Allocations Policy

In the context of international securities offerings, VTB Capital (hereafter ''the Firm'') owes duties to its corporate finance clients and to its investment clients. In addition, it has interests of its own, both directly, where it undertakes a principal commitment, and indirectly, because the interests and perceptions of both corporate finance and investment clients affect its ''franchise'' and reputation. Generally, the Firm's involvement in an offering for an issuer client would not, in itself, give rise to conflicts of interest.

However, in certain circumstances potential conflicts of interest could arise:

a) between the corporate finance client and the Firm's investment clients who are possible purchasers of the securities
b) between the corporate finance client and the Firm
c) between the Firm and its investment clients

Such potential conflicts of interest could impact both the pricing of the offering and the placement of the offering with investors. For instance, conflicts of interest could potentially lead to possible under-pricing or over-pricing of capital markets offerings. Any potential conflicts of interest must be identified and prevented or managed at the earliest possible opportunity in line with VTB Capital's Conflicts of Interest Policy. Where a potential conflict of interest has been identified and the arrangements taken to prevent or manage the conflict of interest are insufficient to ensure that the risk of damage to the client's interests would be prevented, a disclosure to the client would be required in line with the Conflicts of Interest Policy.

The Allocations Policy is intended to outline the process for developing allocation recommendations and provide guidance in relation to underwriting and placing equity and debt capital markets offerings. For the avoidance of doubt, this policy applies to all VTB Capital underwriting and placing business in equity and debt securities with the exception of local Russian debt capital markets offerings.

1. Underwriting and Placing Process

It is recognised and understood that transaction timeframes differ significantly depending on the nature of the offering (for example, the timeline of an initial public offering is very different to that of an accelerated book build). Notwithstanding, as a global investment bank, VTB Capital adheres to relevant laws, regulations, industry guidance and market best practices in conducting capital markets offerings. Deal teams are required to follow the steps outlined in this section, in particular:

a) at an early stage agree with the issuer client relevant aspects of the offering process such as the process the Firm proposes to follow in order to determine what recommendations it will make about allocations for the offering; how the target investor group will be identified; how recommendations on allocation and pricing will be prepared; and whether the Firm might place securities with its investment clients or with its own proprietary book, or with an associate, and how any conflicts of interest might be managed if such conflicts of interest arise
b) provide the issuer with information about how the recommendation as to the price of the offering and the timings involved is determined; in particular, inform and engage with the issuer client about any hedging or stabilisation strategies the Firm intends to undertake with respect to the offering, including how these strategies may impact the issuer client's interests
c) provide the issuer client a copy of this policy before undertaking any placing services
d) in the case of a debut issuer, outline the allocation process
e) agree allocation and pricing objectives/preferences with the issuer (for example the issuer may be seeking to diversify its investor base into specific geographical regions)

f) understand and take into account the issuer's interests and objectives, and take all reasonable steps to keep the issuer informed about developments with respect to the pricing and placement of the offering
g) consult with the issuer on their preferences in determining allocations
h) agree with the issuer the proposed allocation per client for the transaction in accordance with this policy, and
i) disclose to the issuer details of the final allocations

2. Allocation considerations

The basic objective of allocation will be to produce an appropriate spread of investors, with a view to achieving an orderly aftermarket with sufficient liquidity and reasonable price stability. The basis of allocation in an individual case will depend on the particular facts and circumstances and will be the result of discussion and the exercise of judgment. When determining allocations ECM and DCM Syndicate desks would have due regard to market best practices and the following non-exhaustive list of factors (to the extent applicable):

a) the size of an investor's expressed interest (both absolutely and relative to the investor's portfolio or assets under management)
b) the extent to which the investor's expressed interest and the size of the allocation requested appears consistent with the investor's investment strategy and objectives and purchasing capacity
c) the investor's behaviour in and following past issues generally (for example, whether the investor has a history of ''flipping'' or order inflation)
d) the investor's interest in, and past dealings in, other securities of the issuer
e) the investor's interest in, and past dealings in securities of, other issuers in the Sector
f) the investor's likely holding horizon
g) the nature and level of interest shown by the investor in the issuer and the particular offering; for example its involvement in road shows and other direct contacts with the issuer or seller of the securities
h) the timing of the investor's interest, especially if interest is expressed only at a relatively late stage or expressed at a very early stage
i) the possibility that the investor may be using the offer as a means of building a strategic stake or platform
j) any explicitly communicated statement by the investor about its intentions and the perceived credibility of any such statement
k) any indication that the investor has exaggerated the true extent of its interest in the expectation of being scaled down
l) the category or description into which the investor falls (e.g. retail fund, pension fund, tracker fund)
m) the geographical location of the investor
n) the sector or sectors of the investor's main investment focus if applicable
o) any selling restrictions or other relevant legal or regulatory restrictions in jurisdictions with which the investor is connected
p) the desirability of avoiding allocations in inconvenient or uneconomic amounts

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.

3. Prohibited practices

The following are regarded as unacceptable practices, and as such are explicitly prohibited:

a) "laddering" or "tie-in" arrangements under which an allocation is made to incentivise the payment of disproportionately high fees for unrelated services provided by the Firm, 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.

b) "spinning" arrangements under which the Firm uses an allocation as an inducement to the recipient to award or procure the award, or as a reward for the past award, of other business to the Firm (for example, 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)
c) 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
d) 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 VTB Group entity from business with a particular investor client

4. Rules and principles on the conduct of business of underwriting and placing

4.1. Allocations to the Firm's clients or any VTB Group entity

As a general rule, persons responsible for providing services to the Firm's investment clients should not be involved in decisions about pricing or allocation recommendations to the issuer client. This includes, for example, employees responsible for the Firm's sales and trading relationship with investor clients or employees responsible for providing services to an anchor or cornerstone investor. While such persons may provide information and guidance during the process of book building, pricing and allocation, they should not determine the final recommendation on pricing and allocation. Any exceptions to this rule should be highlighted to Compliance at the earliest possible opportunity so that potential conflicts of interest can be effectively prevented or managed.

Any request for the allocation of securities to the Firm's proprietary or market making book, to the asset management division of an affiliated company, or the Firm's parent should be submitted under the "same arrangements" as apply to requests for allocations from all other investors and evaluated in exactly the same way as any investor order would be evaluated.

4.2. Corporate finance mandates

Where the Firm has a separate corporate finance strategy mandate and an underwriting and placing mandate with the same client, the Firm must disclose to the client the following information:

a) the various financing alternatives available from the Firm, and an indication of the level of transaction fees associated with each alternative;
b) the timing and the process the Firm will follow in order to prepare its recommendations relating to the pricing and placing of an offering (for the avoidance of doubt, this requirement will be met provided deal teams follow the process outlined in s.1);
c) details of the targeted investor groups, to whom it is planned to offer the securities;
d) the job titles and departments of the relevant individuals involved in the production of corporate finance advice on the price and allotment (for the avoidance of doubt, this

requirement will be met by including the deal team members involved in the offering in the Working Group list); and

e) the Firm's arrangements to prevent or manage conflicts of interest that may arise in circumstances where it places the relevant securities with its investment clients or any VTB Group entity

The term ''advising on corporate finance strategy'' is interpreted broadly and would include, but would not be limited to: debt ratings advisory, M&A advisory, financial advisory mandates and reviews of strategic options. In order for the requirement in s.4.2 to apply, the Firm should have an agreed mandate with a client to provide corporate finance advisory services (general high level discussions are out of scope) as well as a mandate to underwrite an offering (assuming underwriters' liability) or to allocate securities. For the avoidance of doubt, s.4.2 would apply in relation offerings undertaken by frequent issuers. It would also apply to mandates that have not been formally signed but verbally agreed, provided the client has demonstrated a clear intention to award the mandate to VTB Capital.

The disclosure obligation would not apply in the following circumstances:

- Where the corporate finance mandate has no connection to the underwriting or placing mandate (e.g. advising a company on the sale of a small non-core asset in a non-strategically important jurisdiction would generally have no connection to the offering mandate).
- Pre-execution feedback provided to an issuer on the appropriate market window, format of the offering, process of the offering, size and indicative price or target investors does not constitute an advisory mandate, and would not, together with the offering mandate, trigger an obligation to disclose
- In the event where the buy-back and offering mandates are part of the same overall transaction (e.g. tender and new issuance) the disclosure obligation may not apply where no advice is provided by VTBC as part of the buy-back mandate. For example, if the issuer has decided that they wish to remain in the capital markets and merely extend the maturity of their existing bonds (rather than retire the bonds).
- Buy-back mandates would not be viewed as placing mandates provided the process is conducted through an arms-length tender agent rather than through VTB Capital

Please note that s.4.2 would still apply where the advisory mandate has been terminated for a period of less than six months and the Firm accepts an underwriting and placing mandate with the client. Hence, in practice, the obligation to issue a disclosure under s.4.2 will no longer apply where the corporate finance mandate has been inactive for six months or longer. In the event of any uncertainty as to whether s.4.2 applies, you should contact the Compliance department.

Disclosures need to be made at the earliest possible stage of the process and before accepting a mandate to manage the offering. For such purposes, deal teams shall ensure the disclosure follows the memorandum appended to this policy.

4.3. Lending mandates

Where the Firm or any VTB Group entity has a lending relationship with the issuer client and the Firm has an underwriting and placing mandate, the Firm will seek to identify and prevent or manage any potential conflicts of interest that may arise as a result.

4.4. Placement of financial instruments issued by VTB entities

Where the Firm is engaging in the placement of its own financial instruments, or financial instruments of entities within the VTB Group, to the Firm's clients, including existing depositor clients and such instruments are included in the calculation of prudential requirements under relevant UK and EU legislation, the Firm must disclose to investor clients

additional information explaining the differences between the financial instrument and bank deposits in terms of yield, risk, liquidity and any deposit protection provided in accordance with relevant regulations.

4.5. Inducements

Fees, commissions or non-monetary benefits in connection with an offering must comply with the Global Inducements Policy and may need to be recorded and disclosed as per the policy.

5. Record Keeping

The Firm is required to keep records of the content and timing of instructions received from clients. A record of the allocation decisions taken for each placing must be kept to provide for a complete audit trail between the final allocations and the instructions received by the Firm. In particular, the final allocation made to each investment client must be clearly justified and recorded in the transaction file. The complete audit trail of the material steps in the underwriting and placing process must be made available to competent authorities upon request. Such records **must be kept in the deal folder** for each transaction.

5.1. Allocations process

The Firm must have a process to record allocation decisions at material stages in the allocation process. Records of allocations decisions should include:

a) The Firm's overarching Allocation Policy in force at the time of the commencement of the service (which for the avoidance of doubt is summarised in s.2 above)
b) The initial discussion with the issuer client and the agreed proposed allocation per type of investment client
c) The content and timing of allocation requests received from each investment client with an indication of their type;
d) Where relevant, any further discussion and instructions or preferences provided by the issuer client, other members of the syndicate, or the Firm itself, on the allocation process, including any emerging in light of allocation requests received from investment clients;
e) The final allocations registered in each individual investment client's account.

Appropriate file notes of allocation discussions with the issuer client shall be taken to record any material matters discussed as per the above.

5.2. Allocations justifications

The Firm is required to maintain a record of the justification for the final allocation made to each investment client. For this purpose, a justification should explicitly provide the reasoning behind the final allocation unless it can be demonstrated that such detail has been provided through records maintained at stages (a-e) described in s.5.1. Particular care should be given to justifications to any investment clients that appear in either of the following two rankings of the final allocation:

a) investors that receive a final allocation in the top 20% of the total allocation ranked by investor in descending order of size of allocation to each investor; or
b) investors that receive a final allocation in the top 20% of the total allocation ranked by investor in descending order of the percentage allocation granted to each investor divided by the percentage bid by each investor (i.e. the relative extent to which each investor has their order reduced in the final allocation.

In addition to the above, deal teams should record any case where regard is had to a factor not mentioned in the Firm's general procedures, where there is a material deviation from the

methodology agreed with the issuer, or where there is some other material exception or departure from the Firm's normal practice

Deal teams are expected to provide the rationale for specific allocation decisions contained within the transaction file on request by the regulator or the Compliance department in order to ensure that note is given to the intention that no allocation is given as a result of any ''preference'' and that the Firm's own interest is not being placed ahead of the issuer when determining allocations.

Global Banking, Syndicate and Compliance may agree from time to time on the appropriate procedures or guidelines for the purposes of complying with the record keeping obligations in s.5. Additionally, market best practices, standards and guidelines from industry associations and other standard setting bodies should be followed.