

Arctic Securities AS - Allocation policy in connection with securities offerings

This document is a summary of the policy and approach that Arctic Securities AS (“Arctic”) would expect to apply to the process of allocating securities offerings on behalf of issuer clients. For the purposes of this document “securities offering” will normally constitute a private placement of debt or equity securities, but may if relevant include allocations in respect of underwriting of securities issues. The term “issuer” shall be deemed to constitute the seller in the case of a secondary placing. The allocation policy in connection with over-subscription of public issues will normally be set out in the relevant offering document.

The policy is designed to ensure that:

- The allocation process is conducted in a transparent manner in consultation with the issuer and in accordance with proper standards of market conduct;
- The issuer and investors are treated fairly and any conflicts of interest are appropriately managed; and
- As far as possible an orderly market is maintained in the relevant securities.

Allocation Process

In the case of most offerings the price and allocations will be determined by means of book-building. The book-building process makes it possible to build a picture of investor interest and demand for the offering and assists in pricing. Primarily, Arctic seeks to build a mix of investors that are likely to be long-term holders of the securities or providers of liquidity. This can help facilitate relative price stability and the development of an active market in the securities after issue.

Arctic aims to work with the issuer to develop strategies for targeting specific types or groups of potential investors depending on the issuer’s requirements. Subject to any parameters agreed with the issuer, when allocating securities, we would normally expect to take into consideration some or all of the following factors:

- The size of the investor’s expressed interest (both absolute and relative to the investor’s portfolio or assets under management);
- The behaviour of the investor in, and following, past offerings, if any;
- The investor’s understanding of the terms of the securities;
- The investor’s interest in, and past dealings in, securities of the issuer and/or other issuers in the sector;
- The extent to which the investor’s expressed interest and the size of the allocation requested appears consistent with the investor’s expressed investment strategy and objectives and purchasing capacity;
- In the case of an equity or convertible debt issue, the importance to the issuer of establishing a balanced shareholder register, in particular an appropriate balance between likely long-term holders and providers of liquidity in the aftermarket;
- Whether the investor specifies a price limit, and the level thereof;
- The timeliness of the investor’s indication of interest, i.e. how early in the issue process the investor expressed interest;
- The level of engagement by the investor in the issuer and the offering, for example its involvement in roadshows, meetings and valuation discussions and other contact with the issuer;
- The category or description into which the investor falls (e.g. retail fund, tracker fund, industry specialist fund) and the eligibility of investors to participate;
- The geographic spread of investors;
- The need to comply with applicable selling restrictions or other relevant legal or regulatory restrictions in each jurisdiction where potential investors are located;
- The issuer’s likely long-term interest (whether in this or potential future offerings); and
- Any indication or reasonable belief that an investor has exaggerated its indication of interest in anticipation of being scaled back.

The allocation decision is a matter of judgment based on our experience and the issuer’s objectives. Normally, no one factor would be determinative in the allocation process and the particular facts and circumstances will ultimately determine the basis of allocation.

Arctic's Corporate Finance Department is responsible for the pricing and allocation process and will provide regular updates as to the progress of the book-building, with details of the level of demand at different price levels, including, if relevant coverage levels and price sensitivity across the whole book. At the conclusion of the book-building process Arctic will provide the issuer with a provisional schedule of allocations which will be open for discussion with the issuer and amendment prior to determination of the final schedule of allocations.

In the event that a formal book-building process is not adopted, and that pricing and allocation is based on a consultative process, e.g. with the issuer and a controlling shareholder, similar considerations to those set out above shall apply, but it should be recognised that the scope of any market soundings of potential investors will be reduced.

Special considerations

The following specific points relating to allocation should be noted:

- Potential investors are likely to be existing investor clients of Arctic. We make considerable efforts to manage effectively and appropriately the conflicts of interest that might arise as a result. Issuers should be aware that our clients may make a profit from the resale of the securities and may also provide future revenue to Arctic.
- Potential investors that are not existing investor clients of Arctic will need to be registered as clients before purchase of an allocation. Arctic will need to comply with "know your customer" requirements and anti-money laundering legislation before this can take place.
- We may recommend allocation to other units in the Arctic group, such as asset management, proprietary trading and market-making. In order to minimize any perception of conflict of interest, our internal policies provide, among other things, that they may be treated no more favourably than other investors with similar characteristics.
- In the case of securities offerings managed by Arctic together with other investment firms we will endeavour to agree allocation criteria and the application of these criteria with any joint book-runner(s), but there may be occasions where we disagree as to the suitability of a particular investor and allocations represent a compromise between us. This might arise, for example, where we are not familiar with a particular client of a joint book-runner or where we disagree with the joint book-runner as to the appropriate size of allocation to an investor. Similarly, when we allocate to any co-managers we do not have visibility as to onward allocations to the co-managers' investor clients.
- In no circumstances will we propose or make an allocation (i) to incentivise the payment of disproportionately high fees (or normal fees for a disproportionately high volume of business) for unrelated services provided by Arctic to an investor, (ii) to a senior executive or corporate officer of an existing or potential issuer client in consideration for the future or past award of corporate finance business, or (iii) to solicit future orders or the purchase of any other service from Arctic by an investor, or any entity of which the investor is a senior executive or corporate officer.
- Arctic's Corporate Finance team may seek input from the firm's sales and trading staff on investor demand, but it is the sole responsibility of Arctic's Corporate Finance Department to make the provisional and final allocation recommendations.

Pricing of an offering

The process of raising capital for a client will be agreed between the issuer and Arctic for each transaction. The pricing of the securities of the offering will depend on circumstances such as transaction type (private placement or rights issue), type of financial instruments, available time, prevailing market conditions and the financial situation of the issuer.

Arctic will in private placements typically conduct a market sounding with selected investors to determine potential investor demand prior to an offering being publicly launched. Based on such feedback a non-binding price interval for the offering is discussed with the issuer in order to make the decision whether to launch the transaction or not. However, the final subscription price will be determined through the book-building process.

The valuation and pricing of issues are complex processes which normally involve a strong element of judgement and experience. In the context of an issue of securities, there will often be a tension between the wish to maximize the proceeds of the offering, the issuer's interest in the future performance, and investor perception of and interest in the future performance, of the issuer's securities. The objective of our pricing recommendation may therefore be wider than merely maximising price and may include the provision of initial

discounts, achieving a desired shareholder base or other factors in order to find the appropriate balance between these sometimes conflicting objectives.

Fixed price may for example be recommended in private placements if fully underwritten/ guaranteed subscribed by one or several shareholders/investors.

Placing of an offering and targeted investors

Investor groups to be targeted in an offering will be agreed between Arctic, the issuer and potentially other syndicate members in accordance with the principles described above and further described in the mandate agreement.

In rights issues the existing shareholders will be targeted (with the possibility of also inviting new investors but with preferred allocation to existing shareholders). In private placements, Arctic will use its position and knowledge of the market and propose investor groups which are suitable for the offering (taking into account factors such as risk tolerance, investment horizon and knowledge about the sector in which the issuer operates) in accordance with our product governance policy.

Arctic will not target specific investors/investor groups if instructed by the issuer. The basic objective of deciding the range of investors, and of the final allocation, will normally be to produce an appropriate spread of investors (for example between long term holders and providers of liquidity), with a view to achieving an orderly aftermarket with a balance between liquidity and price stability.

Issue Date

Approved by the Board of Arctic on 5 April 2018