



# Fearnley Securities AS

## Allocation Policy

Last updated: May 2018

# Contents

- 1. INTRODUCTION..... 3
- 2. INFORMATION AND DISCLOSURES..... 3
  - 2.1 Financing alternatives..... 3
  - 2.2 Timing and process on pricing of an offer ..... 3
  - 2.3 Timing and process on placement of an offer ..... 3
  - 2.4 Details of targeted investors..... 4
  - 2.5 Composition of Deal Team..... 4
  - 2.6 Prevention or management of conflicts of interests ..... 4
  - 2.7 Determination of price recommendations ..... 4
  - 2.8 Determination of allocation recommendations ..... 5

## **1. INTRODUCTION**

This document is prepared for information purposes to clients who engage Fearnley Securities (“Fearnley”, “we”) to provide advice on corporate finance strategy and the service of underwriting and placing of financial instruments (“clients”). This information memorandum is prepared in accordance with the disclosure requirements pursuant to Delegated Regulation 2017/565 Articles 38-43 to provide information about, inter alia, our pricing, placing and allocation policies and our arrangements in respect of conflict of interest.

## **2. INFORMATION AND DISCLOSURES**

### **2.1 Financing alternatives**

Fearnley offers various financing alternatives based on equity or debt capital markets (e.g. equity, bonds, and hybrid capital) but does not offer ordinary credits as part of its product portfolio. Accordingly, when Fearnley provides advice on corporate finance strategy and when offering underwriting or placing of financial instruments, only such products as are offered by Fearnley will normally be taken into consideration.

Transaction fees are negotiated individually with each client and are specified in the mandate agreement between the client and Fearnley. The fee levels depend on factors such as type of transaction, size of transaction, type of financial instruments and complexity of the transaction. Fees for equity transactions are normally higher (at 3 to 7%) than for bond transactions (at 1 to 3%), such numbers being indicative only. The fee could be a fixed amount or a fixed percentage of the transaction value, and may also contain discretionary elements.

### **2.2 Timing and process on pricing of an offer**

The timing and process with regard to corporate finance advice on pricing of an offer will depend on several circumstances such as transaction type (private placement, public offer, or rights issue), type of financial instruments, available time, prevailing market conditions, pricing of relevant peers, and the financial situation of the issuer. The process for the offer will be agreed between the client and Fearnley in relation to each transaction.

In private placements, Fearnley will typically initiate a dialogue with selected and relevant investors to determine potential investor demand prior to an offer being publicly launched. Based on such feedback a non-binding price interval for the offer is discussed with the client in order to make a decision whether to launch the transaction or not. The final terms will typically be determined through a book-building process where Fearnley will provide our advice on pricing based on our judgment of the amount and quality of demand, as further described in section 2.7.

In public offers or rights issues, which are more typically done at a fixed subscription price, such price will typically be determined on the basis of the prevailing market price for the securities, depending on any underwriting of the issue.

### **2.3 Timing and process on placement of an offer**

The timing and process with regard to corporate finance advice on placement of an offer will depend on several circumstances such as transaction type (private placement, public offer, or rights issue), type of financial instruments, available time, prevailing market conditions, pricing of relevant peers, and the financial situation of the issuer. The timing and process for the offer will be agreed between the client and Fearnley in relation to each transaction.

## **2.4 Details of targeted investors**

Investor groups to be targeted in an offer will be agreed between the client, Fearnley and potentially other syndicate members in accordance with the principles described below and further described in the mandate agreement.

In private placements, Fearnley 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.

In recommending the range of investors, Fearnley will take into factors relating to maximizing the probability of a successful transaction, producing an appropriate spread of investors, and achieving an orderly aftermarket.

## **2.5 Composition of Deal Team**

For any offer or other transaction, Fearnley will make available the required personnel resources and will make available to the client an overview of the relevant key personnel involved in such transaction. Each offer or other transaction has a “Deal Captain” responsible for such transaction.

## **2.6 Prevention or management of conflicts of interests**

Fearnley’s role as manager of an offer gives rise to potential conflicts of interest, including then we, on behalf of the client, place financial instruments with our investing clients or with our own proprietary book. To manage potential or actual conflicts of interest, Fearnley uses several arrangements aimed at preventing and understanding potential effects.

Prior to entering into any mandate for an offer or other transaction, such transaction must be accepted by our Deal Committee, whose tasks include an evaluation of potential conflicts with other activities that Fearnley is involved in.

Further, Fearnley uses information barriers (“Chinese walls”) and a hierarchical separation. The information barriers prevent flow of information passing from one part of the business to another.

As a general principle, any non-public information relating to a client or an offer or other transaction shall be unavailable to the persons at Fearnley who have contact with our investing clients. Any exemption from this principle shall be on a “wall-crossed” basis which puts such persons under restrictions. This shall however not limit our ability to request specific and limited input from our Sales Department in connection with allocation discussions, which (despite involving a potential conflict of interest) is deemed to add to the quality of our service.

## **2.7 Determination of price recommendations**

As described in section 2.2 above, Fearnley will use a broad range of parameters in determining our initial pricing recommendations. In the determination of a final offer price, we will base our recommendation on the amount and quality of demand at the various price levels, aiming at determining a price which satisfies the interests of the client while also provides basis for an orderly aftermarket.

Fearnley will not normally engage in hedging strategies in connection with offers.

Fearnley may, subject to agreement with the client, engage in stabilization activities in connection with equity offers, in which case we will do so pursuant to “safe harbour” recommendations under EU regulations (or equivalent legislation) and in compliance with relevant disclosure requirements.

## **2.8 Determination of allocation recommendations**

In providing allocation recommendation (whether the final allocation is to be made by the client, such as for primary offers of equity, or the final allocation is to be made by us or a syndicate in which we are members), Fearnley will adhere to principles of clarity and consistency.

The principles for allocation shall appear with clarity in documents presented to prospective investing clients, and shall be based on criteria agreed between the client and us (or a syndicate in which we are members).

The principles for allocation will depend on several circumstances such as transaction type, type of financial instruments, prevailing market conditions and attractiveness of the transaction, and other factors, some of which may be uncertain at the time of defining the principles. Accordingly, the principles may need to have flexibility to adjust in response to actual demand in the offer, unless the allocation is to be rigidly determined (such as by VPS allocations or by pro-rata reduction of all subscriptions), in which case we will not give any recommendation.

For equity transactions, allocation recommendations will typically be based on factors such as the investing clients' current holding, timeliness of application, price leadership, relative order size, sector knowledge, perceived investor quality, and investment horizon. Specific allocations will generally be based on grouping of investors into different allocation categories where investors in each category are treated similarly.

For bond transactions, allocation recommendations will typically be based on factors such as orders received early in the application period, relative order size, sector knowledge, investment history, perceived investor quality, investment horizon and wide and varied bondholder structure. In Nordic bond transactions allocation will be decided by us (or a syndicate in which we are members) and the identity of investors will not be disclosed to the issuer (as the identity of bondholders is subject to confidentiality). We will, however, keep internal records of the different allocation groups and investors which can be accessed by the client in an anonymised form.

The investors to whom Fearnley allocates securities are also clients of us and may have other relationships with us. Fearnley prohibits allocations incentivized by fees or volumes of business for unrelated services, allocations in consideration for the future or past award of corporate finance business and allocations expressly or implicitly conditional on the receipt of future orders or other services.