

Allocation policy | Clarksons Securities AS

This document sets out the Information about allocation policy incurred by the services offered by Clarksons Securities AS.



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Allocation policy

1 Background and purpose

The main rule for equity offerings under Norwegian law is rights offerings which gives existing shareholders proportionate right to participate in the offering.

When CS is acting as bookrunner in a private placement of shares on behalf of an issuer, questions may arise regarding the election of targeted investors and allocation if the offering has been oversubscribed. The purpose of this policy is to ensure that:

- The allocation process is conducted in a transparent manner in consultation with the issuer and in accordance with proper standards of business conduct.
- The issuer and investors are treated fairly and any conflicts of interests are properly managed.
- Maintain an orderly market for the relevant equities.

In most private placements, the price and allocations will be determined through a book-building process giving CS feedback on investor interest and demand and pricing.

For offerings of debt securities, the allocation rests with CS (in cooperation with other bookrunners, if applicable) at its sole discretion. The proposed and final allocation will not be shared with the issuer and be solely based on the allocation criteria and principles set out below, or as agreed between the bookrunners in each transaction and is not described further in this policy.

2 Financing alternatives

CS offers various financing alternatives based on equity, debt, convertible bonds and direct lending, but does not offer bank financing as part of our product portfolio.

3 Targeted investors

Investor groups to be targeted in a private placement will be agreed between CS, the issuer and the other syndicate members in accordance with the principles described in this policy and in the mandate agreement. In private placements, CS 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 existing shareholding and participation in previous offerings, risk tolerance, investment horizon and knowledge about the sector. CS 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 and shareholder stability.

4 Allocation process

When CS is acting as a bookrunner, the deal team will, in coordination with the other bookrunner(s) if applicable, prepare an allocation proposal to the issuer. This allocation may be viewed either as a recommendation to be presented to the issuer, or as an allocation to be confirmed by all bookrunners reflecting the issuer's broader allocation objectives.

CS will work with the client to develop strategies for targeting specific types or groups of potential investors depending on the issuer's requirements and to agree the objectives. Subject to the parameters agreed with the issuer, when allocating securities, CS would normally expect to take into consideration some or all of the following factors:

- 1) The issuer's preference for specific investors.
- 2) Valuation/price – to be considered in conjunction with item 4 below and pricing sensitivities of investors.
- 3) Principle of equal treatment of shareholders.
- 4) If the issuer is focused on the aftermarket short and longer term.
- 5) Concentration (i.e. preferences as to size and number of large holdings, medium and/or smaller).
- 6) Smaller orders may get a higher percentage allocation due to minimum subscription thresholds.
- 7) Desired investor types and indication of any preference as to approximate balance between identified investor types – e.g. between retail and private investors and long-only funds.
- 8) Any “free float” or similar requirements of the relevant listing, trading or indexation regime.
- 9) Desired geographical location of investors, including consideration of applicable selling restrictions.
- 10) Level and timing of engagement by investors, such as pre-commitment, wall-crossed investors, investors having participated in roadshow meetings and investors with analysts covering the issuer.
- 11) Timing of the subscription, early or late in the bookbuilding/subscription period.
- 12) Existing or prior holdings in the issuer or in comparable companies or within the relevant sector.
- 13) Potential subscribers are likely to be existing clients of CS. Investors that are not existing clients of CS must be registered as clients before settlement and must meet the relevant requirements under Norwegian law with regard to “know your client” and anti-money laundering and be approved by CS' Compliance.
- 14) Other considerations as appropriate.

During the bookbuilding process, CS will within applicable insider regulations provide the issuer with the opportunity to review and discuss the book of demand, which may include regular updates as to the progress of the bookbuilding process, including specific institutional investors' indications of interest.

CS' deal team (in conjunction with the other joint bookrunners if applicable), will record a line-by-line written justification/commentary in relation to any investors that appear in the allocation list proposal and rank the allocations in groups as applicable. CS will ensure consistency in allocations across the proposed tier categories

A pro rata allocation proposal will be made for each tier group within the allocation criteria that have been set, whereby tier one normally will receive a higher allocation percentage than the other groups. The allocation proposal will be sent to the issuer, who may perform adjustments to the allocation proposal if desirable.

While CS endeavors to agree allocation criteria and the application of these criteria with our joint bookrunner(s), there may be occasions upon which CS may disagree as to the suitability of a particular investor and allocations represent a compromise between bookrunners. This might arise, for example, where CS is not familiar with a particular investor proposed by a joint bookrunner or where CS disagrees with the joint bookrunner as to the appropriate size of

allocation to an investor. Similarly, when co-managers are involved in the offering, CS does not have visibility as to onward allocations to the co-managers' investor base.

5 Pricing

The process for an offering will be agreed between CS and the issuer and the other bookrunners if applicable. The pricing will depend on circumstances such as transaction type, available time, prevailing market conditions and the financial situation and market outlook of the issuer.

In private placements, CS will typically conduct a market sounding towards selected investors to determine potential investor demand before a possible offering is launched. Based on such feedback, a non-binding price interval for the offering is discussed with the issuer in order to decide if the offering should be launched or not. However, the final subscription price will be determined through the book-building process.

The valuation and pricing in connection with offerings are complex processes which normally involve a strong element of discretion. In the context of an offering, there will often be a tension between the wish to maximize the proceeds, the issuer's interest in the future performance of its shares and investor perception of and interest in the future performance of the securities. The objective of CS' 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 be recommended in private placements if fully underwritten/ guaranteed by one or several shareholders/investors.

6 Documentation

CS shall disclose its main allocation principles to its clients before providing any placing services to that client, normally through the engagement letter.

CS is also required to document the following:

1. CS' initial discussions with the issuer and the agreed proposed allocation per category of investors.
2. The content and timing of allocation requests received from each investor with an indication of their type.
3. Where relevant, any further discussion and instructions or preferences provided by the issuer and other members of the syndicate.
4. The final allocations communicated to each individual investor.
5. The top twenty per cent. of allocations ranked both by: (i) size of total allocation and (ii) "fill" (i.e. allocation as a proportion of the order of the investor)
6. Statement of or reference to the agreed issuer objectives and/or other allocation principles that have been used in determining allocations to those (top twenty per cent) highlighted investors taken as a group
7. Specific justification for any allocations to any of those highlighted investors which are inconsistent with or not clearly justifiable by reference to, those principles or where the relevant firms believe a specific further explanation would be desirable or appropriate.

Any specific instructions by the issuer such as allocations to retail clients, geographical preferences, etc. and any changes to the allocation objectives must be documented.
