

PRODUCT GOVERNANCE STATEMENT

ABG Sundal Collier Group

26 August 2019



1 Scope and Role

This Product Governance Statement (“Statement”) applies to all legal entities directly or indirectly controlled by ABG Sundal Collier Holding ASA (“ABGASA”), including tied agents, collectively referred to as “ABGSC”. ABGSC entities may act as manufacturer (including co-manufacturing with other firms) or distributor.

2 Background

ABGSC offers a wide range of financial services and investment products to its issuer clients, trading counterparties and end investors under the revised Markets in Financial Instruments Directive (“MiFID II”).

The product governance requirements of MiFID II aim to ensure that firms which manufacture and/or distribute financial instruments (“Products”) act in the best interests of investors at all stages of a Product’s development and distribution life-cycle.

Product governance requirements apply to all MiFID II Products traded on both primary and secondary markets. Our appropriate and proportionate approach to product governance requirements is reflected in ABGSC’s Product Governance Procedure. The purpose of this summary is to inform our clients and potential distributors about ABGSC’s product governance arrangements.

3 Proportionality Categories

We have created a proportionality framework for Products that ABGSC manufactures based on the type of product, its complexity and the type of investor¹ to which the Product will be sold (collectively “Proportionality Categories”). ABGSC will use Proportionality Categories to apply product governance requirements accordingly. The Proportionality Categories will define the target market of the product, the distribution strategy, how to apply scenario analysis and stress testing and the product approval and review process.

Below is a summary of the key ABGSC Proportionality Categories:

Products for all investor types (including Retail)

Non-complex Products, such as listed shares and simple cash bonds, have a liquid market and a high degree of transparency, where relevant information is made available through regulatory and mandatory disclosures. The required knowledge and experience for understanding such Products are generally low and we believe that these Products can be compatible with all investor types, including Retail investors, where an investor’s objectives and needs as well as risk tolerance are in line with the nature of those Products.

These Products are eligible for all distribution channels (i.e. investment advice, portfolio management, non-advised sales and pure execution services).

Products for Professional investors only

Professional investors (including Eligible Counterparties) are appropriate target investors for complex Products as e.g. non-listed shares, complex corporate bonds and OTC derivatives. Professional investors are knowledgeable and experienced with sophisticated investment or hedging strategies, consequently seeking unhindered access to the full range of Products in the market. Professional investors have the required knowledge and experience of these Products and have sufficient understanding of the risk of loss and the risk/reward profile associated with them. Professional investors have carefully considered and developed investment or hedging objectives and have a sufficient understanding how such Products meet their needs and expectations.

ABGSC as a manufacturer (or co-manufacturer in case of assisting MiFID II issuers or acting in an active role in a syndicate) will make appropriate arrangements to assign Professional investor-only target markets for these Products to ensure appropriate distribution.

These Products are eligible for the distribution channels investment advice, portfolio management and order execution.

¹ Professional Clients (including Elective Professionals), Eligible Counterparties and Retail Clients

Complex and / or packaged products for all investor types (including Retail)

Complex bonds, securitized or packaged Products and OTC derivatives are categorised as Packaged Retail Insurance-based Investment Products (“PRIIPs”) under the Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) and a key information document (“KID”) is required when manufacturing/issuing PRIIP’s Products to Retail investors. As ABGSC is not able to undertake the production of a KID on behalf of third party issuers or manufacturers, unless the issuer or manufacturer provides the KID, the target market will be designated for Professional investors only.

For Products that falls outside the definition of PRIIP’s and where the issuer is being advised by ABGSC, the Product’s compatibility with the Retail market will be determined on a case-by-case basis and the target market will be agreed with the issuer and syndicate members, where relevant.

4 Nature of Clients

Through its entities that are in scope for MiFID II, ABGSC transacts with and provides services to Professional Clients (including Elective Professional) and Eligible Counterparties, as defined under MiFID II.

We do not expect that the Products in which we transact and the services that we provide to be treated by our clients and counterparties as suitable for distribution to Retail clients unless expressly permitted otherwise.

5 Target market for primary issuances

For primary issuance of Products, ABGSC may act as manufacturer and/or distributor.

As manufacturer, ABGSC will assess the potential target market for each instrument.

ABGSC will make information on target market and distribution strategy available through different channels such as prospectuses, term sheets, internal sales memos, screen announcements, issuer websites, stock exchange notices and / or ABGSC external website, or provided to the investor directly upon request.

6 Target market for secondary trading

For secondary trading in Products, ABGSC will act as distributor, either to an intermediate or to an end client.

As a distributor of secondary trading, ABGSC must assess if the Product meets the needs, characteristics and objectives of its clients and that the distribution strategies are appropriate. Since ABGSC’s client base consist of Professional Clients and Eligible Counterparties, we can assume that our target market has the required knowledge and experience to understand the risk for which they have been classified as Professional or Eligible Counterparties.

6.1 Shares

ABGSC offers its clients to buy and sell both listed and unlisted shares as a distributor.

Knowledge and experience: clients with basic capital markets knowledge or experience about shares. Given the amount of information available through e.g. press and mandatory disclosures, knowledge and experience requirements for such products are generally low.

Clients’ financial situation with a focus on the ability to bear losses: ability to bear 100% capital loss.

Clients’ risk tolerance and compatibility with the risk/reward profile of the Product with the target market: due to the volatility of stock markets and specific risk if investing in individual company shares, clients should have a medium to high-risk tolerance. They should be willing to accept price fluctuations in exchange for the opportunity of higher returns.

Clients’ objectives and needs: mass-market shares are compatible with the needs of clients who seek capital growth or potential dividend returns. Mass-market shares, that are very liquid and easily disposable, can be suitable for any investment horizon.

Clients who should not invest (the ‘negative-target market’): this product is deemed incompatible with the needs and objectives of clients which:

- are looking for full capital protection or full repayment of the amount invested
- are fully risk adverse/have no risk tolerance

- need a fully guaranteed income or fully predictable return profile

The type of clients to whom the Products are generally targeted:

- Eligible Counterparties
- Per se Professionals
- Elective Professionals

Execution Channels:

- Investment Advice
- Order Execution
- Execution-only

ABGSC will only distribute the Products to investors who meet the criteria of being Eligible Counterparties and/or Professional Clients (and, in the case of Elective Professional, in line with its policies and procedures). Each intermediate to whom ABGSC sells, is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

6.2 Bonds

ABGSC sells to clients a variety of bonds and notes, short term commercial papers and certificates of deposit (“Security” and collectively “Securities”) (whether issued on a standalone basis or issued under an issuance programme), where the investor is contractually entitled to receive payment equivalent at least to the amount invested on issuance of the Security, unless the principal is at risk by means of the Security’s structured payoff.

Securities may be issued by a wide range of public or private companies and financial institutions, either directly or indirectly through an affiliated SPV with the benefit of a parent guarantee with varying terms and varying levels of risk.

Knowledge and experience: clients with basic capital markets knowledge or experience and about bonds’ characteristics and risks

Clients’ financial situation with a focus on the ability to bear losses: clients that can bear a significant capital loss

Clients’ risk tolerance and compatibility with the risk/reward profile of the product with the target market: due to the volatility of the bond market, the Securities have an aggressive risk and reward profile and is therefore compatible with clients that have a medium to high risk tolerance. They should be willing to accept price fluctuations in exchange for the opportunity of possible higher returns

Clients’ objectives and needs: depending on the duration of the product, Securities may be suitable for clients who seek capital growth and have a medium-term investment horizon (more than one year)

Clients who should not invest (the ‘negative-target market’): this product is deemed incompatible with the needs and objectives of clients which:

- require full capital protection and /or
- seeking on-demand full repayment of the amounts invested and are fully risk averse/have no risk tolerance

The type of clients to whom the products are generally targeted:

- Eligible Counterparties
- Per se Professionals
- Elective Professionals

Execution Channels:

- Investment Advice
- Order Execution

- Execution-only

ABGSC will only distribute the Securities to investors who meet the criteria of Eligible Counterparties and/or Professional Clients (and, in the case of Elective Professional, in line with its policies and procedures). Each intermediary to whom ABGSC sells, is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

6.3 Derivatives and securities financing

ABGSC offers its clients to buy and sell derivatives such as forwards, options and swaps both listed and OTC.

Knowledge and experience: clients with general capital markets knowledge and knowledge and experience about derivatives and its underlying instruments. Given the complexity of these Products, knowledge and experience requirements for such Products are generally more than those for shares and bonds.

Clients' financial situation with a focus on the ability to bear losses: ability to bear 100% capital loss.

Clients' risk tolerance and compatibility with the risk/reward profile of the Product with the target market: due to the volatility of stock markets and specific risk if investing in individual company shares, clients investing in derivatives and securities financing Products should have a high-risk tolerance in relation to the Product. They should be willing to accept high price fluctuations in exchange for the opportunity of higher returns.

Clients' objectives and needs: derivatives may serve many different objectives for an investor. As a hedge, it serves to protect the value of other investments, and as a speculative investment, it serves as a highly risky investment Product. Derivatives may be made to meet the need for any investment horizon, but may not be easily divested.

Clients who should not invest (the 'negative-target market'): these Products are deemed incompatible with the needs and objectives of clients which:

- are looking for full capital protection or full repayment of the amount invested
- are fully risk averse/have no risk tolerance
- need a fully guaranteed income or fully predictable return profile

The type of clients to whom the products are generally targeted:

- Eligible Counterparties
- Per se Professionals
- Elective Professionals

Execution Channels:

- Investment Advice
- Order Execution

ABGSC will only distribute the Products to investors who meet the criteria of Eligible Counterparties and Professional Clients (and, in the case of Elective Professional, in line with its policies and procedures). Each intermediate to whom ABGSC sells, is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

The Product Governance Statement was approved by the Executive Committee of the ABG Sundal Collier Group on 26 August 2019 and will apply until the Executive Committee decides otherwise.