Public

Summary of Allocation and Marketing of Securities Standards

October 2018

Daiwa Capital Markets Europe Limited

Daiwa Capital Markets Europe Limited ("**DCME**") is committed to maintaining the highest professional standards in providing services to its clients. The following is a summary of the standards DCME would expect to apply to the allocation and marketing of an offering of securities on behalf of its capital markets clients (issuer or selling security holder on whose behalf the offering is made).

These standards are designed to ensure that DCME is conducting its marketing and allocation processes in a manner which is fair, transparent and aligned to appropriate standards of market conduct, is managing any conflicts of interest that may arise within the underwriting and placing processes while maintaining market integrity through effective systems and controls.

1. General Principle

In conjunction with our general Conflict of Interest Policy, DCME always seeks to:

- identify and avoid the circumstances which constitutes or may give rise to a conflict of interest;
- pro-actively manage conflicts of interest as they arise; and
- disclose conflicts as a measure of last resort.

Where DCME engages in underwriting or placing of an offering of securities, DCME will identify, prevent and manage all the potential conflicts arising from all relevant activities taken by DCME and its affiliates (collectively, "**Daiwa Securities Group**" or "**DSG**") and will not engage in an offering where DCME cannot manage the conflict.

2. Bookbuilding process

In securities offerings, the bookbuilding process enables DCME to build a picture of investor interest and demand for the offering and it assists with pricing. DCME will seek to involve the issuer as their book of demand is built and will provide regular book updates.

Prior to bookbuilding, DCME will obtain the capital markets client's objectives and their preferences for allocation, where available, including the selection of investors for any market soundings or investor roadshows.

3. Allocation and Marketing of Securities - criteria

The objective of the allocation process is to act in the best interests of the capital markets client. DCME will consider a variety of factors relevant to the allocation process depending on the preferences and objectives of each capital markets client.

Allocations decisions recommended by DCME are subject to the approval of the capital markets client before being made final and released to investors.

A non-exhaustive list of criteria which may be considered relevant to allocation in light of the particular circumstances of each offering include:

- issuer's / seller's objectives and preferences for allocation;
- the category of investor e.g. retail fund, pension fund, industry specialist fund, tracker fund);
- the size of the investor client's expressed interest or order;
- the timeliness of the investor's indication of interest i.e. how early in the process did the investor express interest;
- the level of engagement by the investor client in the offering process and with the issuer e.g. attendance at roadshows and other contact with the issuer or seller of the securities;
- the investor client's pricing strategy e.g. flexibility on pricing; price range;
- investment strategy of the investor;
- firmness of investor demand;
  - interest in, and past dealings in similar securities
  - timing of order relative to marketing schedule
- any indication or reasonable belief that the investor has exaggerated the true extent of their interest in the expectation of being scaled back;
- expected investor behaviour in the after-market;
- desired geographical location of investors, including consideration of applicable selling restrictions;
- other considerations as appropriate.

Similar criteria to those set out above apply to the selection of investors for marketing activities such as investor sounding and roadshows.

4. Prohibited Allocation Practices

4.1 Quid Pro Quo Arrangements / Incentives

DCME prohibits making any agreements or *quid pro quo* arrangements with investors in return for allocations. Below is a non- exhaustive list of prohibited allocation practices.

- an allocation made to incentivise the payment of disproportionately high fees for unrelated services provided by DCME (**'laddering'**);
- an allocation made to a senior executive or a corporate officer of an existing or potential issuer client, in consideration for the future or past award of corporate finance business **('spinning'**);
- an allocation that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from DCME by an investment client, or any entity of which the investor is a corporate officer;
- an allocation that is not allowed under local laws or regulations.

5. Internal Allocations

Any allocation to an internal DCME book must be justifiable in terms of the objectives of the allocation process and in line with similar investor type allocations.

In certain circumstances, we may allocate a limited number of securities to an internal DCME account subject to appropriate management of conflicts, appropriate thresholds, regulatory requirements and internal approvals

6. Record Keeping

DCME will retain the relevant records of allocation in accordance with industry guidelines and the FCA conduct of business rules (COBS 11A.1.9 EU).