

## **INFORMATION ON INVESTOR CLASSIFICATION**

### **1. Classification**

Under the Markets in Financial Instruments Directive II (MiFID II) and the regulations in the Norwegian Securities Act (Verdipapirhandelloven), Sector Capital AS (the “Firm”) has a duty to classify new and existing investors and prospective investors in different investor categories depending on professionalism. Investors will be classified as non-professional, professional or eligible counterparties respectively.

The extent to which the investor is protected by the legislation depends on the investor category. Below is a description of the main characteristics of the investor protection for each category. The description is not exhaustive.

The legislation provides flexibility for movement between categories, provided certain criteria are met. Investors who wish to request a different category (“reclassification”) must inform the Firm in writing. We emphasise that a change of investor category must be approved by the Firm. Even if the conditions for reclassification stated below are met, we nevertheless are free to assess whether we wish to accommodate any request.

### **2. Non-professional investors**

Non-professional investors are all investors that are not classified as professional investors or eligible counterparties.

#### **2.1 Degree of investor protection**

Investors classified in this category have the highest degree of investor protection. This means, among other things, that the Firm to a higher degree will be obligated to adapt the services to the individual need of the investor.

In addition to the investment firm providing investment services to such investors being subject to the rules of good business conduct in its provision of services, the investment firm will, prior to trading or consulting taking place, have to assess whether a service/transaction, including a financial instrument, is appropriate or suitable for the investor. Investment advice will be provided based on the investor's information on investment goals, financial situation and experience and knowledge of the relevant service/transaction.

Should the investor wish to carry out a transaction that the investment firm finds not to be appropriate taking into account the investor's knowledge and experience, the investment firm has a duty to dissuade the investor from such transaction. The transaction may nevertheless be carried out if the investor so wishes in spite of the warning. The investment firm's duty to assess whether a service/transaction is appropriate is not applicable in all cases. There is an extensive exemption for Internet trading, among other things.

The status as a non-professional investor also entails an extensive entitlement to receive information from the investment firm. The investment firm is obliged to inform about such things as the relevant financial instruments and the risks related to these, trading systems and market places used by the investment firm, as well as prices and other costs of any transaction so that the investor will be able to make an informed investment decision.

## 2.2 Reclassification

Non-professional investors may ask to be treated as professional investors or eligible counterparties, subject to compliance with certain detailed conditions and procedures. Such reclassification leads to a lower degree of investor protection.

### 2.2.1 From non-professional to professional investor – absolute requirements

The investor must meet at least two of the following criteria;

1. the investor has made transactions of a significant size in the relevant market 10 times per quarter in average during the four preceding quarters,
2. the size of the investor's financial portfolio, defined as comprising cash in hand and financial instruments, exceeds an amount that in NOK corresponds to € 500.000,
3. the investor works or has worked in the financial sector for at least one year in a position for which knowledge of the relevant transactions and investment services is required.

### 2.2.2 From non-professional to professional investor – procedure

The investor must inform the Firm in writing that he/she wishes to be treated as a professional investor. The investor is asked to document that the requirements in item 2.2.1 above are met. The investor is also to state in a separate document that he/she is aware of the consequences of losing the protection that follows from being classified as a non-professional investor. The Firm may be contacted for further information.

The Firm must make a specific assessment of whether the investor – based on the investor's expertise, experience and knowledge as well as the planned transaction – is able to make his/her own investment decisions and understands the risk involved.

### 2.2.3 From non-professional investor to an eligible counterparty

Should a non-professional investor ask to be reclassified to an eligible counterparty, the investor must first reclassify to a professional investor. Reclassification from non-professional to professional status is set out in item 2.2.1 and 2.2.2 above and reclassification from professional investor to eligible counterparty is set out in item 3.2.2 below.

## 3. Professional investors

Professional investors are investors who meet the criteria described in Forskrift til Verdipapirhandelloven § 10-2:

- Eligible counterparties (see further information under point 4)
- Investors who meet the following criteria:
  - o Minimum accounting balance of €20 million (or equivalent in local ccy)
  - o Minimum annual turnover of €40 million (or equivalent in local ccy)
  - o Minimum equity balance of €2 million (or equivalent in local ccy)
- Other institutional investors that primarily invests in financial instruments

In addition, investors who have requested to be treated as professional, and where the Firm has accepted such reclassification, will be classified as professional investors.

### 3.1 Degree of investor protection

Investors classified as professional are to a somewhat lesser degree than non-professional investors protected by the legislation. Professional investors are in certain areas considered to be qualified to take care of their own interests and consequently the provision of services will to a lesser degree be adapted to the investor's individual needs.

Basically, the rules of good business practice apply fully in respect of professional investors. However, the extent of the Firm's duties is somewhat reduced. Professional investors are normally expected to have sufficient knowledge to be able to assess whether a transaction is suitable, among other things. The Firm will not consider whether implementing certain transactions is suitable, and the Firm consequently has no duty of dissuasion like the one applicable to non-professional investors. The implementation of transactions will thus be a little less elaborate than for non-professional investors. Another consequence will be that professional investors may get access to a broader product range.

Professional investors are also assumed to be in a position to assess which information is necessary in order to make an investment decision. This means that professional investors to a larger degree than non-professional investors must themselves obtain the information they consider necessary. However, professional investors will receive reports on services carried out and other important information such as the Firm's guidelines for execution of orders and the Firm's security rights or possessory lien in financial instruments or assets.

### 3.2 Reclassification

Professional investors may ask to be classified as non-professional and thus obtain a higher degree of investor protection. Professional investors may also ask to be classified as eligible counterparties and thus receive a lower degree of investor protection. Professional investors are responsible for keeping the Firm currently updated on any change that may influence their classification.

#### 3.2.1 From professional to non-professional investor

It is the professional investor's responsibility to ask for a higher degree of protection where he/she feels unable to make a correct risk assessment.

#### 3.2.2 From professional investor to eligible counterparty

Professional investors that are legal persons and that meet two out of three criteria in item 2.2.1 above may ask to be treated as an eligible counterparty. A specific confirmation is to be obtained from the investor by which the investor agrees to be treated as an eligible counterparty.

#### **4. Eligible counterparty**

Eligible counterparties are investors who meet the criteria described in Verdipapirhandelloven § 10-14 (2):

- Investment firms
- Credit institutions
- Insurance companies
- Funds and management companies for such funds
- Pension funds and management companies for such funds
- Other financial institutions
- Depositories for mutual funds, pension funds and alternative investment funds
- Authorised commodity dealers, clearinghouses and exchanges
- Managers for alternative investment funds
- National governments, central banks and supranational institutions

In addition, investors who have requested to be treated as eligible counterparties, and where the Firm has accepted such reclassification, will be classified as eligible counterparties.

##### **4.1 Degree of investor protection**

Eligible counterparties have the lowest degree of investor protection.

Investors having the status of eligible counterparties have the same protection as professional investors, see item 3. However, the investor protection is substantially reduced for this group when the Firm provides the following investment services: reception and transfer of orders, execution of orders for the investor's account and dealing in financial instruments for own account. When providing such services to eligible counterparties the Firm is not subject to the Securities Trading Act's rules of good business practice, best execution (including the Firm's best execution policy) and certain rules in relation to the processing of orders.

With regard to requirements as to assessment of suitability and appropriateness, the rules will apply to eligible counterparties in the same way as to professional investors.

The exemption from the rules of good business practice implies among other things that the rules on requirements as to information and reporting do not apply to this category. Essentially, this also applies to the provision that the Firm must ensure that the investor's interests are taken care of in the best possible way. Requirements as to good business practice as a general principle must nevertheless apply regardless of the exemption from the provision

in the Securities Trading Act and thus eligible counterparties will to a certain degree be protected by general principles on good business practice.

## 4.2 Reclassification

Eligible counterparties may ask to be reclassified to professional investors or non-professional investors and thus obtain a higher degree of investor protection.

### 4.2.1 From eligible counterparty to professional investor

Eligible counterparties may ask to be treated as professional investors if they want a higher degree of investor protection and be comprised by the rules of good business conduct.

### 4.2.2 From eligible counterparty to non-professional investor

Should investors that are classified as eligible counterparties want a further degree of investor protection, they may expressly ask to be treated as non-professional investors. Item 3.2.1 above will apply correspondingly to such a request.