

## **Governance Guidelines**

(As revised March 27, 2013)

The Board has developed corporate governance practices to help it fulfill its responsibilities to shareholders to oversee the work of management and the Company's business results. The governance practices are memorialized in these guidelines to assure that the Board will have the necessary authority and practices in place to review and evaluate the Company's business operations as needed and to make decisions that are independent of the Company's management. The guidelines are also intended to align the interests of directors and management with those of the Company's shareholders.

The guidelines are subject to future refinement or changes as the Board may find necessary or advisable.

### **Board Composition and Selection; Independent Directors**

- 1. Board Size.** The Board believes 7 to 9 is an appropriate size based on the Company's present size and circumstances. The Board periodically evaluates whether a larger or smaller slate of directors would be preferable.
- 2. Selection of Board Members.** All Board members are elected annually by the Company's shareholders, except as noted below with respect to vacancies. The Governance and Nominating Committee is responsible for recommending to the Board director candidates.

The Board may fill vacancies in existing or new director positions. Such directors elected by the Board serve only until the next election of directors unless elected by the shareholders to a further term at that time.

- 3. Board Membership Criteria.** The Governance and Nominating Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Board takes into account many factors, including general understanding of marketing, finance and other disciplines relevant to the success of a small publicly-traded company in today's business environment; understanding of the Company's business on a practical level, including the China-related and other international aspects thereof; and educational and professional background. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending a group that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment, using its diversity of experience. In determining whether to recommend a director for re-election, the Governance and Nominating Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.
- 4. Board Composition - Mix of Management and Independent Directors.** The Board believes that, except during periods of temporary vacancies, a majority of its directors should be independent. In determining the independence of a director, the Board will

apply the definition of “independent director” in the listing standards of the NASDAQ Stock Market and applicable laws and regulations.

5. **Term Limits.** The Board does not believe it should limit the number of terms for which an individual may serve as a director. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company’s history, policies and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the evaluation and nomination process described in these guidelines.
6. **Retirement Policy.** The Board does not believe that it is necessary to set a minimum retirement age for outside directors.
7. **Directors with Significant Job or Other Changes.** The Board believes that any director who accepts new employment, or whose position changes in a manner which could give rise to potential conflicts of interest with the company or to a loss of independence, should consider tendering his or her resignation to the Board. The Board, and specifically the Governance and Nominating Committee, would then evaluate whether the Board should accept the resignation based on a review of whether the individual continues to satisfy the Board’s membership criteria in light of his or her new occupational or other status.
8. **Selection of CEO and Separation of Board Chair and CEO.** The Board selects the Company’s CEO and the Chair of the Board, on recommendation of the Governance and Nominating Committee, in the manner that it determines to be in the best interests of the Company’s shareholders. It is the policy of the Board to maintain a separation of the roles of Board Chair and CEO.
9. **No Specific Limitation on Other Board Service.** The Board does not believe that its members should be prohibited from serving on boards and/or committees of other organizations, and the Board has not adopted any guidelines limiting such activities. However, the Governance and Nominating Committee and the Board will take into account the nature of and time involved in a director’s service on other boards in evaluating the suitability of individual directors. Service on boards and/or committees of other organizations should be consistent with the Company’s conflict of interest policies.

#### **Board Meetings; Involvement of Senior Management**

10. **Board Meetings - Agenda.** The Chair of the Board, taking into account suggestions from other members of the Board, will set the agenda for each Board meeting, and will cause this agenda to be distributed in advance to each director.
11. **Advance Distribution of Materials.** All information relevant to the Board’s understanding of matters to be discussed at an upcoming Board meeting should be distributed in writing or electronically to all members in advance, whenever feasible and appropriate. This will help facilitate the efficient use of meeting time. In preparing this information, management should ensure that the materials distributed are as concise as

possible, yet give directors sufficient information to make informed decisions. The Board acknowledges that certain items to be discussed at Board meetings are of an extremely sensitive nature and that the distribution of materials on these matters prior to Board meetings may not be appropriate.

12. **Access to Employees.** The Board should have access to Company employees in order to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. The Board may specify a protocol for making such inquiries. Management is encouraged to recommend to the Board Chair and the committee chairs Company personnel whose presence and expertise may help the Board or committee have a full understanding of matters being considered. However the Board Chair and committee chairs shall have exclusive authority to invite attendees to their respective meetings.
13. **Executive Sessions of Non-Management Directors.** The non-management directors of the Company will meet regularly in executive session, i.e., with no management directors or management present, at least twice each fiscal year. Executive sessions of the independent directors will be called and chaired by the Chair of the Board of Directors. These executive session discussions may include such topics as the independent directors determine.

#### **Communication with Shareholders**

14. **Shareholder Communications to the Board.** Shareholders may contact an individual director, the Board as a group or a specified Board committee or group, including the independent directors as a group, by mail, addressed to:
  - Board of Directors, c/o Secretary, Chindex International, Inc., 4340 East West Highway, Suite 1100, Bethesda, Maryland 20814

The Secretary or his or her designee will review all such correspondence and forward it (or a summary) to the appropriate parties. Correspondence regarding accounting, internal accounting controls or auditing matters will be forwarded to the chair of the Audit Committee. Such correspondence may also be submitted directly to the Chair of the Audit Committee by email to [Audit@Chindex.com](mailto:Audit@Chindex.com).

15. **Attendance at Annual Meeting.** Each director is expected to attend the Company's annual meeting of shareholders.

#### **Performance Evaluation; Succession Planning**

16. **Annual CEO Evaluation.** The Compensation Committee conducts a review at least annually of the performance of the CEO and communicates the results of the review to the CEO. The Compensation Committee establishes the evaluation process and determines the specific criteria on which the performance of the CEO is evaluated, taking into account the strategic and other objectives for the Company set by the Board.
17. **Succession Planning.** As part of an annual review process, the Governance and Nominating Committee is responsible for working with the CEO to plan for CEO

succession, as well as to develop plans for interim succession for the CEO in the event of an unexpected occurrence. Succession planning may be reviewed more frequently by the Board as it deems warranted.

- 18. Board and Committee Self-Evaluation.** The Governance and Nominating Committee is responsible for leading an annual evaluation of the performance of the full Board, including an assessment of the Board's compliance with the principles set forth in these guidelines, as well as identification of areas in which the Board could improve its performance. Each committee of the Board is responsible for conducting an annual self-evaluation.

### Compensation

- 19. Board Compensation Review.** The Governance and Nominating Committee should review on an annual basis how the Company's director compensation practices compare with those of comparable public corporations. The Board should make changes in the Company's director compensation practices only upon the recommendation of the Governance and Nominating Committee and following discussion and concurrence by the Board.
- 20. Director Stock Ownership.** The Board believes that, in order to align the interests of directors and shareholders, directors should have a significant financial stake in the Company. Each director who has served on the board for at least 3 years should own a minimum of 5,000 shares of common stock. The Board will evaluate whether exceptions should be made for any director on whom this requirement would impose a financial hardship.

### Committees

- 21. Number and Type of Committees.** The Board has three committees - an Audit Committee, a Compensation Committee and a Governance and Nominating Committee. The Board may add new committees or remove existing committees as it deems advisable in the fulfillment of its primary responsibilities, subject to compliance with applicable NASDAQ listing requirements, laws, and regulations. Each committee will perform its duties as assigned by the Board of Directors in compliance with Company bylaws and the Committee's charter. Committee duties are described briefly as follows:
- Audit Committee. The Audit Committee reviews the work of the Company's internal accounting processes. The committee is directly responsible for the appointment, compensation, retention and oversight of the Company's independent auditors.
  - Compensation Committee. The Compensation Committee determines the compensation of the Company's CEO and other executive officers. It administers the Company's equity compensation plans and recommends new compensation plans and amendments for adoption by the Board.

- Governance and Nominating Committee. The Governance and Nominating Committee is responsible for recommending to the Board individuals to be nominated as directors. The committee reviews the Company's corporate governance policies and documents, and performs other duties as described elsewhere in these guidelines and in its charter.
- 22. Composition of Committees; Committee Chairs.** The Audit, Compensation, and Governance and Nominating Committees shall consist solely of independent directors. The Chair of the Board is responsible for the appointment of committee members and committee chairs, on recommendation of the Governance and Nominating Committee, according to criteria that he determines to be in the best interest of the Company and its shareholders.
- 23. Committee Meetings and Agenda.** The chair of each committee is responsible for developing, together with relevant Company managers, the committee's general agenda and objectives and for setting the specific agenda for committee meetings. The committee chair and committee members will determine the frequency and length of committee meetings consistent with the committee's charter.

#### Miscellaneous

- 24. Review of Governance Guidelines.** The practices memorialized in these guidelines have developed over a period of years. The Governance and Nominating Committee and the Board of Directors regularly review these guidelines.
- 25. Website Posting of Governance Documents.** These Guidelines, charters of the Audit, Compensation, and Governance and Nominating Committees, and the Company's Code of Business Conduct will be posted on the Company's website.

Last modified: March 27, 2013

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