



Proxy Voting

Policy and Procedure

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Asset Management
Al Rajhi Capital Company
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Introduction

Al Rajhi Capital Company is authorized to offer investment funds, including equity funds. It provides day-to-day management of investment holdings and has an obligation to act in the best interest of the unit holders of investment funds, which includes acting on behalf of the investment funds to exercise the voting rights attached to securities held by these funds.

The Board of Directors of Al Rajhi Capital Equity Fund (referred to as “**Funds Board**” here onwards) adopts the following policy and procedures with respect to voting proxies relating to securities held in the mutual funds managed by Al Rajhi Capital (referred to as “**Fund Manager**” here onwards).

Fiduciary Duty

It is the policy of the “Funds Board” to delegate the responsibility for voting proxies relating to securities held by the Fund(s) to the “Fund Manager” as part of general management of the Fund’s assets, subject to the Board’s continuing oversight.

Therefore, the Funds Board hereby also delegates such responsibility to the Fund Manager and directs it to vote proxies attached to shares of the companies held by the Fund(s).

In discharging this fiduciary duty, the Fund Manager will follow the policies and procedures in a manner substantially consistent with its policies, procedures and guidelines, as presented in this document.

The right to vote a proxy with respect to securities held by the Fund(s) is an asset (right to vote) of the Fund. The Fund Manager, who has now the authority to vote on behalf of the Fund, will act as a fiduciary of the Fund and must vote proxies in the best interest of the unit holders of the fund(s).

Scope

The policies & procedures established herewith are confined to the voting rights attached to securities held by the funds managed by Al Rajhi Capital Company. These are also applicable for

the securities used as collaterals for any borrowing by funds and in case of liquidation of the collateral by the borrower for any reasons; the right to vote does not exist with the fund.

Policy

The Fund Manager believes active voting is an important tool in ensuring strong governance of listed companies. Therefore, the Fund Manager reviews the voting agenda on a case-by-case basis when exercising voting rights, and to vote on resolutions appropriately, where it has the authority and responsibility to do so. In exercising its voting discretion, the Fund Manager may take into account the following:

- 1. Day-to-Day Management:** The Fund Manager tends not to become involved in the day-to-day management issues of companies, but rather exercises voting rights to ensure that companies act in the best interest of their shareholders;
- 2. Corporate Governance:** The Fund Manager also exercises voting rights in appropriate cases in order to improve corporate governance of the investee company;
- 3. Influence on Outcome of Resolution:** The Fund Manager will consider the size of holding and the likelihood that exercising voting rights will influence the outcome of the resolution;
- 4. Nature of the Issue:** The Fund Manager will consider the nature of the issue and its impact on the interest of the unit holders of the fund;
- 5. Potential Advantage:** The Fund Manager also considers the potential advantage that may result from exercising voting rights;
- 6. Other Considerations:** The Fund Manager takes into account other considerations, such as whether there may be any actual or potential conflict of interest in exercising voting rights; and
- 7. Consultation with Compliance:** The Fund Manager may have consultations with the compliance officer(s) while exercising voting rights.

The Fund Manager must ensure such proxies are voted on a timely basis, provide reports and ensure records are maintained for future reference.

The Fund Manager invest in securities and instruments of companies that have sound management, follow good corporate governance norms and have potential to add value to client investments over long term. Therefore, it is the general policy of the Fund Manager to support the management of the companies in which it invests and will cast votes in accordance with management's proposals that are in the larger interest of the shareholders of the company and consequently benefiting unit holders of the fund. Therefore, it shall exercise the voting rights based on the following key policy guidelines:

- **Adoption of Financials:** The Fund Manager will support to receive, consider and adopt the audited financial statements (standalone and consolidated) of the company (quarterly/annual), the Reports of the Board of Directors and Auditors.
- **Corporate Actions:** The Fund Manager supports management's proposal in routine corporate actions such as approval on dividend on equity shares, bonus shares, stock-splits, new shares and share repurchases.
- **Appropriation of Retained Earnings:** The Fund Manager will support any action related to appropriation of retained earnings into capital reserve, legal reserve, general and other reserves.
- **Appointment of Directors:** The Fund Manager will abstain from voting when it comes to selecting board of directors unless in cases where the Fund Manager has no doubt that such participation is clearly required to protect the interest of the underlying company and/or the funds' shareholders.

The Fund Manager believes that directors have a duty to respond to shareholders' actions that have received significant shareholder support. Therefore, The Fund Manager will support management call for voting related to release the liability towards the company unless there is no breach of

the regulations or the company's articles of association; no relevant omissions or mis-statements in the annual report and accounts and other documents provided to shareholders.

- **Appointment of Auditors:** The selection of an accounting firm to audit a company's financial statements is generally a routine business matter. The Fund Manager believes that the management remains in the best position to choose the accounting firm and will generally support management's recommendation as long as the accounting firm appears to be acting independently.
- **Changes in Structure:** Changes in a company's charter, articles of incorporation or by-laws are often technical and administrative in nature. If a compelling reason to the contrary is absent, the Fund Manager will cast its votes in accordance with the company's management. However, the Fund Manager will review and analyze, within its capacity and availability of information, on a case-by-case basis any non-routine proposals that are likely to affect the structure and operation of the company or have a material economic effect on the company.
- **Corporate Restructurings, Mergers and Acquisitions:** The Fund Manager believes proxy votes dealing with corporate reorganizations/restructuring are extension of the investment decisions by the company and these proposals will be subjected to reasonable examination on a case-by-case basis. Mergers and acquisitions are also subject to careful review in order to determine whether they would be beneficial to shareholders considering various economic and strategic factors. The Fund Manager will conduct his assessment on the "post transaction" entity from both Sharia compliance point of view and business potential point of view.

Therefore, the Fund Manager will favor corporate restructuring (including reduction of share capital by cancelling of shares), mergers, acquisitions or spin-offs where it believes that these decisions would maximize long-term shareholders' value, consequently benefiting unit holders of the fund.

- **Corporate Governance:** The Fund Manager recognizes the importance of good corporate governance in ensuring that the management and the board of directors fulfill their obligations to the shareholders. Therefore, The Fund Manager generally favors proposals promoting transparency and accountability within a company.
- **Social and Corporate Responsibility:** The Fund Manager recognizes the importance of supporting sound and responsible policies in relation to social, political and environmental issues. However, in the interest of shareholders, we reserve the right to vote against proposals that are unduly burdensome or result in unnecessary and excessive costs to the company. The Fund Manager may abstain from voting on social proposals that do not have a readily determinable financial impact on shareholder value.
- **Executive Compensation:** The Fund Manager believes that the company management and the compensation committee of the board of directors should, within reason, be given latitude to determine the types and mix of compensation and benefit awards offered. Whether proposed by a shareholder or the management, the Fund Manager will review proposals relating to executive compensation plans and, if deemed excessive, may vote against the proposals.

The Fund Manager reserves the right to depart from this policy in order to avoid voting decisions that we believe may be contrary to fund unit holder's best interest. The Fund Manager also reserves the right to abstain on matters for which disclosure is inadequate.

Procedures

The Fund Manager will implement the proxy voting policies using its best efforts in accordance with the general principles contained herein. The following procedures are applicable for the administration of this policy.

A. Voting Announcement

A listed company on the Saudi Stock exchange (Tadawul) announces a general assembly or extraordinary general assembly meeting. The time, the venue and voting

agenda should be specified in the announcement

B. Voting Decision

The Fund Manager will discuss and finalize its decision on the voting on the basis of required assessments as per the policy guidelines and assessments. It will also review holdings (number of shares) of the funds to be represented.

C. Role of Fund Manager

Proxy voting is the responsibility of the Fund Manager for internally managed funds as well as for the funds managed by sub-advisors wherein the relevant Custodian/Manager will be instructed to act accordingly, wherever applicable.

This role can be delegated to an appropriate person of the funds management team or other members within the company. The fund management team may vote through online voting (if available). However, in case of voting in a duly called meeting, a letter will be issued authorizing the fund manager(s) to attend the meeting representing the fund with the respective number of shares.

D. Voting Record Reporting

The Fund Manager is also responsible for ensuring that full and adequate records of proxy voting are kept.

The Fund Manager shall provide the voting record information at least annually in the format shown in Appendix A. Such voting record information shall be in an acceptable form and shall be provided at such time(s) as are required for any regulatory filing. With respect to those proxies that the Fund Manager has identified as involving a conflict of interest, the Fund Manager shall submit a separate report indicating the nature of the conflict of interest and how that conflict was resolved.

E. Record Retention

The Fund Manager shall maintain such records with respect to the voting of proxies as may be required by the CMA and the rules promulgated thereunder or by any regulatory authority. As of now, the records are to be retained for 10 years.

F. Conflicts of Interest

The Fund Manager is aware that from time to time, apparent conflicts of interest may arise with respect to the exercise of voting rights of a managed fund. Any actual and/or potential conflicts of interest between the Fund Manager and the Fund's unit holders arising from the proxy voting process will be notified to the Compliance team and the Funds Board.

The Fund Manager should resolve any actual and/or potential conflict uninfluenced by considerations other than the best interest of the unit holders of the managed fund. The Fund Manager should notify the Chairman of the Funds Board in the event of irreconcilable conflict of interest within the policy guidelines and be advised accordingly.

The Fund Manager believes that oversight by the Chairman of the Fund Board ensures that proxies are voted in the best interest of the unit holders of the fund. In order to avoid any perceived conflict of interests, the following procedures have been established for use when we encounter a potential conflict.

- a) The Fund Manager will refer to the Legal and Compliance team wherever there is an indication that potential conflict exists. The Legal and Compliance team will make the initial determination about whether a material conflict of interest exists on the basis of facts and circumstances of each particular situation.
- b) If the proposed vote is consistent with the stated proxy voting policy, no further review is necessary.
- c) If the proposed vote is contrary to the stated proxy voting policy and is also contrary to management's recommendation, no further review is necessary.
- d) If the proposed vote is contrary to the stated proxy voting policy and is consistent with management's recommendation, the proposal is escalated to the

Chairman of the Fund Board for final review and determination.

Revocation

The delegation of authority by the Fund Board to the Fund Manager to vote proxies relating to securities of the Fund is entirely voluntary and may be revoked by the Board, in whole or in part, at any time.

Review of Policy

The Fund Manager is involved in practicalities of this matter and is aware of changes required in these policies. Therefore, they should discuss those recommendations with the Fund Board Secretary who will do the necessary to put forward the recommendations for consideration and approval.

The Fund Board shall also review this policy from time to time to determine its sufficiency and shall make and approve any changes that it deems necessary from time to time.

