

## Derayah GCC Growth & Income Equity Fund's Voting Rights Policy

### Purpose & Objectives

1. The purpose of this policy is to provide rules and guidelines, and set forth the basic principles with respect to voting proxies relating to securities held in Derayah GCC Growth & Income Equity Fund.
2. The Policies & Procedures established herewith are confined to the voting rights attached to securities held by the funds. These are also applicable for the securities used as collateral 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.
3. It is pertinent to mention that this document serves as a guidance tool for the fund manager and under all circumstances the relevant fund's terms and conditions and other regulations as approved from time to time by the competent authorities of Saudi Arabia prevail if there is any conflict between this document and the approved terms and conditions of the fund / rules and regulations of the Kingdom of Saudi Arabia. This includes but not limited to the Investment Fund Regulations (IFR) issued by the Capital Markets Authority (CMA).

### Responsibilities

The Fund Board Directors, Chief Investment Officer (Financial Markets & Advisory) and Capital Markets Department.

### Policy Statement

CMA - IFR Article 39(b) and 53 provides detailed guidelines on the voting rights:

#### Article 39(2)

- Fund Manager must prepare a written policy in regards to the voting rights related to the public fund assets and which should be approved by the Fund board Directors.

#### Article 53: Exercise of Rights in respect of Public Fund Assets

- a. The fund manager must exercise or not exercise any rights associated with any assets of any public fund, a fund manager must act in accordance with the best interests of the unitholders of the relevant public fund.
- b. With respect to voting rights (if any) associated with any assets of any public fund which the manager manages, the fund manager must:
  - 1) develop a written policy regarding such voting rights which shall be approved by the fund board; and
  - 2) exercise or not exercise voting rights in accordance with the written policy approved by the fund board and maintain full records documenting the exercise of voting rights (including the reasons for exercising or not exercising voting rights in a particular way).
- c. The fund manager must disclose on its website and on the exchange's website its policies regarding voting rights in the general assembly of listed companies, in relation to each fund the fund manager manages.

Fund manager's aim is to review shareholder resolutions 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, Fund manager may take into account the following:

- **Day-to-day Management:** 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;
- **Corporate Governance:** Fund manager may also exercises voting rights in appropriate cases in order to improve corporate governance of the investee company;
- **Nature of the Issue:** Fund manager will consider the nature of the issue and its impact on the interest of the unit holders of the fund;
- **Potential Advantage:** Fund manager also considers the potential advantage which may result from exercising voting rights;
- **Other Considerations:** 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
- **Consultation with Compliance:** Fund manager will have due consultations with the compliance officer(s) while exercising voting rights, in accordance with CMA-IFR Article 53.

The Board of Directors of the Fund (the "Fund Board") can delegate the responsibility for voting proxies relating to securities held by the Fund to the Fund Manager as part of the Fund Manager's general management of the Fund's assets, subject to the Board's continuing oversight. The Fund Manager must ensure such proxies are voted on a timely basis and to provide reporting and appropriate records are maintained for future reference. It is the general policy of Derayah in the capacity of Fund Manager to support management of the companies in which it invests and will cast votes in accordance with management's proposals (including routine corporate actions) which are in the larger interest of the shareholders of the company and consequently benefiting unit holders of the fund, unless the fund manager believes that the management decision is not in the best interest of the unit holders.

**As a blanket rule, Fund manager will not attend the general meetings of its investee companies and also will not use its voting rights when it has reasonable basis to believe that the agenda of the meetings comprise normal course of business.** Some examples of routine matters are included below and also provide voting guidelines in case the fund manager decides to participate in the voting exercise;

**Elections of Directors:** In many instances, election of directors is a routine voting matter. In general, the investment team will abstain from voting on directors election, if the fund manager decides to attend the meeting. The investment team may choose to vote on agenda items that fosters independent majority composition of the board.

- **Appointment of Auditors:** The selection of an accounting firm to audit a company's financial statements is generally a routine business matter. Fund manager shall not vote in favour or against any nominated audit company unless the team has a strong reason along with reliable information for casting their vote, such reasons shall be discussed and documented with CIO and compliance before the meeting

- **Changes in Structure:** Changes in a company's charter, articles of incorporation or by-laws are often technical and administrative in nature. 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:** 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 business potential point of view. Therefore, Fund manager will favor corporate restructuring, 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:** Fund manager recognizes the importance of good corporate governance in ensuring that management and the board of directors fulfill their obligations to the shareholders. Therefore, Fund manager, will generally favor proposals promoting transparency and accountability within a company.
- **Social and Corporate Responsibility:** Fund manager also recognizes the importance of supporting sound and responsible policies in relation ESG (environmental , social and governance) issues. However, in the interests of shareholders, we must try to ensure that such policies are not unduly burdensome or result in unnecessary and excessive costs to the company. Fund manager may abstain from voting on social proposals that do not have a readily determinable financial impact on shareholder value.
- **Executive Compensation:** Fund manager believes that 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 management, Fund manager will review proposals relating to executive compensation plans and, if deemed excessive, may vote against the proposals.

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

#### **Voting for Related Party (Companies or Funds).**

Derayah Capital Market Division shall refrain from voting for any Related Party Companies or Funds (e.g Derayah REIT)

Summary of the votes will be included in the annual reports of the funds which will be published on Derayah and the exchange websites

### **PROCEDURE : Voting Rights**

#### **DESCRIPTION:**

Capital Market Division reserves the right to cast proxy votes on behalf of its mutual fund shareholders. In the event that asset management intends to exercise this right, it will do so, using its best efforts, in accordance with Fund Manager's approved Voting Rights Policy.

#### **RESPONSIBILITY ACTIVITIES**

1. Head of Capital Markets in due consultation with Compliance, will delegate the task to an appropriate member or his team, who will exercise the right in accordance with Fund Manager's approved Voting Rights Policy.
2. Upon voting, the delegate will update the information memo (which only states the reason of voting) of the Voting Rights Policy.

3. Capital Markets Department shall maintain such records with respect to the voting of proxies as may be required by the CMA and the rules promulgated there under or by any regulatory authority. Such record shall include the reason for exercising or not exercising voting rights in a particular way.
4. The Fund Manager shall provide the record of voting (only if exercised), to the Fund Board Directors, in each Fund Board meeting.
5. CIO must ensure that proxies are voted in the best interest of the unitholder's of the fund. In order to avoid any perceived conflict of interests and may seek advice from Legal and Compliance team.