265,037,613
	406,739,733	425,831,114

28.2 Lease Liabilities

	As at 31 December 2021 SR	As at 31 December 2020 SR
As at 1 January 2021	270,839,828	318,201,882
Additions during the year	79,800,405	12,838,743
Disposal - net	(13,738,312)	(6,411,707)
Payments	(45,071,128)	(53,789,090)
As at 31 December 2021	291,830,793	270,839,828

Following is the aggregate maturities of lease liabilities:

	As at 31 December 2021 SR	As at 31 December 2020 SR
Within one year	49,874,526	49,705,313
After one year but not more than five years	145,832,166	144,909,850
More than five years	164,516,250	142,188,750
	360,222,942	336,803,913

	As at 31 December 2021 SR	As at 31 December 2020 SR
Future minimum lease payment	360,222,942	336,803,913
Less: un-amortized finance charges	(68,392,149)	(65,964,085)
Present value of minimum lease payment	291,830,793	270,839,828
Less: current-portion of lease payment	(39,194,713)	(38,320,170)
	252,636,080	232,519,658

Majority of the lease contracts relate to leased buildings for the Group's employee accommodation, in addition to administrative offices lease contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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28. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

28.3 Risk management

The Group's principal financial liabilities mainly comprise long-term loans, accounts payable, advances from customers, amounts due to related parties, accrued expenses and other liabilities and zakat payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable, cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into hedging activities.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commission rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loan.

Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term borrowings and short-term deposits with floating commission rates. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The Group analysis its commission rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of defined markup shift. For each simulation, the same markup rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major markup-bearing positions. The Group is not exposed to any significant commission rate risk.

Currency risk

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk.

Credit risk

Credit risk is the risk a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalents, term deposits and accounts receivables as follows:

	31 December 2021 As at SR	31 December 2020 As at SR
Accounts receivable	899,270,622	844,329,440
Short-term deposits with banks	2,068,891,279	1,673,445,113
Cash at banks	564,723,677	658,181,842
	3,532,885,578	3,175,956,395

Accounts receivable

Receivables credit risk is managed subject to the Group's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Group comprise primarily of Insurance Companies, Government and its related ministries and others. The Group seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups. The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The credit terms are extended to customers where the Group does not expect any inability to pay.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual historical data. The Group evaluates the concentration of risk with respect to receivables as low, as its customers are located in various regions across GCC.

Short-term deposits with banks and cash at banks

Credit risk from balances with banks and financial institution is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Group maintains sufficient liquidity. Senior management continuously reviews information on the Group's liquidity developments.

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations.

The Group's terms of sales and services require amounts to be paid within 30 to 60 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

The table below summarizes the maturities of the Company's financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

As at 31 December 2021	On demand SR	Within one year SR	One to five years SR	More than five years SR	Total SR
Long-term loans	-	317,666,499	884,636,686	1,560,271,044	2,762,574,229
Accounts payable	805,131,366	-	-	-	805,131,366
Accruals and other liabilities	715,804,263	-	-	-	715,804,263
Lease liability	-	49,874,526	145,832,166	164,516,250	360,222,942
	1,520,935,629	367,541,025	1,030,468,852	1,724,787,294	4,643,732,800

As at 31 December 2020	On demand SR	Within one year SR	One to five years SR	More than five years SR	Total SR
Long-term loans	-	330,020,751	833,131,684	1,196,509,080	2,359,661,515
Accounts payable	628,162,484	-	-	-	628,162,484
Accruals and other liabilities	555,075,323	-	-	-	555,075,323
Lease liability	-	49,705,313	144,909,850	142,188,750	336,803,913
	1,183,237,807	379,726,064	978,041,534	1,338,697,830	3,879,703,235

29. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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30. FAIR VALUES

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and cash equivalents and accounts receivable. Financial liabilities consist of long-term loans, accounts payable, advances from customers, accrued expenses and other liabilities and zakat payable.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments are not materially different from their carrying values at reporting date largely.

31. SIGNIFICANT EVENT

As the COVID-19 pandemic continues, Government are constantly taking measures to address public health issues and the economic impact. Accordingly, the Group's management continues to assess whether it will be affected by any developments and measures taken by Government and proactively assess its impact on its operations.

It is still uncertain to determine the size and extent of these effects, depending on future developments that cannot be accurately predicted at the present time, such as the rate of transmission of the virus and the size and effectiveness of the measures taken to contain it. In light of the uncertainty of the economic impact, it is not possible to make a reliable estimate of the resulting impact on the date of approval of these financial statements.

32. SUBSEQUENT EVENTS

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2021 that would have a material impact on the financial position or financial performance of the Group.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved for issuance by the Board of Directors on 18 Rajab 1443 H (corresponding to 19 February 2022).

34. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to align with current year presentation for the year ended 31 December 2021.

compassionate

professional healthcare

**Dr. Sulaiman Al Habib Medical Services
Group Company**

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