

Asset Management Department
Blominvest Saudi Arabia

Voting Right Policies and Guidelines

1. View on Voting Rights:

Blominvest Saudi Arabia (BSA) will exercise its voting rights and other shareholder rights as a facet of fulfilling its responsibilities as an asset manager. BSA's objective is to maximize corporate, and hence shareholder value for the benefit of its customers (investors) and beneficiaries.

By their ways of exercise, voting rights are the most important means that can impact the management of a company and change shareholder value. BSA aims to exercise voting rights as a means of motivating company management to avoid damaging shareholder returns and to maximize value by effectively using the company's internal resources.

Asset management involves investment in stocks where the share price and/or investor returns are projected to increase. However, rather than simply holding those stocks, BSA believes that by actively engaging in constructive dialogue (engagement) and exercising voting rights it is possible to encourage the sound development of the investee companies and long-term growth in their corporate value (shareholder value).

Thus, when possible, BSA will actively exercise its proxy voting and other shareholders' rights, to promote corporate governance by the investee companies and to facilitate the sound functioning of capital markets, as well as to establish desirable conditions for investors by reaffirming its position as a shareholder.

2. Structure and Process for Exercising Voting Rights:

Once these policies and guidelines are approved by each fund's board, the investment committee of the asset management department will decide to vote for or against each proposal made by each portfolio manager and his analysts in accordance with these policies and guidelines.

Currently, BSA in principle does not exercise inconsistent votes. When more than one fund holds a particular stock, and if the voting decision differs from one fund to another, the investment committee makes the final decision to ensure consistent voting.

In principle BSA does not submit blank votes: for all proposals, direction to exercise voting rights is given to it chooses to vote for, vote against or abstain.

Based on BSA's view that voting rights are an important right of shareholders and that their exercise is an important means for increasing shareholder value, BSA examines all proposals and exercises its voting rights for stocks on which BSA continuously conducts research as well as major stocks held in active funds, in accordance with these policies and guidelines.

For passive-type funds, BSA conducts screening based on stock price performance by industry as well as on corporate financial performance standards. For companies out of these criteria, BSA examines all proposals before exercising its voting rights.

3. Record Keeping and Disclosure:

BSA will maintain full records documenting the exercise of voting rights (including the reasons for exercising or not exercising voting rights in a particular way).

BSA will disclose on its website and on the exchange's website its policies and guidelines regarding voting rights in the general assembly of listed companies, in relation to each fund the fund manager manages.

BSA will also disclose in the interim and annual reports of the funds it manages, the exercise of annual voting rights and will include the issuer's name, the date of the General Assembly, the subject of the vote and the decision to vote (agree / disagree / abstain from voting).

4. BSA's Guidelines for Exercising Voting Rights:

1. Appointment of Directors:

- i. BSA will oppose resolutions to appoint directors for companies that have committed an antisocial act or an act that has caused a loss of trust by the community (including external directors).
- ii. BSA will oppose resolutions to appoint directors if the criteria for operating and financial results (including but not limited to consecutive declines in operating income, consecutive operating losses or net losses or excessive liabilities compared to assets) have not been satisfactory (including external directors).
- iii. If a person has been judged to have engaged in an act that impairs the share price, BSA will oppose the individual in question.
- iv. If a person is judged to be notably lacking in corporate ethics, or in qualifications or suitability, BSA will oppose the individual in question.



- v. For other above cited situations, BSA will vote for or might abstain voting depending of the case and how much the decision will affect the interest of the Fund.
2. Appointment of Company Auditors:
 - i. BSA will oppose resolutions to appoint auditors for companies that have committed an antisocial act or an act that has caused a loss of trust by the community (including external company auditors).
 - ii. BSA will oppose the appointment of company auditors who have served as directors with representative authority or representative executive officers, in principle.
 - iii. BSA will oppose the appointment of external company auditors who clearly lack independence.
 - iv. For other above cited situations, BSA will vote for or might abstain voting depending of the case and how much the decision will affect the interest of the Fund.
 3. Director Compensation:
 - i. BSA will oppose resolutions on director compensation for companies that have committed an antisocial act or an act that has caused a loss of trust from the community unless there is a reduction in average compensation per director (including external directors).
 - ii. BSA will oppose resolutions on director compensation if the criteria for operating results have not been met or if there is a corresponding deterioration in operating results unless there is a reduction in average compensation per director.
 - iii. For other above cited situations, BSA will vote for or might abstain voting depending of the case and how much the decision will affect the interest of the Fund.
 4. Dividends:
 - i. BSA will make comprehensive judgments on dividends based on a total return-ratio that reflects treasury stock acquisitions, strategies of capital expenditure, financial strategies and growth potential among other things, taking into account the balance of dividends with retained earnings.
 - ii. BSA will, in principle, oppose any dividend that is fundamentally out of balance with retained earnings (dividends continually funded by a deficit when retained earnings are too low, or small dividends when there is an excess in retained earnings.)
 5. Amendment of the Articles of Incorporation:
 - i. BSA will oppose resolutions to amend Articles of Incorporation if such amendments are highly likely to impair stock prices.
 - ii. BSA will oppose resolutions to lower the quorum for special resolutions in principle; unless the reason is explained clearly and rationally.
 - iii. BSA will support resolutions to amend the Articles of Incorporation to enable the board of directors to decide on share buybacks, in principle.
 - iv. BSA will oppose resolutions that impose additional, or more stringent requirements for resolutions on the removal of directors.
 6. Acquisition of Treasury Stock
 - i. BSA, in principle, will vote in favor of resolutions to acquire treasury stock. However, BSA will oppose such resolutions if they are judged inappropriate in terms of financial conditions.
 - ii. BSA will oppose such acquisitions if cash flow is insufficient and it would cause a significant deterioration in liquidity.
 - iii. In principle, BSA will oppose the acquisition of treasury stock if it is designed to give preference to the interests of specific shareholders at the expense of the interests of other shareholders.
 7. Shareholder Resolutions:

These will basically be considered on an individual basis, however BSA will oppose such resolutions, in principle, in the following instances:

 - i. Resolutions grounded in specific social or political concepts.
 - ii. Resolutions that are judged to clearly present a high probability of hindering management of the company or management of operations, and that would impair shareholder interests.
 - iii. Resolutions that present the potential for pursuing the interests of only certain shareholders.
 - iv. For other above cited situations, BSA will vote for or might abstain voting depending of the case and how much the decision will affect the interest of the Fund.