

June 2020

KKV's UK Stewardship Code Disclosure Statement

KKV Investment Management Limited (“KKV”) is a subsidiary of Kvika Securities Ltd. (“KSL”), the UK asset management arm of Kvika Banki, an Icelandic publicly traded specialised bank focusing on asset management and investment services. KSL is regulated and authorised by the Financial Conduct Authority to manage alternative investment funds and provide asset management and corporate finance services. KKV has been approved by the FCA as an Appointed Representative of KSL effective from 13/5/2020.

Under COBS 2.2.3R of the FCA Handbook, the terms require investment firms to make a public disclosure in relation to the nature of our commitment to the UK Financial Reporting Council's Stewardship Code (the „Code”), published in July 2010, and updated in September 2012. <https://www.handbook.fca.org.uk/handbook/COBS/2/2.pdf>

The Code was published by the FRC, the United Kingdom's independent regulator responsible for promoting high quality corporate governance and reporting in order to foster investment. The Code was originally directed at asset owners and asset managers with equity holdings in UK-listed companies but is now widely adopted for fixed income investment companies such as KKV and aims to enhance the quality of engagement between institutional investors and companies they invest in. Engagement includes pursuing purposeful dialogue on strategy, performance and the management of risk, as well as on issues that are the immediate subject of votes at general meetings.

KKV supports the principles underlying the Code and believes firmly in the importance of corporate governance driven by strong boards, executive leadership and sound governance policies that protect and enhance long term shareholder value. We seek to engage effectively with the managements of firms we invest with to understand better the potential risks and returns in order to achieve optimum returns and to assess downside risks for our clients. We have set out below the approach taken to the Code principles and explained the approach taken where we consider it not appropriate or disproportionate to our business.

Our equity holdings in investee companies will be small typically less than 1% and thus many of the Principles will not be applied on grounds that they are not proportionate to our size of institution. However, we may often control the majority of senior debt for small and medium sized businesses and our approach to this responsibility is included in our declaration.

We will review this statement on an annual basis and update where necessary to reflect changes in practice. If amended, we will inform the FRC of any changes.

Should you require further information on the firm's approach to the Code please contact: dawn.kendall@kkvim.com

Principle 1

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

We support the purpose of the UK Stewardship Code and believe regular dialogue with investee companies is a key component of our investment process and helps develop our knowledge of the investee's business strategy, performance, future prospects, attitude to risk, capital structure, board cohesion and corporate governance, including culture and remuneration before pursuing an investment with a company.

During our investment period, dialogue with investee companies allows us to convey our views on our investment and, where necessary, we will intervene by raising our concerns with the board and its representatives. In the exceptional circumstances outlined below we may engage with other investors (both equity and debt) to raise our mutual concerns. We acknowledge that investee company management may have more information at their disposal and that may justify variance from UK Corporate Governance practices. However, should our concerns remain unresolved, it may sufficiently alter the original investment hypothesis such that we decide to sell or reduce our investment.

Stewardship considerations are an integral part of our investment process. We record all interactions with investee companies and platforms and the investment team considers each investment on a regular basis. In this way, we seek to ensure the investee board and management comply with relevant governance codes.

If an investee company is listed on an exchange, we endeavour to exercise proxy votes at all shareholder meetings where we are authorised to by our clients. Where so authorised, our investment managers make voting decisions based on our knowledge of the investee company and the dialogue described above. We may also refer to independent research from voting advisory services in reaching a voting decision. We periodically report on our proxy voting decisions to our clients.

We do not outsource any activities relevant to stewardship.

Principle 2

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

The FCA requires firms to identify, and mitigate any conflicts of interest between itself, its clients, and between clients that may result in a loss to them. We maintain a conflicts of interest policy and register to satisfy this requirement, which is subject to regular management review.

We act as investment managers with a fiduciary responsibility to act in the best interest of our clients. We seek to optimise investment returns for our clients through thorough investment research and, since our revenues are dependent on both management and performance, believe our interests are aligned.

Where a conflict exists between clients' interests in relation to, for example, voting, engagement, nomination of directors, etc we will assess this and manage the conflict in accordance with our Conflicts of Interest policy.

Principle 3

Institutional investors should monitor their investee companies

We are of the firm opinion that continuous and effective monitoring of investee companies is a fundamental responsibility of an asset management firm. We monitor a comprehensive range of information but as the majority of our investments will be private companies the majority of the detail will be harvested by our own team. This may include financial analysis of publicly available information, market intelligence from industry sources, sector and macro broker research, fundamental analysis and meetings with the board and senior managers. A fundamental part of that analysis is ensuring the firm complies with the UK Corporate Governance Code or can explain any divergence from it. All relevant information is recorded and analysed as part of KKV's pre- and post-investment process.

For listed businesses, we would usually not expect to become insiders at any of our investee companies and where the possibility arises we would prefer not to be wall-crossed. Where we become insiders, we will follow our internal Insider policy.

Principle 4

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

KKV actively engages with investee company management regularly as part of our fundamental investment process, which seeks to optimise investment returns. We view engagement as a two-way communication process: a means of enhancing our knowledge of the investee company and as a means for conveying shareholder concerns. We seek to engage with boards on a confidential basis to constructively resolve any concerns and allow them to explain their position.

Notwithstanding the above, we have chosen not to define a prescriptive basis for escalation because the circumstances will vary from case to case. However, where our dialogue fails we may be prepared to escalate our concerns by acting collectively with equity shareholders and other debt holders, subject to legal and regulatory constraints. Failing that, if we perceive the concern has changed the investment thesis, we may look to find a suitable way of exiting our investment. As investment professionals, we believe we are best placed to act in our clients' best interests.

Principle 5

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

We believe we have enough expertise and knowledge of investee companies to deal with any concerns that we might have about the investee company's business activities, strategy or corporate governance. In most cases we would expect to engage with the board on our own initiative or we may decide to dispose of or reduce our holding. However, in certain circumstances, where we believe the issue is of significance and wish to retain our holding, we recognise that collective action with other debt holders or shareholders may be more effective. This will be dealt with on a case-by-case basis, and with due regard to our policies on conflicts of interest and inside information.

We will only act collectively where we are satisfied it will not breach legal, regulatory, market conduct or confidentiality obligations applicable. Any collective action will only be used to raise legitimate concerns about corporate issues and/or governance issues. The actions may include discussions with other debt holders or shareholders about concerns to be raised with the board, joint representations by shareholders to the board and agreement between shareholders to vote in a specific way.

Principle 6

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

KKV aims to exercise proxy voting rights on behalf of our clients for every investee company regardless of geographic location. The voting decisions are based on in-depth research and knowledge of the investee company. We believe that exercising voting rights is an important responsibility of institutional shareholders and helps improve corporate governance standards and holds management to account.

KKV will draw its own conclusions based on its knowledge of the investee company and will vote based on those conclusions, which may be in opposition to the investee's board. If appropriate, we would seek to engage the board prior to voting to explain our conclusions and resolve differences of opinion.

We do not typically engage proxy voting or other voting advisory services, instead exercising these directly ourselves, nor do we engage in stock lending.

We do not disclose publicly our voting records.

Principle 7

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

We will maintain a clear record of our stewardship activities and will regularly report on our engagement and voting activities to our clients as part of our regular communications. This will include information on voting and rationale behind decisions taken.

However, we will not make detailed disclosure on the nature of that activity or conclusions drawn as the information may be confidential, subjective and is often used to inform our investment decisions. As such, our investment performance will reflect whether our engagement with investees has been effective.

KKV Investment Management Ltd

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