



# Allocations and Pricing of Securities Offerings Policy

Rothschild & Co Equity Markets Solutions Limited

October 2022

---

## Introduction

The Rothschild & Co Equity Markets Solutions Limited (hereafter 'R&Co EMS' or 'the Firm') Allocations and Pricing of Securities Offerings Policy (hereafter 'the Policy') outlines the principles and requirements that the Firm applies in the context of allocating and pricing securities offerings. The Policy is designed to:

- Ensure that the allocation of financial instruments in the context of an offering is conducted fairly, appropriately and in the issuer client's best interests;
- Manage conflicts of interest between different clients or groups of clients;
- Ensure that all allocations are justifiable;
- Comply with the allocation record keeping requirements under the relevant laws and regulations.<sup>1</sup>

This summary of the Policy is not intended to be comprehensive, and the Firm would be pleased to furnish issuer clients with more detailed information, as required, during the offering process.

## Agreeing Allocation Objectives

As is customary in securities offerings, for each transaction the Firm will agree with the issuer client the allocation objectives along with the other members of the syndicate involved in the allocation process. The Firm will keep records of any written instruction provided, any relevant materials provided at different stages throughout the transaction to or by the issuer client, and any specific objectives notified by the issuer client during discussions. Once agreed, the issuer client's objectives will be documented in writing. On an accelerated deal timetable, it may be appropriate (and sufficient) to establish and evidence agreement through relevant e-mail communications.

Allocation objectives and determinations will vary from transaction to transaction and will be the result of discussion and exercise of judgment. When determining allocations deal teams should have due regard to market best practices and the following non-exhaustive list of factors:

1. Client preference for specific investors.
2. Valuation/price – to be considered in conjunction with item 3 below and pricing sensitivities of investors.
3. Extent to which issuer client is focused on the aftermarket.
4. Concentration (i.e. preferences as to size and number of large holdings, medium and/or smaller ones).
5. Any minimum or maximum allocation amounts.
6. Desired investor types – indication of any preference as to approximate balance between identified investor "types" (e.g. long-only and hedge funds, "long-only-like" hedge funds, hedge funds that are like long-only funds, hedge funds that will trade in the stock over the long term, providers of liquidity, geography etc.) and categories (e.g. retail fund/tracker fund/pension fund etc.) – in each case to the extent known, reasonably assumed or reduced in hindsight from the book of demand.

---

<sup>1</sup> MiFID II Articles 16 and 23, Delegated Regulation (EU) 2017/565 Articles 38-41 and the associated ESMA Q&A, as well as COBS 11A.



7. Any “free float” or similar requirements of the relevant listing, trading or indexation regime.
8. Desired geographical locations of investors (including consideration of applicable selling
9. restrictions).
10. Level and timing of engagement in transaction process (pilot fishing/market sounding (on wall-crossed basis or otherwise)/ PDIE/roadshow meetings/other (such as reverse enquiry)/one-on-one/Group.
11. Timing of the request for allocation, relative to final management meeting for that investor
12. The size of an investor’s expressed interest (both absolutely and relative to the investor’s portfolio or assets under management) Existing/prior holdings/size of assets under management/interest in issuer/comparable companies or offerings or within the relevant sector (to the extent known or reasonably assumed).
13. The extent to which the size of the investor’s bid appears consistent with the investor ’s strategy, profile, objectives, known financial position and purchasing capacity.
14. The investor’s behaviour in and following past issues generally (for example, whether the investor has a history of “flipping” or order inflation)
15. The investor’s likely holding horizon
16. The possibility that the investor may be using the offer as a means of building a strategic stake or platform
17. Any explicitly communicated statement by the investor about its intentions and the perceived credibility of any such statement
18. Any indication that the investor has exaggerated the true extent of its interest in the expectation of being scaled down
19. Any selling restrictions or other relevant legal or regulatory restrictions in jurisdictions with which the investor is connected
20. The desirability of avoiding allocations in inconvenient or uneconomic amounts
21. Other considerations as appropriate.

The above criteria would also apply for the purposes of determining the population of investors selected for roadshow or approached for market soundings for securities offerings.

Any changes to the objectives may be made and agreed over the course of the transaction and should subsequently be recorded.

Before the allocations meeting, the syndicate will share the book of demand with the issuer client, at different price levels. This may include coverage levels and price sensitivity across the whole book. When the final schedule of allocations is agreed, this will be provided to the issuer client for sign off. A record of the allocation decisions taken for each placing must be kept for a complete audit trail between the final allocations and the instructions received by the Firm. In addition, an allocation justification record will be established as agreed between the syndicate banks in line with regulatory requirements. Such records must be kept in the deal folder.

## **Prohibited Inducements**

The Firm and its personnel shall not accept any third-party payments or benefits unless such payments or benefits comply with the MiFID II rules, as implemented into UK law. In particular, the following practices are prohibited:

- 1) an allocation made to incentivise the payment of disproportionately high fees for unrelated services provided by the investment firm (‘laddering’ or ‘tie-in’ arrangements), such as disproportionately high fees or commissions paid by an investment client, or disproportionately high volumes of business at normal levels of commission provided by the investment client as a compensation for receiving an allocation of the issue. Other instances include requiring investor clients to purchase additional securities in the after-market as a condition of being allocated securities in an offering.



- 2) 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');
- 3) any other type of "quid pro quo" arrangements under which the allocation of securities to an investor client in an offering is made conditional on or linked with a monetary or non-monetary compensating benefit, including but not limited to:
  - a) the investor's undertaking to accept allocations in another offer of securities (such as participation in a "cold" deal); or
  - b) payment of excessive commissions on aftermarket dealings in the offered securities or on dealings in other securities; or
  - c) an allocation that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from the Firm by an investment client, or any entity of which the investor is a corporate officer.
- 4) Allocation recommendations should not be determined or influenced by the amount of trading, commission or other income received or expected by the Firm or any Group Entity from business with a particular investor client

Any commissions, fees or any monetary or non-monetary benefits received in relation to arranging the issuance must comply with the Group Conflicts of Interest Policy.

## **Pricing and Provision of Information**

The Firm will endeavour to provide clients with all the relevant information about recommendations, timing, pricing, allocation size, structure and other potential risks of the offering. Accordingly, issuer clients should be informed about any pricing developments, hedging or stabilisation strategies related to the offering, including any impact on their interests.

Decisions on pricing must be in the best interest of the issuer client. Accordingly, decisions on pricing will be agreed among the syndicate banks on the back of bookbuilding and signed off by the issuer.

Individuals responsible for providing services to the Firm's (or its affiliates') investment clients (e.g. Sales, Trading and Research personnel or employees responsible for providing services to an anchor or cornerstone investor) are prohibited from having direct involvement in final decision-making about recommendations to the issuer client on pricing.

In formulating a pricing strategy for a particular offering, the deal-team should take into account the procedures, rules, timings and practices specific to the market in which a transaction is executed. The pricing strategy should also take into account the specific type and structure of transaction being executed (accelerated book-build with or without back-stop, underwritten pre-emptive capital raising for an already listed company, or the IPO of an unlisted one), as well the stability or otherwise of the market conditions prevailing during the market execution period.

## **Management of Conflicts of Interest**

In certain circumstances potential conflicts of interest could arise between:

- The corporate finance clients and investors who are/may become potential securities' purchasers;
- The corporate finance clients and the Firm or its affiliates;
- The Firm or its affiliates and investors

Such potential conflicts of interest could impact both the pricing of the offering and the placement of the offering with investors. Any potential conflicts of interest must be identified and prevented or managed at the earliest possible opportunity in line with Rothschild & Co's Conflicts of Interest Policy.