

Crystal Amber Fund Limited (“Crystal Amber” or the “Company”) and the UK Stewardship Code

June 2016

Crystal Amber is an activist fund registered in Guernsey and listed on AIM on 17th June 2008. This document seeks to demonstrate how its activist investment and research philosophy complements the UK Stewardship Code published by the Financial Reporting Council in July 2010 and revised in September 2012 (the “Code”). The Code’s seven principles, and how and to what extent Crystal Amber incorporates them into its investment process, are described below.

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Crystal Amber is an activist fund which aims to identify and invest in undervalued companies and, where necessary, take steps to enhance their value. As part of its responsibilities Crystal Amber considers and submits votes on all investee company shareholder resolutions. The scope and details of Crystal Amber’s monitoring of companies includes matters such as strategy, performance, risk, capital structure and corporate governance, including compensation. Whilst the Company applies the Code’s principles insofar as they complement its responsibility and investment objective, policy and strategy as set out on the Crystal Amber web-site and in the Crystal Amber listing documents, it believes a formalistic approach to engagement, or to any investment issue, may limit Crystal Amber’s ability to pursue its goals prudently and flexibly.

Activist Process

Crystal Amber originates ideas from its screening processes and its network of contacts, including its shareholders. Companies are valued with focus on their replacement value, cash generation ability and balance sheet strength. During the process, the Company’s goal is to examine the company both ‘as it is’ and under the lens of ‘as it could be’ to maximise shareholder value. Investments are normally made after an initial engagement, which in some cases may have been preceded by the purchase of a modest position in the investee company, to allow Crystal Amber Advisers (UK) LLP (the “Investment Adviser”) to meet the company as a shareholder. Engagement includes dialogue with the company chairman and management, and normally also several non-executive directors, as it builds a network of knowledge around our holdings. Site visits are undertaken to deepen our understanding and, where appropriate, independent research is commissioned. Investee company annual general meetings are often attended to maintain close contact with the board and other stakeholders.

For most portfolio holdings, Crystal Amber strives to develop an activist angle and aims to contribute to the companies’ strategy. Where value is hidden or trapped, the Company looks for ways to release it. The activist approach in some cases requires long holding periods, which facilitate effective engagement.

Most of Crystal Amber’s activism takes place in private, but it is willing to make its concerns public when appropriate. The response of management and boards to its suggestions has generally been encouraging. Crystal Amber remains determined to ensure that its investments

deliver their full potential for all shareholders, and is committed to engage to the degree required to achieve this.

The opportunities for engagement with management are supported by a continued improvement in the corporate governance of UK listed companies, and the positive perception of active ownership in government reports such as the Kay Review. Amongst under-researched or misunderstood UK small and mid-cap companies, the opportunities to deliver gains by focusing on shareholder value are promising.

A core element of the Company's stewardship approach is engaging with investee companies and exercising voting rights. The Company believes that voting at general meetings can be an important tool to promote best practices in corporate governance. First and foremost, it seeks to vote all proposals in accordance with the best interests of its shareholders. The Company believes that strong corporate governance at the companies in which it invests — most notably oversight by an independent board of qualified directors — best serves Crystal Amber's shareholders' interests. Further information on the Company's voting approach is provided later in this document.

This statement, which is available on Crystal Amber's website and upon request, serves as public disclosure of how the Company approaches the Code.

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship, which should be publicly disclosed.

Crystal Amber's approach to conflicts of interest is outlined in its listing Documents. The Company maintains clear policies on matters of potential conflict that may arise in interacting with investee companies, including such areas as outside employment or directorships by Crystal Amber directors, members of Crystal Amber Asset Management (Guernsey) Limited (the "Investment Manager") and members of the Investment Adviser and the giving and acceptance of gifts and other items of value. Any conflicts of interest are declared and recorded in the Company's records and managed accordingly which may include, for example, seeking independent legal advice on how best to manage that conflict. It is Crystal Amber's duty to act in the best interest of its shareholders.

Principle 3

Institutional investors should monitor their investee companies.

Rigorously monitoring the companies in which Crystal Amber decides to invest is an integral part of its investment approach. When monitoring companies the Company will:

- keep abreast of the investee company's performance;
- keep abreast of developments, both internal and external to the investee company, that drive its value and risks;
- satisfy itself that the investee company's leadership is effective;
- satisfy itself that the investee company's board and committees adhere to the spirit of the UK Corporate Governance Code, including through meetings with the chairman and other board members;
- consider the quality of the investee company's reporting; and

- attend the General Meetings of investee companies in which the Company has a major holding, where appropriate and practicable.

The Company will consider carefully explanations given for departure from the UK Corporate Governance Code from investee companies and make reasoned judgements in each case. It will provide a timely explanation to the investee company, in writing where appropriate, and will enter a dialogue if they do not accept Crystal Amber's position.

Crystal Amber will endeavour to identify at an early stage issues that may result in a significant loss in investment value in investee companies. Appropriate members of the investee company's board or management will be made aware of any concerns.

Crystal Amber may at certain times during engagement with its investee companies be willing to become an insider. Crystal Amber expects investee companies and their advisers to ensure that information that could affect its ability to deal in the shares of the company concerned is not conveyed to Crystal Amber without prior agreement from the Company. In circumstances where Crystal Amber is willing to become an Insider, it will follow its Insider Policy.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

Once an investment has been made, the Investment Adviser will typically begin an engagement process by meeting with the management and/or the board of the investee company prior to presenting the changes it seeks to make in respect of the investee company to the management and/or board. The Investment Adviser usually adopts a pro-active attitude presenting a range of initiatives. Depending on the reaction of the investee company three principal potential scenarios typically evolve:

- (a) in the event the investee company reacts positively by accommodating the Investment Adviser's requests, it will monitor the implementation of the changes, await the changes to be reflected in the market value of the investee company and then potentially exit and realise a gain;
- (b) if the investee company reacts negatively, a range of actions will be considered to press changes on the investee company; and
- (c) if the investee company adopts a neutral attitude, discussions will continue until the nature of the engagement turns either positive or negative.

Crystal Amber will also escalate its stewardship activities when it has concerns about the investee company's strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters.

Initial discussions will take place on a confidential basis. However, if investee companies do not respond constructively, then Crystal Amber may escalate the intervention by:

- holding additional meetings with management specifically to discuss concerns;
- expressing concerns through the company's advisers;
- meeting with the chairman or other board members;
- intervening jointly with other institutions on particular issues;
- making a public statement in advance of General Meetings;

- submitting resolutions and speaking at General Meetings; and
- requisitioning a General Meeting, in some cases proposing to change board membership.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

Crystal Amber will act collectively with other investors where we consider doing so is likely to advance Crystal Amber and its shareholders best interests, is consistent with Crystal Amber's policies and is permitted under applicable laws and regulations.

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity.

Crystal Amber will seek to vote all shares held and will only support the investee company board if it is in the best interests of Crystal Amber's shareholders. Each proposal will be considered on a case by case basis. If Crystal Amber has been unable to reach a satisfactory outcome through active dialogue then it will register an abstention or vote against the resolution. In both instances, Crystal Amber will inform the company in advance of their intention and the reasons why.

Crystal Amber does not utilise the services of proxy voting or other voting advisory services.

Crystal Amber does not lend stock.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

Crystal amber maintains a clear record of its stewardship activities and keeps records of its voting decisions, maintaining an audit trail of votes cast and the basis for its votes.

Crystal Amber accounts to its shareholders as to how it has discharged its stewardship responsibilities through its Annual Audited Financial Statements and if appropriate its Interim Statements and its quarterly investment commentary.

Transparency is an important feature of effective stewardship, however Crystal Amber will not make disclosures that might be counterproductive. Confidentiality in specific situations may well be crucial to achieving a positive outcome.