

# Shareholder Rights Directive II

## Engagement Policy

Under obligations arising from the revised Shareholder Rights Directive II (“SRD II”), a firm which trades shares on regulated and comparable markets is required to either develop and publicly disclose an engagement policy as prescribed in the applicable regulation or disclose a clear and reasoned explanation of why it has chosen not to do so.

Amber Capital has elected to disclose its engagement policy as set out below. Further, the Firm is also required to further disclose on an annual basis how the engagement policy has been implemented in a way that meets applicable regulatory requirements. The Firm will make its annual disclosure, alongside this engagement policy, on its website.

<p><b>The role of shareholder engagement in the Firm’s Investment Strategy</b></p> <p><b>COBS 2.2B.6 R (1)</b></p>	<p>Amber Capital believes integration of shareholder engagement activities into its investment strategies can contribute to achieving sustainable long-term returns.</p> <p>Within the boundaries of our investment mandates, engaging with investee companies through correspondence, telephone calls and meetings with the objective of improving their corporate governance practices is fundamental to fulfil our fiduciary duty towards clients. Having on-going dialogue with the management teams of the companies, through one-to-one meetings and onsite visits, is an integral part of Amber Capital’s fundamental investment process, which enables us to express views and opinions on the business activities, strategy and performance of investee companies, and to use shareholder engagement to emphasise those views. We aim to establish a constructive dialogue with the Board of Directors and/or management team. In the full respect of each other’s role, we present ideas and proposals to <b>unlock value potential and exchange views to understand the rationale behind the long-term strategy of management. Moreover, we aim to promote better governance practices</b> in order to prevent possible conflict of interests (such as related-party transactions) and promote alignment of interests between management, shareholders and stakeholders at large.</p> <p>In this context, engagement activities include monitoring and conducting dialogue with investee companies, exercising voting rights, cooperating with other shareholders, and communicating with other stakeholders, as applicable.</p>
<p><b>Approach to ongoing monitoring of investee companies</b></p>	<p>As part of its shareholder engagement activities, Amber Capital continuously reviews investments in the actual or potential investee companies, timely incorporating in its analysis (and investment decisions)</p>

**COBS 2.2B.6 R (2)**

the relevant public information disclosed by the concerned companies and other relevant public sources (i.e. regarding the sector, competitors, applicable regulations, macro-economic considerations) which might have an impact on the investment, particularly in respect of the following areas:

Strategy

In addition to analysing relevant information disclosed by the investee companies and other public sources, the investment team holds meetings/calls with the companies on a regular basis and incorporates the information into the proprietary models to assess the investee company's business strategy and whether additional specific shareholder engagement actions are triggered, including but not limited to the following:

- Additional clarification needed;
- Investment case remains valid; and
- Serious changes to underlying assumptions with subsequent review of the validity of the investment case.

Financial and non-financial performance and risk

The analysis and engagement with the company is aimed first of all at gaining confidence/reassurance on the soundness and reliability of the financial statements of the company. Moreover, Amber Capital believes that it is extremely important that the company adequately takes into consideration the relevant company-specific and more general risks, including ESG risk, which might present a potential material risk to a company's long-term financial performance. In case any doubts arise about the financial and/or non-financial sustainability of the business of the invested company and the engagement with the company does not clear the concerns, the Investment Team assesses the opportunity to take further initiatives aimed at protecting the value of the holding and might finally decide to exit the position. For example, if the issue is serious and likely to result in a material change, Amber will escalate this to the invested company's senior management and is willing to challenge management in an attempt to protect the interests of its clients and also willing to exercise its right to vote against management.

Capital structure

Amber Capital believes that good capital allocation is an important driver of long-term shareholder value creation and therefore encourages investee companies to pursue an efficient allocation of the available resources (i.e. avoid retaining capital if no relevant/concrete value-accretive options are available), while adopting a sustainable level of financial leverage.

The Firm monitors the capital structure of investee companies, analysing financial statements, paying close attention to events such as capital investment decisions, acquisitions and divestments, as well as assessing execution of a stated strategy and actively engaging with investee

	<p>companies when required to promote the most effective use of the capital available with the objective to create value for all stakeholders.</p> <p><u>Social and environmental impact and corporate governance</u>  Good corporate governance practices mean higher chances to achieve superior results. Proper practice in place to supervise risks and conflict of interests are a guarantee that risks of fraud are limited. Independence of directors means stronger oversight on management.  Social and Environmental issues should be taken into due consideration because the company should be managed with the objective to create sustainable long-term value (employees, suppliers, clients).</p> <p>Amber Capital may engage with its investee companies with respect to social and environmental matters.</p>
<p><b>Approach to conducting dialogue with investee companies</b></p> <p><b>COBS 2.2B.6 R (3)</b></p>	<p>Amber Capital considers dialogue with investee companies fundamental to influence the company to improve on its corporate governance practices and to ensure long-term value creation.</p> <p>The dialogue with the investee companies is generally conducted by the analyst covering the position or relevant Portfolio Manager. Any material proposals or suggestions are discussed and agreed internally with portfolio managers within the Firm before they are discussed with investee companies.</p> <p>Dialogue can also be held by participating in annual general meetings and other shareholder events.</p> <p>The Firm might involve, or join, other fellow shareholders in the engagement with the investee company, in compliance with applicable regulations.</p>
<p><b>Procedure for exercising voting rights and other rights attached to shares</b></p> <p><b>COBS 2.2B.6 R (4)</b></p>	<p>The Firm maintains a Proxy Voting Policy which is also available on its website.</p> <p>As a summary, Amber Capital has established policies and procedures to exercise the voting rights it has discretion with regard to, in the interest of its clients. The policy covers:</p> <ul style="list-style-type: none"> <li>• <i>Monitoring relevant corporate actions;</i></li> <li>• <i>Ensuring the exercise of voting rights in accordance with the investment objectives and policy of the relevant portfolios; and</i></li> <li>• <i>Preventing or managing any conflicts of interest arising from the exercise of voting rights.</i></li> </ul>
<p><b>Approach to cooperating with other shareholders</b></p>	<p>To the extent permitted, Amber Capital may consider cooperating with other shareholders in order to influence investee companies and promote better corporate governance in the best interest of its clients. This may include,</p>

<p><b>COBS 2.2B.6 R (5)</b></p>	<p>but is not limited to, presenting list of candidates for appointment to corporate bodies, adding items on the agenda of a shareholders' meeting, calling shareholders' meetings and other initiatives that require a certain percentage of the share capital. Amber Capital aims to avoid any limitations to, or other obligations in regard to, the exercise of voting rights and/or to trading decisions: in other words, shareholders' agreements/concert party actions are generally avoided unless deemed necessary for the success of a certain investment strategy.</p> <p>Amber Capital discloses concert actions as it may be required by any applicable laws and regulations.</p> <p>Amber Capital may also share views with other shareholders in invested companies on general topics or certain specific initiatives, without necessarily cooperating with them.</p>
<p><b>Approach to communicating with other non-equity stakeholders</b></p> <p><b>COBS 2.2B.6 R (6)</b></p>	<p>Although Amber Capital does not normally communicate with other non-equity stakeholders, from time to time it may communicate with relevant non-equity stakeholders in order to obtain further information and views that may serve as an input in its engagement with investee companies, provided that such communication is not in violation of any laws or internal policies. Relevant non-equity stakeholders include creditors, public authorities, institutions, etc.</p>
<p><b>Procedure for managing actual and potential conflicts of interests in relation to the firm's engagement.</b></p> <p><b>COBS 2.2B.6 R (7)</b></p>	<p>The Firm maintains a register of potential and actual conflicts of interest which are supplemented by a register of the outside business interests of staff members. Where the Firm faces a material conflict that it is unable to manage or prevent, it is the Firm's policy to disclose this to the client(s) concerned prior to taking any action.</p> <p>To ensure that proxy votes are voted in a client's best interest and unaffected by any conflict of interest that may exist, the Firm will vote on a proxy question that presents a material conflict of interest between the interests of a client and the interests of the Firm as follows:</p> <ul style="list-style-type: none"> <li>• If one of the Firm's general proxy voting policies described above applies to the proxy issue in question, the Firm will vote the proxy in accordance with that policy. This assumes, of course, that the policy in question furthers the interests of the client and not of the Firm.</li> <li>• However, if the general proxy voting policy does not further the interests of the client, the Firm will then seek specific instructions from the client.</li> </ul>

## Public Annual Disclosure

Under COBS 2.2B.5 (1) (b) and COBS 2.2B.7R, Amber Capital makes the following public annual disclosure, for the period starting July 1<sup>st</sup> 2021 and ending June 30<sup>th</sup> 2022.

<p><b>General description of voting behaviour</b> <b>COBS 2.2B.7R (1)</b></p>	<p>It is the policy of Amber Capital to vote proxies in the interests of <b>maximizing value for its clients.</b></p> <p><b>Considerations are usually given to both the short and long term implications of the proposal to be voted on when considering the optimal vote. The Amber Capital analyst(s) responsible for each security will be contacted by the Proxy Voting Team whenever there is a proxy vote, to determine the appropriate vote to be cast.</b></p> <p><b>At times, Amber Capital may determine it is in its clients' best interests to abstain from voting.</b></p> <p><b>Amber Capital generally aims to be supportive and constructive with the management of companies for which the proxies are being voted. In the event that from the analysis of the resolutions to be voted, it emerges that voting in favor is not in the interests of the clients, Amber Capital will either vote against or abstain and the rationale for such decision will be documented.</b></p> <p><b>Engagement with companies on specific concerns that would have triggered a negative vote resulted in some cases in mitigation of the concerns, commitment to improve disclosure and/or consider specific improvements for the following year and final support.</b></p> <p><b>Additionally, in the exercise of the rights granted to minority shareholders, Amber Capital proposed candidates for the appointment to the Board position and successfully appointed the common representative of savings shareholders at an Italian listed company participated by the funds.</b></p>
<p><b>Explanation of the most significant votes.</b> <b>COBS 2.2B.7R (1)</b></p>	<p>Negative votes were exercised mainly with reference to lack of adequate practices in the definition and/or implementation of the remuneration policy (i.e. lack of adequate information, lack of alignment to best practices, discretionary power to deviate from the policy), directors' appointment (due to lack of independence and/or poor track record) and excessive share capital issuance (with the exclusion of pre-emptive rights) Board authorisation</p> <p>As far as most relevant votes are concerned, at a Spanish listed company participated by the funds managed, Amber Capital proposed (and</p>

	<p>obtained) the removal of 4 directors. The proposal was submitted on the basis of serious concerns on the governance of the company and on the truly independence of the concerned directors.</p> <p>Furthermore, at an Italian listed company, Amber Capital – together with other institutional investors, minority shareholders of the concerned company – proposed the appointment of 5 candidates for the Board position, with the objective to improve diversity and competences of the corporate body, taking advantage of the right granted to institutional investors, for the first time in the history of that company, to propose candidates for Board election. Notwithstanding the relevant support received (in excess of 40% of the share capital represented at the meeting), the initiative did not succeed, and no candidates have been appointed.</p>
<p><b>Reporting on the use of the services of proxy advisors.</b> <b>COBS 2.2B.7R (1)</b></p>	<p>Amber Capital, on behalf of the clients, has access to a number of voting research reports prepared by ISS and/or Glass Lewis, in order to take into consideration - for specific and more relevant AGMs - additional analysis of specific items on the agenda, in order to make sure that in taking voting decisions for the funds, additional different views (including the issuer's and/or dissenting investors' statements contained in proxy advisors' reports) are duly examined.</p>
<p><b>Disclosure on how the Firm has cast votes (excluding votes for insignificant subject matters) in the general meetings of companies in which it holds shares (excluding insignificant holding sizes).</b> <b>COBS 2.2B.7R (2)</b></p>	<p>In the relevant period, Amber Capital exercised the voting rights at 28 shareholders meetings out of the 40 votable events (70%).</p> <p>Due to the persisting Covid-related restrictions, most of the shareholders meetings have been held remotely (with no permission to attend in person). Back to normality – with physical attendance allowed – has taken place in France and in Spain, whilst in Italy the first meeting in presence was held in June. As a result, the vast majority (82%) of the votes have been casted by proxy (through the voting platforms used by the funds, namely ProxyEdge/Broadridge and ISS) and just in 5 cases (3 in Spain, 1 in France and 1 in Italy), it has been possible to attend in person and exercise the votes at the meeting.</p> <p>Voted on 341 resolutions, not granting the favourable vote in 10 cases (8 against and 2 abstain),and voting in favor of the proposed resolution in 91.2% of the cases.</p>