



**CLEOPATRA HOSPITALS**  
GROUP

**Corporate Governance Report  
2019**

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# Introduction



## Who We Are

Established in 2014 and listed on the Egyptian Stock Exchange in 2016, Cleopatra Hospitals Group (CHG) is Egypt's largest private hospital group by number of hospital beds and number of hospitals, operating six of the nation's leading hospitals alongside two newly inaugurated polyclinics, with a total of 782 beds and over 50 specialties with over 1,500 resident doctors and consultants and 900 nursing staff.

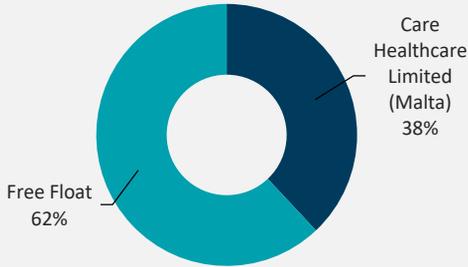
Today, CHG's hospitals enjoy a track record of success that exceeds 30 years and includes brand names such as Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital, and Al Shorouk Hospital, along with the two recent additions to the group El Katib Hospital and Queens Hospital.

Our mission is to deliver the finest quality healthcare in Egypt in a safe, reliable, and caring environment that leverages our highly trained healthcare providers, state-of-the-art facilities, and the latest medical technology. We aim to be the leading healthcare group in Egypt. We are working to achieve this through an integrated platform of medical facilities that enables us to deliver world-class services to the effect of enhancing the quality of life made available to our patients.

A key pillar of our identity is our commitment to meeting wider societal obligations on a level that benefits members of the communities in which we operate. Our role is not limited to the provision of best-in-class healthcare services, but we always strive to be a key player in narrating the story of Egypt's healthcare development. We do this by constantly striving to adhere to the highest standards of environmental regulations and practices, harbouring an obsession with our patients' needs with a focus on patient safety and patient outcomes and complying with all strictest governance requirements.

# Shareholders Structure

## Cleopatra Hospitals Company's Shareholder Structure



## Care Healthcare Limited's DFI Shareholders



DEG, the German Investment and Development Corporation, is a subsidiary of KfW, aiming at promoting business initiative in developing and emerging market countries as a contribution to sustainable growth and improved living conditions of the local population



A Development Financial Institution partly owned by Agence Française de Développement (AFD), which promotes private investment in developing countries to reach the Millennium Development Goals



An international financial institution, which uses investment as a tool to build market economies, supporting the development in 30 countries from central Europe to central Asia

## Statement of top 10 shareholders as of Dec 31, 2019

Name (as per MCDR)	Ownership	Country
Care Healthcare	37.8%	Malta
Norges Bank	4.6%	Norway
Sayed Hassan Mousa	3.6%	Egypt
Consilium Frontier Equity Fund Lp	2.62%	USA
Franklin Templeton Investment Funds	2.04%	Luxembourg
Vaneck Funds Emerging Markets Fund	1.91%	USA
Frontier Africa Master Fund Ltd	1.86%	Cayman Islands
Schroder International Selection Fund	1.78%	Luxembourg
The Fourth Portfolio Of The National Investment Bank	1.74%	Egypt
Consilium Extended Opportunities Fund L P	1.67%	USA

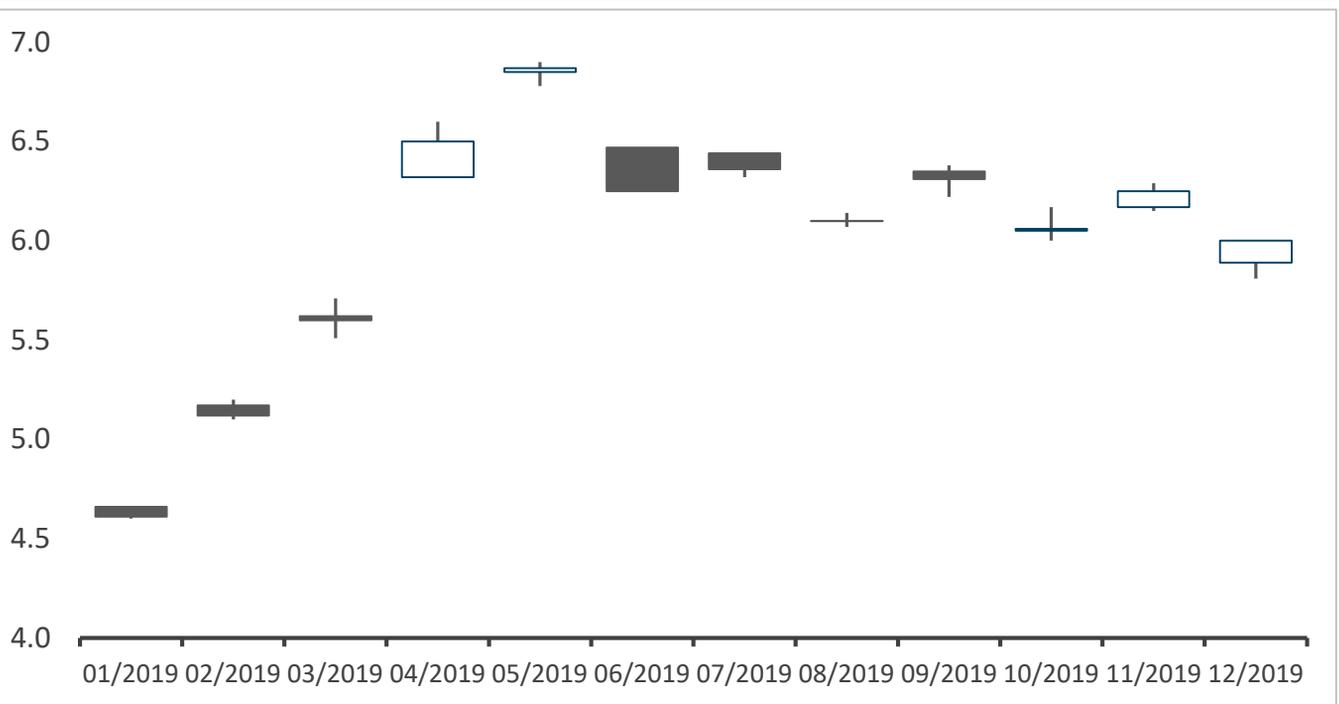
## Statement of transactions by the board members, spouses and children for 2019

No Transactions on CLHO shares by Board Members , their spouses and their children were made during 2019.

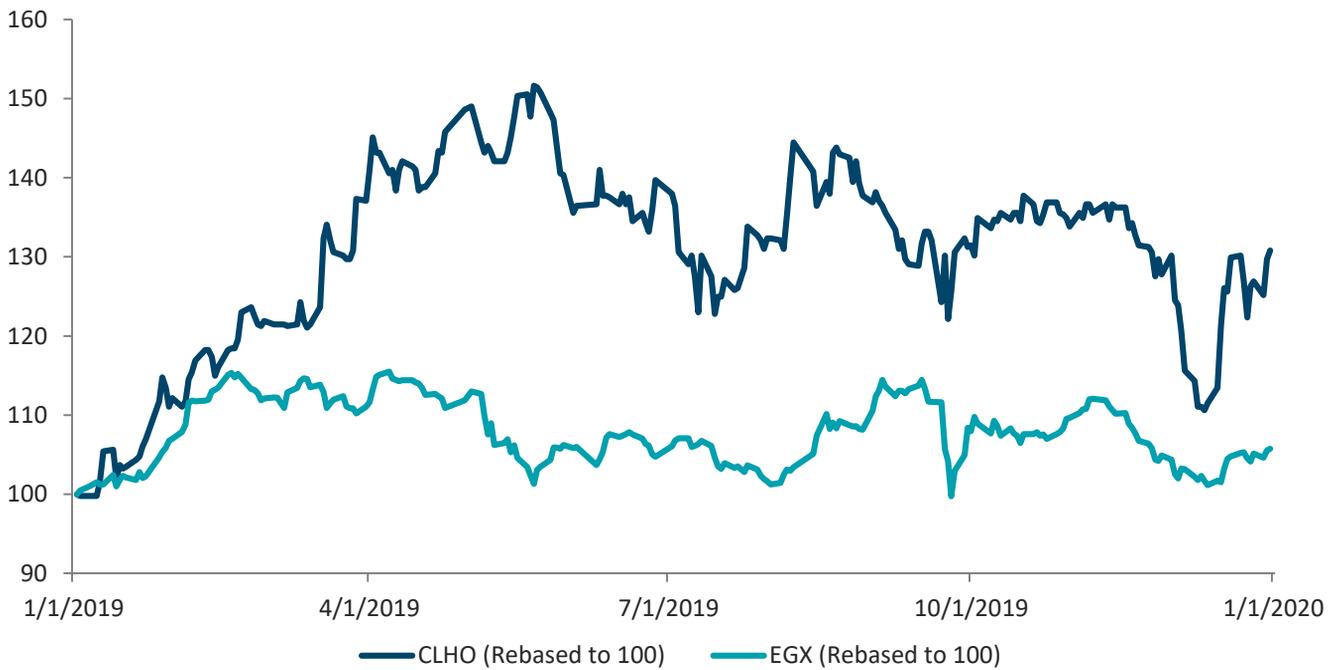
*Above data presented as per official MCDR register and may not reflect aggregate accounts & funds under that may be owned or managed by the same beneficial owner or Investment Advisor*

# Share Price Performance

## Cleopatra Hospitals Company Stock Performance (EGP)



## Comparative performance of share price vs EGX index chart



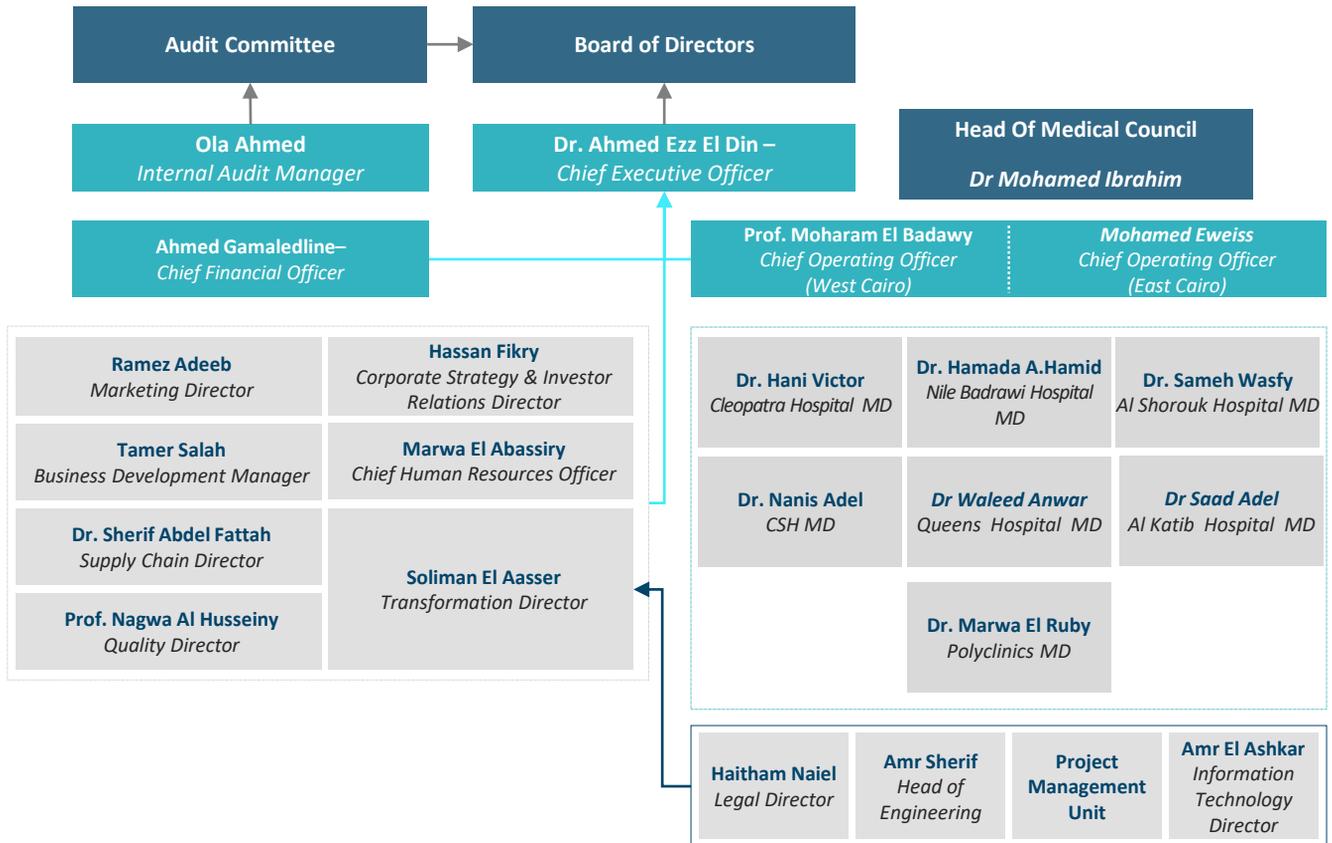
Source : Mubasher, Bloomberg



# Organizational Structure



CHG has adopted a matrix organizational structure optimizing its operations and managing the employees effectively.



# Governance Principles



## Corporate Governance in Cleopatra Hospitals Group

Corporate Governance is a set of practices and processes that direct and control a company's operations, whilst balancing the interests of all stakeholders, including shareholders, senior management, employees, patients, etc.

At Cleopatra Hospitals Group, our daily operations affect the lives of millions of Egyptians across the nation, and accordingly Corporate Governance is of utmost importance in order to ensure that our patients are receiving the best care possible. In order to do so, CHG ensures the frameworks of its governance are transparent, promoting integrity and ethics, consistently complying with international best practices.

Cleopatra Hospitals Group has 11 board members, fully committed to ensure the highest standards of corporate governance, with a majority independent board members. The Group is always aiming to retain and onboard the best calibers in its Board, resulting in a well-rounded, top notch selection of committed individuals who are essentially equipped to tackle the responsibility of providing patients with high quality healthcare services, whilst ensuring that the Group's operations are profitable, sustainable, ethical, and legally compliant.

### Anti-Bribery and Anti-Corruption Policy

- CHG has a zero-tolerance approach to bribery and corruption with a clear anti-bribery and anti-corruption policy for all stakeholders to abide by
- CHG follows all applicable local laws and more stringent international frameworks to ensure that there are no facilitation or bribery payments made

### No Referral Fees

- CHG does not pay any referral fees or kickbacks to physicians and instead has recently developed a Doctor Sales team to revolutionize the sector in Egypt
- The sales team focuses on improving the hospital service to the physician and maintains close communication - improving loyalty and engagement

### Medical Council

- CHG recently launched a group-wide medical council with multiple responsibilities – including (1) ensuring that medical personnel are providing the best medical care and outcomes for their patients (2) keeping CHG at the forefront of medical research and technology across all relevant services

# Board Of Directors

The Board is composed of majority independent directors.

Non-Executive Board Members		Independent Board Members	
 <b>Ahmed Badreldin</b> Chairman	 <b>Dr. Tarek Zahed</b> Vice Chairman	 <b>Tarek Kabil</b> Former Minister of Trade and Industry	 <b>Dr. Mohamed Awad Tag El Din</b> Former Minister of Health
 <b>Omar Ezz Al Arab</b> Director	 <b>Samia El Baroudy</b> Director	 <b>Nabil Kamhawy</b> Former Head of Ernst & Young Egypt	 <b>Lobna El Dessouky</b> Director
<b>Executive Board Members</b>		 <b>Sameh Mohsen</b> Founder/Previous CEO Cleopatra Hospital	 <b>General Omar Kinawy</b> Former Deputy Head of Intelligence
	 <b>Dr. Ahmed Ezzeldin</b> Executive Member & Group CEO		

## Board Committees

- Audit committee – recommends the financial statements to the Board, and matters such as internal / external audits, financial and non-financial risk
- Remuneration committee – determines and recommends to the Board matters regarding the framework for senior management remuneration
- Clinical quality and safety committee – monitors non-financial risks, including clinical performance, health and safety and facilities

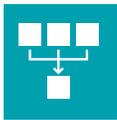
Cleopatra Hospitals Group's Board of Directors is structured such that the members are of diverse age, gender, backgrounds, and qualifications, as shown below. Comprised of 11 seats, 3 members are experts in the healthcare sector and 4 possess relevant financial expertise. Whilst there are 10 members who serve as non-executive directors, 6 are independent.

### Responsibilities

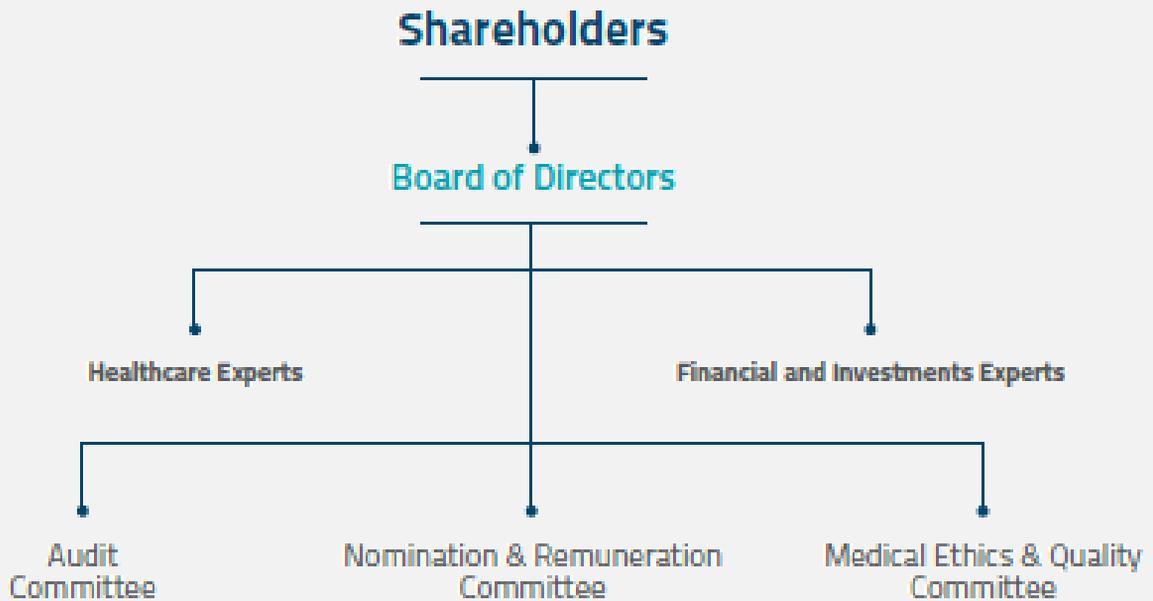
As the highest governing authority, the CHG Board has a variety of responsibilities, including the following:

- Meeting regularly whilst retaining hands-on control over the company and monitoring management
- Showing full commitment to CHG, fully protecting the interests of the company and all its stakeholders
- Participating actively in Board meetings and in the company's activities when needed
- Evaluating the performance of the current Board, its directors, and its committees
- Providing regular oversight and advice on the monitoring, evaluating, and compensating upper management
- Ensuring the existence of a sturdy succession plan
- Decision-making when it comes to any reports or disputes
- Reviewing and approving CHG's strategic plans and their implementation
- Reviewing and approving CHG's financial and operational plans
- Monitoring operational, financial, and legal performance against strategic plans
- Reviewing and approving CHG's: financial control and reporting methods, and financial statements.
- Preparing and approving annual reports and financial statements
- Reviewing and approving annual investment budgets and any major operations of a financial nature
- Ensuring that CHG meets ethical standards and is legally compliant
- Monitoring the integrity of activities and relationships between shareholders, staff, and external parties.

# Board Of Directors



## Structure



### ***Role of the Chairman:***

The Chairman's primary role is to ensure that the board is effective in its task of setting and implementing the company's direction and strategy. The roles of the Chairman at CHG include:

- Establishing and organizing the composition of the Board
- Outlining the responsibilities of the Board, its members, and senior management
- Planning effective Board and Board Committee meetings
- Evaluating the efficiency of the Board and ensuring its effectiveness

### ***Role of the Independent Directors:***

Our Independent Directors add to our Board through their ability to think strategically, balance the interests of stakeholders, and contribute to the financial aspects of the Group.

- The Independent Members are responsible of the governance oversight, ensuring that the activities of CHG are compliant legally, and protecting the rights of all shareholders/stakeholders.
- Our Independent Directors play a large role in the CHG Board Committees, specifically the Audit Committee.
- These members are a crucial element in the audit process of CHG; they inspect the company's financial statements and work closely with our auditors.

# Board Of Directors



## Board of Directors: Internal Organizational Structure

### Audit Committee

The Audit Committee consists of 3 non-executive directors, 2 of which are independent. The committee assists the Board in its oversight of financial statements and disclosures and ensures that the financial statements adhere to the auditor's and EFSA's recommendations.

*The Audit Committee has a variety of financial, operational and legal responsibilities, some of which include:*

- Review the effectiveness of the Internal Audit function.
- Review the reports of the Internal Auditor, including financial and non-financial issues, remedial procedures and means of controlling the risks faced by the CHG.
- Review the significant investigations conducted by the Internal Auditor and management's responses to Internal Auditor reports relating to such investigations.
- Review annual and quarterly financial statements and other financial information provided to the Board and shareholders and include its recommendation.
- Review the financial system employed at CHG and making recommendations to improve it and ensure that it fairly represents the situation and that no false data are reported.
- Submit reports to the Board of Directors on all matters that fall within its scope of work thereby enabling it to carry out its function of monitoring the management of CHG and submitting to shareholders and investors factual and documented information.
- Review with the Company's Internal Auditor and report to the Board on the adequacy of structure, responsibilities, staffing, resources and functioning of the Company's internal auditing department, such review will include an annual evaluation of the performance and qualifications of the head of the department.

# Board Of Directors



## Board of Directors: Internal Organizational Structure

### Medical Ethics & Quality Committee

The Medical Ethics & Quality Committee's role is to supervise the development and execution of the Group's quality control programme. The committee monitors the performance indicators and accordingly provides recommendations the development strategy of the Group's services. The Medical Ethics & Quality Committee consists of 3 members, 2 of which are non-executive directors.

*The Medical Ethics & Quality Committee serves a number of roles with a range of responsibilities, but most notably the following:*

- Overseeing compliance with the rules of conduct, standards and policies that guide the company
- Creating guidelines for various circumstances involving conflict resolution
- Ensuring the Group operates in an environment of accountability
- Taking disciplinary action regarding any ethical violations
- Reviewing CHG company ethics and recommending improvements/changes
- Overseeing the results of patient service efforts in order to insure employees are following process guidelines
- Monitoring and evaluating care services in order to ensure they are of utmost quality.

# Board Of Directors



## Board of Directors: Internal Organizational Structure

### Nominations and Remuneration Committee

The Nominations and Remuneration committee provides recommendations regarding the remuneration of the senior management, as well as reviews the Group's bonus schemes and developing the employment succession plan. The committee is comprised of 3 members, 1 of which is a non-executive director.

*The Nomination and Remuneration Committee plays an excessive role in attracting and retaining caliber management and employees. The role of the committee includes:*

- Retain an appropriate structure, size and balance of skills to support the strategic objectives and values of the CHG.
- Recommend to the Board a framework of remuneration for the Independent Directors and the key executives of the CHG.
- Cover all aspects of remuneration, including without limitation, fees, salaries, allowances, bonuses, options and benefits-in-kind.
- Review the ongoing appropriateness and relevance of the remuneration policy for each executive

# Board Of Directors



## Composition of the Board of Directors:

### *Ahmed Badreldin - Chairman*

Mr. Badreldin has over 15 years of experience in private equity and investment banking. He is director of RMBV, a Netherlands domiciled private equity fund manager, with a focus on portfolio management and accelerating exits for a portfolio of private equity investments in North Africa. Prior to this, he was a Partner and Head of the MENA Region at The Abraaj Group in Dubai, having joined in late 2008. Before joining Abraaj, he was a senior member of the Sponsor Coverage and Leveraged Finance team at Barclays Capital. Mr. Badreldin holds an MBA from the Cranfield School of Management and a BSc in Mechanical Engineering, Industrial Management, and Business Administration from the American University in Cairo.

### *Dr. Tarek Zahed - Vice-Chairman*

Dr. Zahed was a founder of Cairo Specialized Hospital in 1981, where he has been chairman since 2001. He previously served as a consultant to the Medical Services Division of the Egyptian Presidency for 25 years. He is a fellow of the American Academy of Implant Dentistry and the International Congress of Oral Implantologists, as well as a member of the Dental Society of Western Pennsylvania. He holds a BSc in Dentistry from Cairo University and an MDS in implant dentistry from the University of Pittsburgh School of Dental Medicine, USA.

### *Dr. Ahmed Ezz El-Din - Chief Executive Officer*

Dr. Ahmed Ezz El-Din brings over 36 years of healthcare experience to the Group and a deep insight into the healthcare businesses in Egypt. Prior to assuming his role as the Group's CEO, Dr. Ezz El-Din was the Director of Government Affairs & Policy – Middle East, North Africa & Pakistan at Johnson & Johnson Medical, where he also held the position of Managing Director for Egypt & Libya at Johnson & Johnson Medical. Prior to that, Dr. Ezz El-Din also held key positions at GSK, including Sales & Commercial Director at GSK Egypt and Sudan Country Manager, and holds over 18 years of global experience with MSD under his belt. Dr. Ezz El-Din holds a bachelor's degree in Pharmaceutical Science from Cairo University.

### *Dr. Mohamed Awad Tag El Din - Independent Non-Executive Director*

Dr. Tag El Din was the Egyptian Minister of Health from March 2002 to December 2005. Prior to that, he was the president and vice president of Ain Shams University for one and four years, respectively. He holds a bachelor's degree in Medicine, two diplomas in internal medicine and pulmonology diseases and a PhD from Ain Shams University. He is also a professor and consultant of Pulmonology.

# Board Of Directors



## Composition of the Board of Directors:

### *Omar Ezz Al Arab* - Non-Executive Director

Mr. Ezz Al Arab has over 10 years of private equity and investment banking experience in Europe and the Middle East in sectors such as oil and gas, healthcare, education and fast-moving consumer goods. Prior to joining Abraaj in 2009, Mr. Ezz Al Arab worked at JP Morgan in London as part of the Mergers & Acquisitions team in the Natural Resources Group where he advised on more than USD 15 billion worth of transactions. Mr. Ezz Al Arab holds a Bachelor of Arts degree in Law and Business from the University of Warwick, UK.

### *Lobna El Dessouky* - Independent Non-Executive Director

Ms. El Dessouky leverages over two decades of professional experience in a wide range of sectors to fulfil her numerous advisory and board roles. Currently, Ms. El Dessouky holds the post of Advisor for the European Bank for Construction and Development's (EBRD) Enterprise Growth Programme and is Advisor to the Audit Committee at Qalaa Holdings, having been a member of the committee since December 2012. She is also an Adjunct Professor of Managerial Accounting and Automated Financial Reporting at the American University in Cairo where she teaches MBA finance courses. Ms. El Dessouky holds a bachelor's degree in Commerce from Helwan University and an MBA in Management Consultancy from Sheffield University, UK. She is a CPA, CFM, and CMA charter-holder and is also a member of the Association of Corporate Governance Practitioners and a Certified Director from the Egyptian Institute of Directors.

### *Sameh Mahmoud Mohsen* - Non-Executive Director

Mr. Mohsen is one of the founders and former CEO of Cleopatra Hospital and has worked in the industry for more than 30 years. He holds a bachelor's degree in Engineering from Cairo University.

### *Omar Atef Kinawy* - Independent Non-Executive Director

Mr. Kinawy joined the Group in 2015. Prior to that, he was the former deputy head of the Egyptian General Intelligence and graduated from the Egyptian Military College in 1968.

### *Samia El Baroudy* - Non-Executive Director

Mrs. Samia El Baroudy brings global experience in the private equity sector through being a member of an investment team that oversees investments in a variety of sectors in Egypt including the healthcare sector. She has held direct responsibility for the different portfolio companies including Integrated Diagnostics Holdings, OMS, ECCO and North Africa Hospital Holdings Group (NAHHG). She holds a master's degree in Management Science & Engineering and a bachelor's degree in Economics, both from Stanford University.

# Board Of Directors



## Composition of the Board of Directors:

### *Tarek Kabil* - Independent Non-Executive Director

Mr. Tarek Kabil is the former Minister of Trade and Industry for Egypt from 2015-2018. He brings over 40 years of global professional experience in a variety of sectors including Government, Private Equity, and FMCGs across US, Asia, Middle East, and Africa. He has led several international organizations including serving as President and CEO of PepsiCo Middle East and Africa. Currently, Mr. Tarek Kabil serves as the CEO and Chairman of Business Solutions Consulting Group, as well as a board member and advisor in different sectors such as FMCG, Banking, and Education.

### *Nabil Walid Kamhawi* - Independent Non-Executive Director

Mr. Kamhawi has over 40 years of consulting, audit and advisory experience in Europe and the Middle East in a wide range of industries. He was the managing partner of Ernst & Young in Egypt following its integration with Arthur Andersen, where he was managing partner. Mr. Kamhawi holds a bachelor's degree in Commerce (Accounting) from Ain Shams University and is a member of the Institute of Chartered Accountants in England and Wales.

# Board Of Directors



## Board of Directors: Internal Organizational Structure

### Allocation of tasks within the Board of Directors:

	Audit Committee	Medical Ethics & Quality Committee	Nominations and Remuneration Committee
Ahmed Badreldin <i>Chairman</i>			Chairman
Dr. Tarek Zahed <i>Vice Chairman</i>			
Dr. Ahmed Ezeldin <i>CEO</i>			
Dr. Mohamed Awad Tag El Din		Chairman	
Omar Ezz Al Arab	Member		Member
Lobna El Dessouky	Member		
Sameh Mohsen			
Omar Atef Kinawy			
Samia El Baroudy			
Tarek Kabil			
Nabil Walid Kamhawi	Chairman		Member

# Board Of Directors



## Board Meetings in 2019:

Cleopatra Hospitals Group holds Board Meeting as often as required. During the board meetings, all committees prepare detailed reports to present for the full board's review. Nine Board meetings took place in 2019, on the following dates:

### Dates of CHG Board of Directors Meetings in 2019

17-1-2019

14-3-2019

10-4-2019

30-5-2019

24-6-2019

5-9-2019

3-10-2019

7-11-2019

21-11-2019



## Board of Directors – Allowances

### Total Sum Allowances to Board of Directors - By Year

Year	Allowance (EGP)
2016	580,000
2017	1,100,000
2018	1,450,000
2019	4,390,000

# Board Of Directors



## Board Committees Meetings:

### *Audit Committee:*

The Committee shall meet as often as necessary, but not less than four times a year. The Committee shall maintain minutes of all meetings documenting its activities and recommendations to the Board. In 2019, a total of 16 audit committee meetings were held.

### *Medical Ethics & Quality Committee:*

The Committee shall meet at least two times annually and more frequently as necessary or appropriate. The Committee shall maintain minutes of all meetings documenting its activities and recommendations to the Board.

### *Nominations and Remuneration Committee:*

The Committee shall meet at least once a year and more frequently as necessary or appropriate. The Committee shall maintain minutes of all meetings documenting its activities and recommendations to the Board. One meeting was held in 2019.

# Internal Audit



## Roles & Responsibilities

The IAD covers several auditing disciplines within CHG. Its main focuses on Financial auditing, governance auditing, Risk assessment auditing, forensic and Information Systems auditing. It includes the following:

- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board, Audit Committee or management, as appropriate
- Developing a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management and submitting to the Audit Committee for review and approval, as well as periodic updates.



## Process

The Head of Internal Audit / Third party IA Provider will submit to Audit Committee, senior management and the Board an internal audit plan for review.

- The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year.
- The Head of Internal Audit / Third party IA Provider will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.
- The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of Senior Management, Audit Committee and the Board.
- The Head of Internal Audit / Third party IA Provider will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls after obtaining the needed approvals.
- Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee through periodic activity reports

# Auditors



Cleopatra Hospitals Group has appointed PricewaterhouseCoopers (PwC) to audit its finances since its inception, in order to assess the company's compliance with financial controls and regulations through the testing of financial statements, and the examination and analysis of all records, reports, and documentation.

PwC works closely with the Audit Committee, which is informed and briefed with the findings and works of the audit through regular meetings. The Audit Committee is also responsible to assess the work of the auditors and ensure its abidance with the law and regulations.

*Auditing fees paid to PricewaterhouseCoopers as Cleopatra Hospitals Group auditors are shown below for the years 2017, 2018, and 2019:*

Total after VAT (USD)									
	CHG	CHC	CSH	NBH	ASH	QHC	CHG MS	CHG Pharma	KHC
2017	123,200	44,000	26,400	26,400	26,400	-	-	-	-
2018	123,200	44,000	26,400	26,400	26,400	-	-	-	-
2019	192,500	44,000	26,400	26,400	26,400	16,500	13,200	13,200	26,400

Thank you

**INVESTOR RELATIONS CONTACTS**

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**SHAREHOLDER INFORMATION**

EGX: CLHO.CA  
Listed: June 2016  
Shares Outstanding: 1.6 billion



**CLEOPATRA HOSPITALS**  
GROUP