

# BofA EMEA Allocation and Distribution Policy

Version 4.0 – Updated September 2020

## Policy Statement

This document is a summary of certain of the policies and principles that Merrill Lynch International (“MLI”) and BofA Securities Europe SA (“BofASE”) (see BofA Entities List for additional details) and in certain circumstances their affiliates in other regions (singly and together referred to herein as the “Firm” or “we”) would expect to apply in relation to the marketing, pricing, allocation and distribution of the Bookbuilt Securities offerings of our issuer or seller clients.

These policies and principles endeavor to ensure that:

- The marketing, allocation and distribution process is conducted appropriately, in a fair and transparent manner, in compliance with applicable laws and regulations;
- issuers, sellers and investors in the bookbuilt offering are treated fairly, with any potential conflicts of interest between them and between any of them and, as applicable, MLI or BofASE being managed appropriately; and
- An orderly market is maintained.

The overall approach of our allocation policy is to seek to achieve (i) an appropriate spread of investors (for example between long term holders and providers of liquidity in different sectors and geographical areas) subject to any particular directions, criteria and/or objectives as may be agreed with our issuer or seller client, as the case may be, and (ii) an orderly aftermarket with a reasonable balance of liquidity and price stability.

The Firm’s Syndicate desks exercise discretion and judgment when determining and agreeing the pricing and allocations for book built securities offerings, endeavoring to treat issuers, sellers and investors fairly and to balance the long-term interests of issuer or seller clients with any responsibilities the Firm may have to investors whilst also managing prudentially the Firm’s underwriting risk (if it is acting as an underwriter) and the other legal and reputational risks arising from acting as a manager in an offering.

## Scope / Applicability

The policies and principles described herein apply to the carrying on of underwriting and placing activities in or from the European Economic Area (EEA) and the UK.

Loan syndications are excluded from consideration in this document.

## General Responsibilities/Restrictions on Syndicate and Sales Trading

Where the Firm acts as a bookrunner on a bookbuilt securities offering, the Firm’s Syndicate desk in the relevant region is responsible for coordinating the Firm’s role in the marketing, pricing and allocation of securities in bookbuilt securities offerings, in conjunction with the Firm’s Syndicate desks in other regions and, where applicable, other banks acting as a bookrunner on the particular offering.

The Firm's Syndicate desk has sole responsibility within the Firm for determining and agreeing allocations with issuer or seller clients. Salespersons and traders may give feedback to Syndicate on proposed allocations but cannot play a direct role in the determinations, recommendations and agreements of pricing and allocations by Syndicate.

## Allocation

Factors that the Firm's Syndicate desk will consider (to the extent relevant in the circumstances) in determining allocations (in agreement with the relevant issuer and/or seller, as the case may be, where so requested by them) include, without limitation:

- Issuer/seller client preferences, objectives and criteria for allocation.
- The investor must have placed an order in the book.
- Size of the investor's order both absolutely and relative to the investor's portfolio or assets under management (including, for example, any actual feedback or reasonable belief as to an investor's willingness or even preference, by the time of allocation, for being scaled back, if the book is oversubscribed).
- Any applicable selling restrictions or other relevant legal or regulatory restrictions in relevant jurisdictions with which the investor is connected.
- The desirability of avoiding allocations in inconvenient or uneconomic amounts.
- Any statement by the investor about its intentions.
- The perceived reliability and capacity of the investor including its ability to settle in full once it has accepted an allocation.
- The extent to which the investor's expressed interest and the size of the allocation requested appears consistent with any perceived or previously stated investment strategy and objectives, purchasing and settlement capacity.
- The investor's historical behavior and participation in securities offerings generally and specifically, both in terms of absolute size and relative to size of the offering, including any expected holding period by the investor (which may take into account the investor's track record of investment in similar issues). Note that flipping of prior deals by investors may be taken into account in making allocation decisions, but only if this factor is applied to all investors.
- The nature and level of interest shown by the investor in the issuer and the particular offering process, for example, attendance at pre-marketing events, roadshows, and other direct contacts with the issuer/seller and representatives of the Firm;
- Price or spread limits given by the investor.
- The category or description into which the investor falls (e.g. retail fund, pension fund, tracker fund).
- The timeliness of the investor's interest in the offering process and the placing of any order, particularly if the interest is expressed only at a relatively late stage.
- The investor's assets under management.
- The investor's current and prior dealings, and positions in, securities of the issuer or comparable securities.
- The geographical location of the investor.
- The sector or the sectors of the investor's main business.
- Allocation to a firm account for the purposes of complying with risk retention rules for securitization transactions.

These factors above may be measured with reference to or using the Firm's internal data or external data compiled from sources that the Firm believes to be reliable.

In addition to the factors above, in a bought or backstopped transaction, although the Firm will try to manage potential conflicts of interest involving allocations consistent with the principles and constraints set out herein, it will also need to take into account its own interests in managing its underwriting, legal and reputational risks prudentially in determining the manner, identity and timing of allocations.

During the marketing process the Firm will solicit the views and any instructions or principles of its issuer and/or seller client (as the case may be) on pricing and allocations.

The Firm will give its issuer and/or seller client (as the case may be) information about the investor indications of interest and orders in a timely manner prior to pricing, and as frequently as is reasonably requested.

### Issuer / seller client involvement in the allocation process

The level of involvement and objectives and directions of each issuer and/or seller client (as the case may be) in the allocation process is a matter to try to agree between us all as early as possible in the process. Subject as set out herein, the issuer will play an important part in determining the rationale for which and how many investors are chosen.

Discussions with our issuer and/or seller client (as the case may be) to the extent relevant and required in all the circumstances will be expected to include but are not limited to the following:

- The factors relevant to pricing and the process by which it is proposed that pricing and timing recommendations and decisions will be arrived at as well as any subsequent developments relevant to the pricing of the offering.
- The factors relevant to allocation, how the target group of investors will be identified (including the likely identity of investors and the apportionment of allocations among them to the extent permissible) and the process for determining and/or agreeing allocations. Where relevant, this should take account of the effect of any confidentiality constraints to which the Firm is or expects to be subject and any hard/backstop underwriting arrangements the Firm may be providing.
- Issuer /seller clients' stated objectives and/or preferences (where applicable) on allocations including, for example, per investor type and/or investor tiering criteria.
- Any agreed allocation principles.
- The fact that the Firm's investor facilitation desk may wish to purchase in the offering and that this represents a potential conflict of interest which the Firm will manage in accordance with its regulatory requirements and its internal procedures (where applicable).
- Any hedging or stabilisation strategies that may be undertaken and the impact that such strategies may have on the issuer/seller client's interests.

The issuer/seller client will be offered the chance to propose or review and approve the following, and should be sent the following, and (where the issuer/seller has indicated previously a wish to approve the following), approval in writing should be sought:

- the allocation principles, objectives, criteria, investor types and/or and any instructions;
- the final book of demand at various price levels;
- the provisional allocation schedule;
- the final allocation schedule.

In cases where the Firm incurs market and/or balance sheet risk (e.g., bought deals, hard underwritten transactions, back-stopped placings and block trades, or settlement underwriting), the need for the Firm to manage such risks prudentially will be taken into account by Syndicate in determining/agreeing pricing and allocations.

Pricing and allocation are complex processes which involve a strong element of judgment and experience. In respect of pricing and allocation, the fundamental principle is that it should be fair and transparent and must not promote the interest of any investor or of the Firm over those of the issuer/seller client. The Firm will seek to keep the issuer/seller client fully informed of developments relevant to pricing and allocation during the offering process, and Syndicate will endeavor to take all reasonable steps to do so.

### Prohibited Allocation practices

Amongst other factors, the Firm will prevent and avoid decisions and recommendations as to pricing and allocation being affected by past or future relationships with or commissions from investors, and the below factors and policies will be taken into account in this regard.

The Firm will not seek or accept from investors any consideration in respect of an offering other than: (i) the stated offering price for fixed price offerings, or (ii) the price, negotiated at arm's-length, for variable price or at the market offerings (each, "Permitted Consideration"). Examples of other compensation that is prohibited include:

- Explicit or tacit agreements with investors to buy additional securities in the aftermarket as a condition to being allocated shares in the distribution (i.e., tie-in or laddering agreements);
- Requiring investors to purchase allocations in issuances that are not "hot issues" in order to be considered for allocations in issuances that are "hot issues";
- Explicit or tacit agreements with investors to purchase securities in another offering or promises of future mandates in return for allocation; and
- Gifts and gratuities, and business entertainment, given by investors to the Firm, its affiliates and their employees.

### Quid Pro Quo Allocations / Laddering or Tie-in arrangements

The Firm is prohibited from engaging in quid-pro-quo allocations. Examples of these types of allocations include understandings that an investor will compensate the Firm or its affiliates by paying excessive commissions (i.e., excessive in relation to the services provided by the Firm) or other compensation on unrelated transactions pursuant to an explicit or tacit agreement or other quid-pro-quo arrangement. In particular, the practice of requiring investors that are allocated securities in a new issue to support the securities price after issue with buy orders ("laddering" or other such tie-in arrangements) is prohibited.

### Spinning

Allocations may and will not be made to entities affiliated to, or individuals employed by, or associated with, current or prospective issuer/seller clients in exchange for awarding, or as an inducement to award, the issuer's business to the Firm or its affiliates.

### Records

To the extent required by applicable law, we will keep appropriate records of our conversations with issuer/seller clients and with investors as to allocations. These records may include written notes of face-to-face meetings with issuer/seller clients and investors, tapings and records of telephone conversations, and copies of other communications including but not limited to emails. We may keep such records for up to five years (or seven years if requested by a relevant regulatory authority), and may share them with any such regulatory authority or otherwise in accordance with regulatory requirements.

## Additional FICC Market Standards Board (FMSB) New Issue Process standard requirements for wholesale Fixed Income issuances in Europe

### Investor selection for Marketing Exercises

When selecting investors for a Market Sounding or a Roadshow the Firm should consider the following factors:

- Issuer preferences and views;
- Previous interest expressed by investors in similar transactions (sector or issuer);
- Specifics of the transaction (e.g. currency, asset class, rating, ranking);
- Compliance with selling restrictions and/or other legal/regulatory restrictions;
- Past participation of the investor; and
- Previous willingness to provide feedback on the issuer and/or to the Firm.

The Firm should attempt to accommodate investor requests for roadshow meetings. Where face- to- face meetings are not available, the Firm should aim to arrange a global investor call or an online presentation

## Questions?

If you have questions, please contact your Market Manager.

“Bank of America” and “BofA Securities” are the marketing names used by the Global Banking and Global Markets divisions of Bank of America Corporation. Lending, other commercial banking activities, and trading in certain financial instruments are performed globally by banking affiliates of Bank of America Corporation, including Bank of America, N.A., Member FDIC. Trading in securities and financial instruments, and strategic advisory, and other investment banking activities, are performed globally by investment banking affiliates of Bank of America Corporation (“Investment Banking Affiliates”), including, in the United States, BofA Securities, Inc. and Merrill Lynch Professional Clearing Corp., both of which are registered broker-dealers and Members of [SIPC](#), and, in other jurisdictions, by locally registered entities. BofA Securities, Inc. and Merrill Lynch Professional Clearing Corp. are registered as futures commission merchants with the CFTC and are members of the NFA.

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