

The Shareholder Rights Directive II

Rule 2.2B of the FCA's Conduct of Business Sourcebook ("**SRD II**"), promotes effective stewardship and long-term investment decision-making with respect to listed companies. Under this rule, Kite Lake Capital Management (UK) LLP ("**Kite Lake Capital**") is required to either develop and publicly disclose an engagement policy relating to the publicly traded shares in its client portfolios and make an annual disclosure of how that policy has been implemented, or publicly disclose a clear and reasoned explanation of why it has chosen not to do so.

An engagement policy explains how a firm:

- integrates shareholder engagement in its investment strategy;
- monitors investee companies on relevant matters, including:
 - strategy;
 - financial and non-financial performance and risk;
 - capital structure; and
 - social and environmental impact and corporate governance;
- conducts dialogue with investee companies;
- exercises voting rights and other rights attached to shares;
- co-operates with other shareholders;
- communicates with relevant stakeholders of the investee companies; and
- manages actual and potential conflicts of interests in relation to the firm's engagement.

Kite Lake Capital supports the objectives of SRD II. The firm pursues a multi-asset-class global event-driven strategy focusing on hard-catalyst events across the capital structure. The strategy is implemented through transactions involving merger arbitrage, major operational reorganisations, credit events, distressed situations and other significant corporate events. The firm believes that its approach to the voting rights attached to the shares that it holds for its clients will often be consistent with the principles of effective stewardship and long-term investment decision-making for the companies in question, because decisions that create value in a company around hard-catalyst events will often be decisions that realise long-term value in the company. Many of the elements that are explained in an engagement policy are fundamental aspects of Kite Lake Capital's approach to research and investment analysis.

However, the firm has determined that, because of the nature of the investment strategy that it operates, it would not be in the best interests of its clients to adopt and disclose an engagement policy, or disclose information on how it has exercised voting rights.

The investment strategy pursued by Kite Lake Capital involves holding equity positions for relatively short periods around the occurrence of hard-catalyst events such as M&A transactions. Where Kite Lake Capital does have the authority to exercise voting rights in relation to such events, it must do so in a way that it believes will maximise risk-adjusted returns for its clients. While this will often be consistent with the principles underlying SRD II, as noted above, the decision-making process is focused on the relevant catalyst events and will not specifically take the longer-term factors into account.

While the firm does at times engage with company management to maximise value on behalf of its clients or to try to effect change, it does not believe that it would be in the interests of its clients to publicly disclose its approach to engaging with companies or how its policy on engagement has been implemented, as the confidentiality of such matters is beneficial for the firm's investment strategy.

Kite Lake Capital has a proxy voting policy, which is available upon request to investors.