

Voting Policy

Musharaka Asset Management Department

MAMD

Objective of the Voting Policy

1. To determine the role and obligations of Msuahraka Asset Management Department in ensuring better corporate governance of Saudi listed companies in which Musharaka Public Funds invest in.
2. To fulfil our fiduciary voting responsibilities at the general meetings of listed companies in the best interest of our investors (unit holders of Musharaka Funds)
3. To explain reporting and disclosure requirements with regards to proxy voting.
4. This policy is drafted to guide Musharaka Asset Management team members in exercising their votes with respect to the shares and not necessarily in making investment decisions.

Policy General Guidelines

Policy Guidelines shall adhere to the followings:

1. All decisions we take through exercising our voting rights (For, Against, or Abstain) shall be in full compliance with Islamic Sharia'a.
2. All decisions we take through exercising our voting rights (For, Against, or Abstain) shall be in full compliance with the CMA rules and regulations including the public funds' regulations.
3. All decisions we take through exercising our voting rights (For, Against, or Abstain) shall be in full compliance with the concerned fund's T&C as well as its information memorandum.
4. The Policy will be effective for all listed companies, wherein Musharaka Public Funds are investing in.
5. Musharaka Asset Management Department MAMD for and on behalf of its public funds shall strive to vote on all ordinary/special resolutions which may affect the unit holders interests, either through video conferencing – especially due to the current Covid19 pandemic - or through personal attendance by any of the authorized officials / agents.
6. MAMD may authorize any of its officials, Head of Asset Management, or the concerned Fund Manager to attend the meeting in person and to vote as approved internally.
7. MAMD does not intend to give proxy to any third parties.
8. The decision regarding the voting on the resolution, whether the Musharaka Funds will abstain from voting or vote for or against the proposed resolution by the Investee Company/Issuer will be taken by the Fund Manager in conjunction with the recommendations of the / broad parameters approved by the Head of Asset Management and / or CEO of Musharaka Capital.

The exercise of Musharaka voting rights on behalf of its investments in the Annual General Assembly Meetings and Extraordinary General Assembly Meetings will include the followings:

Annual General Assembly Meetings

In general, Musharaka would vote for all the ordinary matters usually discussed in the ordinary annual general assembly meeting. Such matters might include but not limited to:

- Accepting the annual financial statements (P&L, Balance Sheets, and Cash Flow Statements).
- Declaration of the dividend policy.
- Appointment or removal or retirement of Directors.
- Appointment or re-appointment of external financial auditors.

Extra-ordinary General Assembly Meetings

While it is challenging to identify all special matters on which Musharaka Fund Managers need to decide on, the following guidelines / general policies reflect what MAMD believes to be good corporate governance measures and the stance it may generally take with respect to the below matters:

Corporate Governance Matters

- MAMD supports all resolutions that aim to improve the listed companies' corporate governance matters such as corporate restructuring and mergers which are in the interest of the unit holders of the funds. MAMD will analyze various economic and strategic factors in making the final decision on a merger, acquisition or any other corporate restructuring proposals.
- MAMD will vote against resolutions pertaining to takeover by an acquirer, etc. which are against the interest of the unit holders.
- MAMD will consider, on a case to case basis, proposals to rotate auditors and will vote against the appointment of auditors when there is convincing evidence of accounting irregularities or negligence.

Capital Structure Matters

- MAMD will support all reasonable changes in the capital structures as long as the proposed changes are needed and in the best interest of the investors. MAMD will review on a case to case basis, proposals by listed companies to increase / decrease their paid in capital and the purpose for the same.
- Decisions pertaining to Corporate Finance have a material impact on shareholders, in particular when they involve the issuance of additional shares or the assumption of additional debt. Hence, MAMD will not support changes that would result in excessive dilution of existing shareholder value.

Management Compensation Matters

- MAMD strongly believes in building a linkage between performance and compensation. Hence, we would support such remuneration proposals, which are tied to achieving long-term performance and enhancing shareholder value.
- Albeit MAMD would not support any compensation that are excessively generous or dilute other shareholders' stake value.

Social and corporate responsibility

MAMD shall vote in favor of such matters which are believed to have significant socio-economic benefits.

Board of Directors

- MAMD believes in philosophy of having an independent board of directors as the same is key to comply with good corporate governance norms.
- MAMD would support proposals pertaining to appointment of independent directors, and the key committees such as audit, and remuneration committees etc. to be comprised of independent members.

Related-party transactions

MAMD will ensure its active participation in voting on such transactions to safeguard the interest of its unit holders.

Cases in which MAMD would abstain from voting

MAMD would abstain from voting in the following cases:

- If it does not have sufficient information.
- There is a conflict of interest.
- It does not receive the communication in time.

Disclosure of Voting Policy

1. The Voting Policy shall be available on the Websites of Musharaka Capital www.musharakacapital.co
2. MAMD shall record and disclose specific rationale supporting its voting decision (for, against or abstain) with respect to each vote proposal stated above

Format for disclosure of vote cast by Mutual Funds

Meeting Date	Company	Type of Meeting AGM/EGM	Proposal by Management	Investee Company's Recommendation	Vote (For, Against, Abstain)	Reason / Rational	Fund Name	Attendee

Voting Procedures

1. The investee company announces in Tadawul's about its intention to hold an AGM or EGM including date, timing, and location.
2. The fund manager informs the Head of Asset Management and / or Investment Committee about the investee company's proposed agenda.
3. A decision is taken after receiving all the required information.
4. A letter is issued to authorize a member of the MAMD to attend the planned meeting.
5. The designated officer attends the planned meeting, exercise his rights, and votes.
6. After voting, the designated officer document the voting decision.