

# **Danske Bank Equity Capital Markets Allocation and Distribution Policy**

*Effective February 7<sup>th</sup>, 2018*

This document provides an overview of policies and principles that Danske Bank (referred to herein as “we” or the “Bank”) is expecting to apply in relation to pricing, marketing, distribution and allocation of securities in bookbuilding processes. The policies described in the following apply to underwritings and/or placing activities taking place in the European Economic Area (EEA) as well as underwritings and/or placing activities from the EEA.

This document serves to ensure;

- 1) an appropriate, transparent and fair execution with regards to the marketing, allocation and distribution processes,
- 2) fair treatment between investors, issuers and sellers in the bookbuilding process as well as appropriate management of potential conflicts of interest between them and/or between them and the Bank,
- 3) compliance with applicable laws and regulation, and
- 4) that an orderly market is upheld.

The goal of the Bank’s allocation policy is to achieve an appropriately spread investor base with regards to long term holders and liquidity providers as well with regards to geographical and sector considerations. The allocation and distribution may or may not be subject to any particular directions, criteria and/or objectives as agreed upon with the issuer or seller client. We strive to ensure an orderly aftermarket characterized by a reasonable balance between liquidity and price stability.

The Bank exercises discretion and judgment in the pricing and allocation process with the goal of treating issuers, sellers and investors fairly, while also taking into consideration any potential legal and reputational risk.

## **General responsibilities**

When acting as a bookrunner in an offering, the Bank’s ECM/syndicate desk is responsible for coordinating the bank’s role in marketing, pricing and allocation of shares. If applicable, this process will be undertaken in conjunction with other banks acting as bookrunners on the offering.

Within the Bank the ECM/syndicate desk has the full responsibility for determining price and allocations in an offering in agreement with the issuer or seller client. Traders and salespersons may provide input to allocations to the ECM/syndicate desk, however, such input will not play a direct role in determining pricing and allocations.

## **Considerations in the allocation process**

The ECM/syndicate desk will consider the following to the extent relevant under the given circumstances when determining allocations in agreement with relevant issuer or seller. The list is non-exhaustive.

- Issuing or selling client’s preferences, objectives and criteria for the allocation process.

- The investor's absolute order size as well as relative order size with regards to the investor's portfolio and/or assets under management can be factored in when scaling back.
- Legal framework (including selling restrictions) in a jurisdiction with which an investor is connected.
- The investor must have placed an order in the book.
- Perceived willingness and ability of the investor to settle in full once an allocation has been accepted.
- Consistency between the investor's requested size of allocation and the investor's expressions and previous investment actions and/or expressions. Any investor statements or expressions about intentions will be considered.
- Historical behaviour and participation of the investor in offerings including holding periods of prior offerings
- The investor's display of interest in the offering. This interest can be in the form of e.g. attendance at roadshows, investor meetings and/or other channels of direct contact with the issuer or seller.
- Price limits pertaining to an order.
- Investor category e.g. long only fund, hedge fund, family offices, private banking, retail etc.
- The investor's current position in the issuer and general exposure to the sector of the issuer or seller through e.g. holdings of any peers.
- The geographical location of the investor as well as the sector(s) of the investor's main business.

The Bank will consider the above in the allocation process on the basis of the Bank's internal or external data from sources that we deem reliable.

In a bought or backstopped deal the Bank will also take into consideration its own interest as well as prudently manage any legal and/or reputational risk in addition to the allocation principles outlined in this document.

When marketing an offering, the Bank will ask the seller or issuer client's views on price and allocations.

The Bank will inform its seller or issuer client about investor indications and orders in a timely manner prior to pricing or as frequently as is reasonably requested by the Bank's client.

### **Involvement of the client in the allocations process**

The degree of involvement of the issuer or seller with regards to i.a. objectives and instructions is to be determined as early in the process as possible. Discussions with clients on these matters are expected to include the following matters. The list is non-exhaustive.

- Factors relevant to pricing and the general process as well as any potential subsequent event's impact on pricing of the offering.
- Determination of investor targets with regards to identity and apportionment of allocations as well as the factors relevant to an efficient allocation process.
- Process for determining and agreeing on allocations. This process will take into consideration any potential confidentiality restrictions and/or any hard/backstop underwritings agreements the Bank might be subject to.
- Objectives and preferences of the client in relation to investor types and criteria with regards to grouping of investors as well as any agreed allocation principles.
- Potential stabilization measures taken and the impact of such measures on the outcome of the offering for the client.

The client will be sent the following and will be offered a chance to review and propose changes to:

- The allocation objectives
- The final book of demand at various price levels
- Allocation draft(s)
- The final allocation schedule

The Bank will prudently take into consideration any potential balance sheet risk when determining and agreeing pricing and allocations with clients. Such balance sheet risks can occur in e.g. bought deals, hard underwritten transactions and block trades.

Pricing and allocating an offering is a complex task which requires a high level of judgement. The overarching principle is that the allocation and pricing process should be as fair and transparent as possible and that the process should not favour or promote the interest of any investor or the Bank over the issuer or seller's interests. In order to achieve this goal, the Bank will seek to keep the client fully informed throughout the process with regards to developments relevant to pricing and allocations. The ECM/syndicate desk will take all reasonable steps to achieve this.

### **Commission in accelerated bookbuildings of existing shares**

Danske Bank will charge investors buying shares in an accelerated bookbuilding transactions of existing shares a 0.15% commission.

### **Prohibitions in relation to allocations**

The Bank will avoid and prevent being affected with regards to pricing and allocations by factors such as past and/or future relationships and commissions from investors.

The Bank will refrain from entering into agreements that do not comply with these considerations. The list below provides examples of prohibited compensation. The list is non-exhaustive.

- Tie-in or laddering agreements e.g. investors explicitly pledging to buy shares in the aftermarket in exchange for being allocated a higher amount of shares in the offering.
- Quid pro quo agreements e.g. investors paying excessive commissions or other compensation on unrelated transactions to either the Bank or its employees in exchange for allocation.
- Explicitly or tacitly requiring investors to participate in all or some offerings in order to be considered for allocation or guaranteed allocation in popular offerings.

- Promises, either explicitly or tacitly, of future mandates in exchange for allocation.
- Gifts from investors to the Bank, employees or affiliates.