

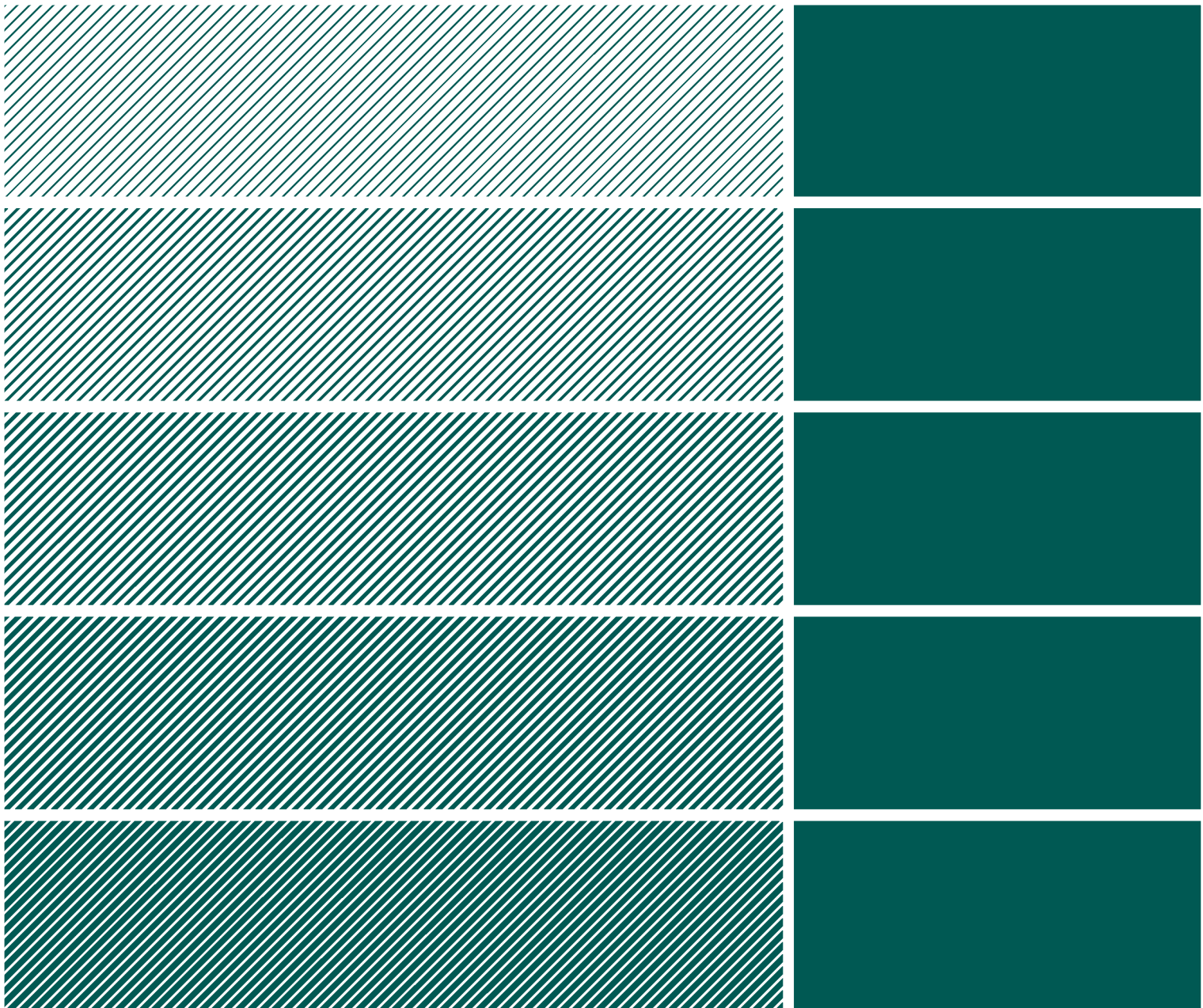


FINANSTILSYNET
THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

Report, January 2022

Euronext Growth Oslo

Thematic inspection of the trading venue, investment firms and audit
firms in 2021



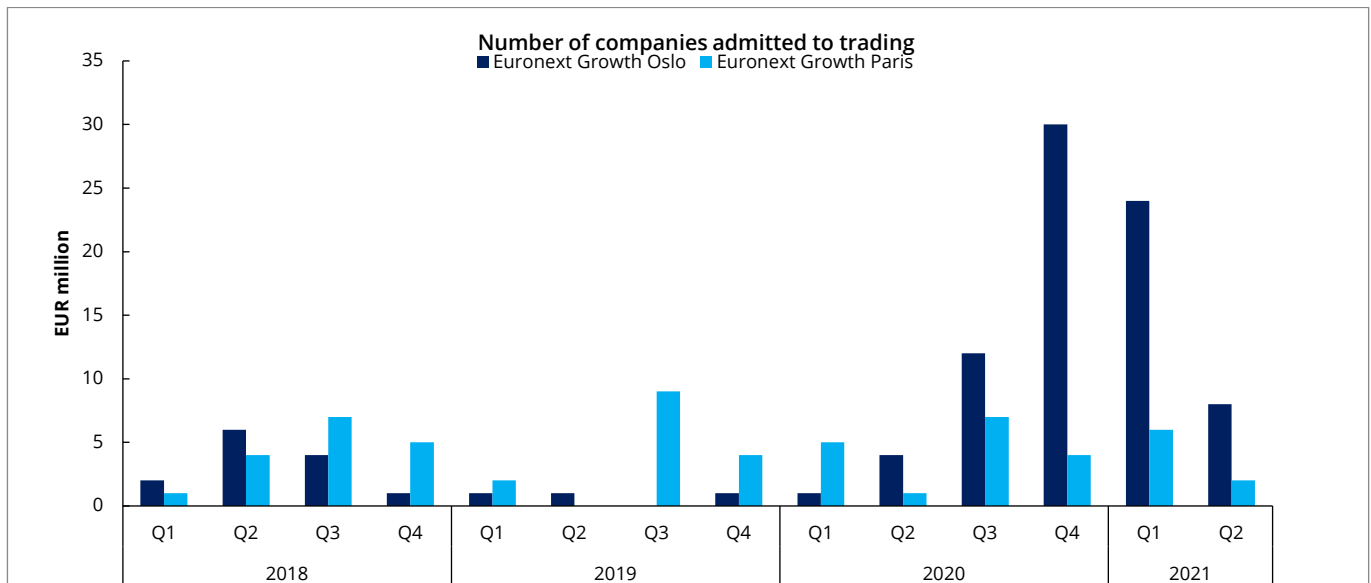
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1 BACKGROUND

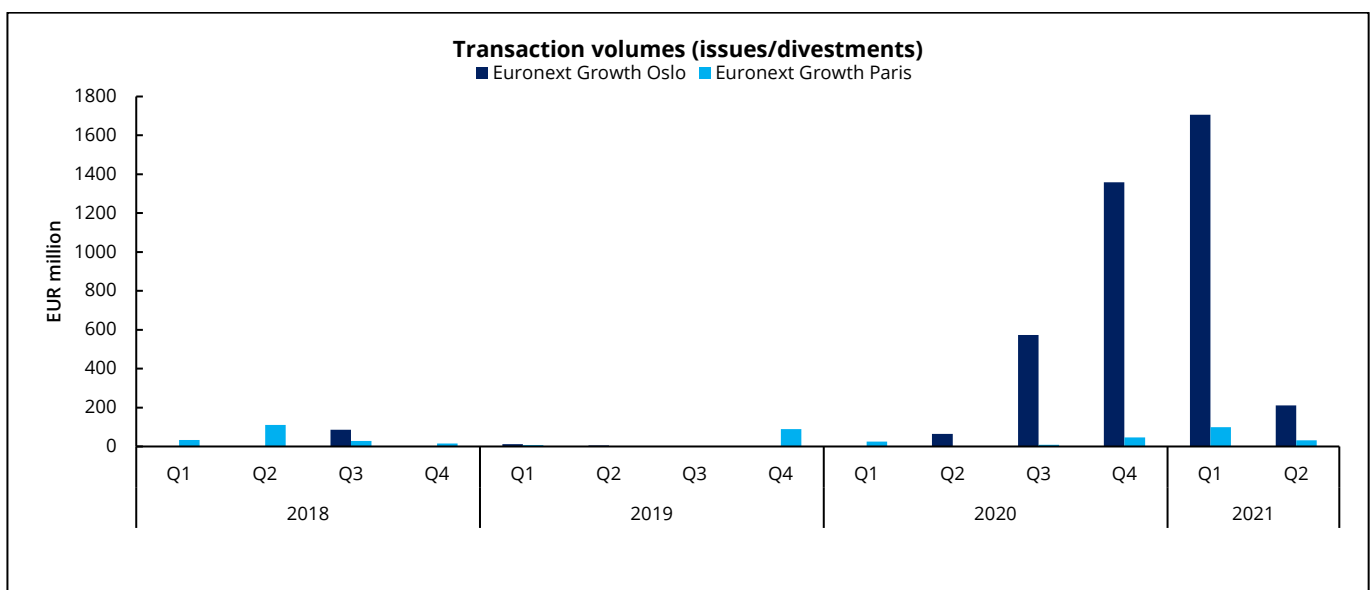
The multilateral trading facility Euronext Growth Oslo opened in 2016 under the name Merkur Market. In 2020, the trading venue experienced a sharp increase in the number of issuers admitted to trading and in related transaction volumes (issues/divestments).

The number of companies admitted to trading on Euronext Growth Oslo and Euronext Growth Paris is shown in the graph below (there have been very few admissions on the Euronext Group's other growth trading venues – Brussels, Dublin and Lisbon – which are not included in the comparison). 66 of the 115 companies on Euronext Growth Oslo were admitted to trading during the period from the third quarter of 2020 through the first quarter of 2021. In comparison, 17 companies were admitted to trading on Euronext Growth Paris during the same period.



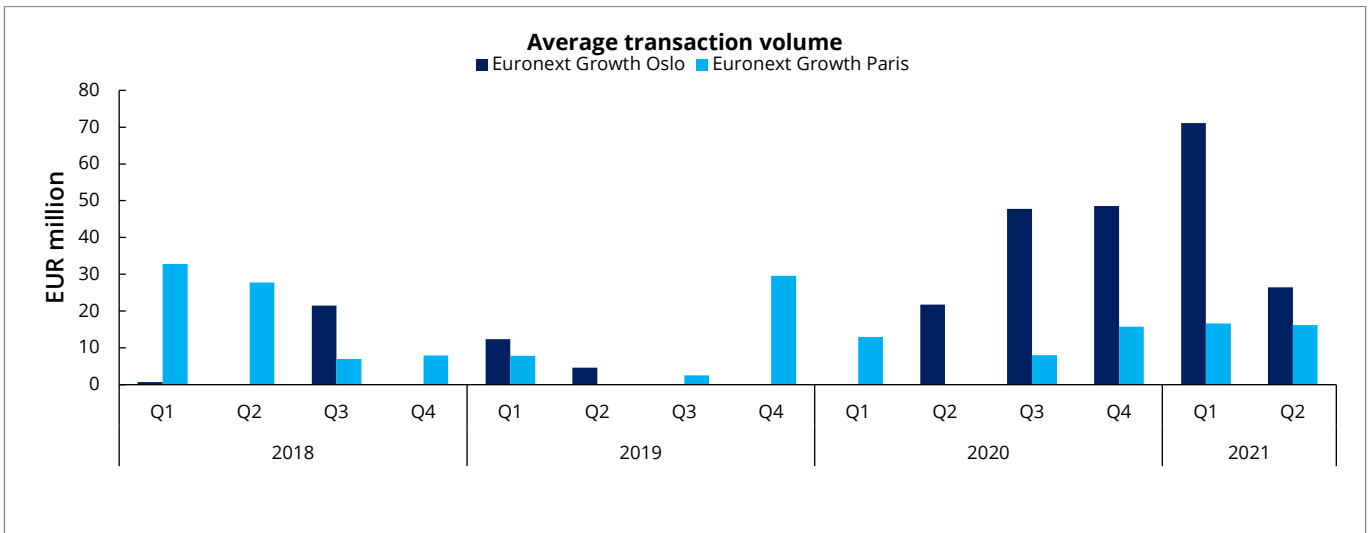
Source: Euronext Growth

During the same period, transaction volumes (total share issues and divestments by existing shareholders) increased sharply prior to the admissions to trading on Euronext Growth Oslo, totalling the equivalent of EUR 3.6 billion for the three quarters. In comparison, the total transaction volume in connection with admissions to Euronext Growth Paris was EUR 155 million during the same period.



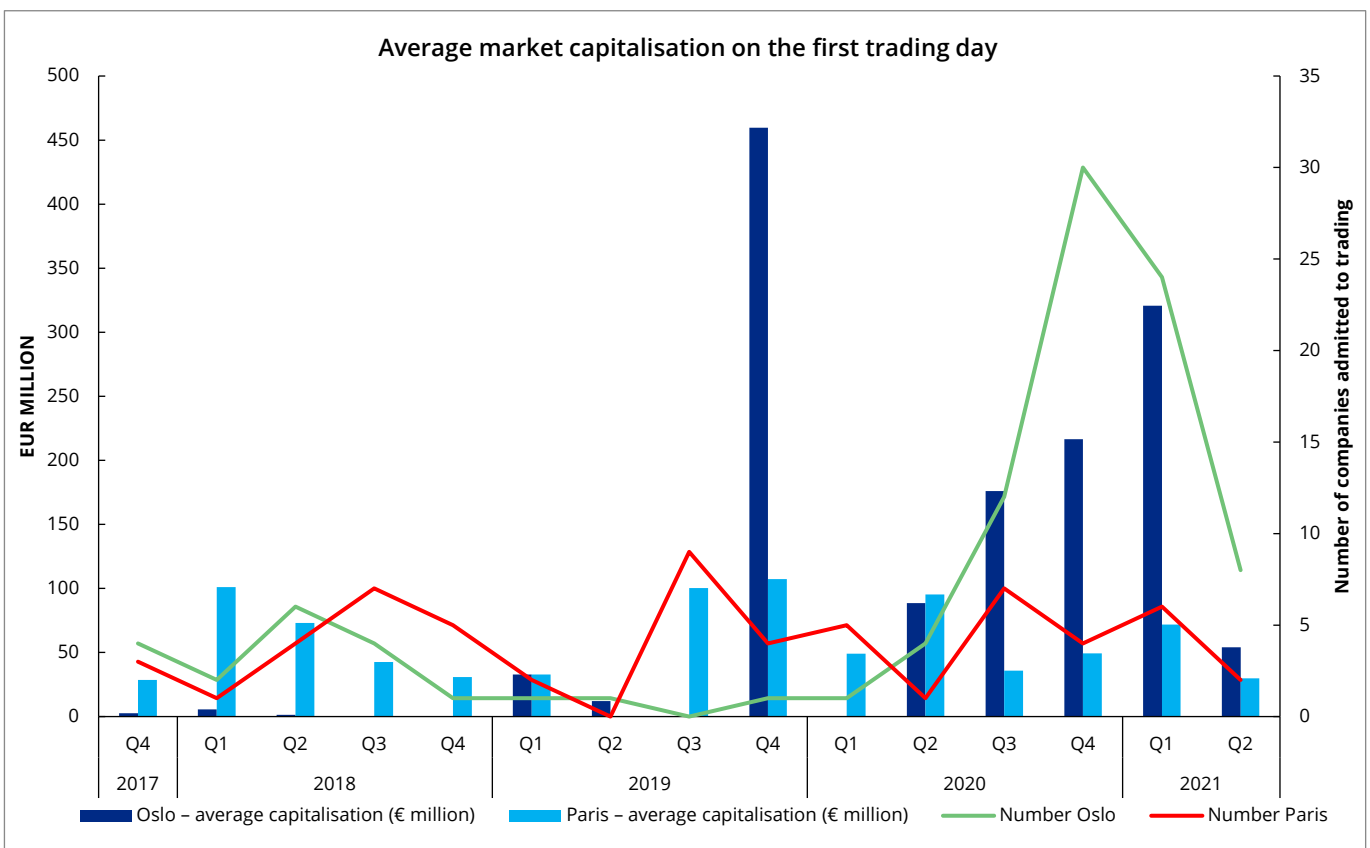
Source: Euronext Growth

During the three quarters, there was also a significant increase in share transactions related to the individual issuers, with an average transaction volume related to the admission processes at Euronext Growth Oslo of the equivalent of EUR 55 million, compared with an average volume equivalent to EUR 8 million in the previous ten quarters.



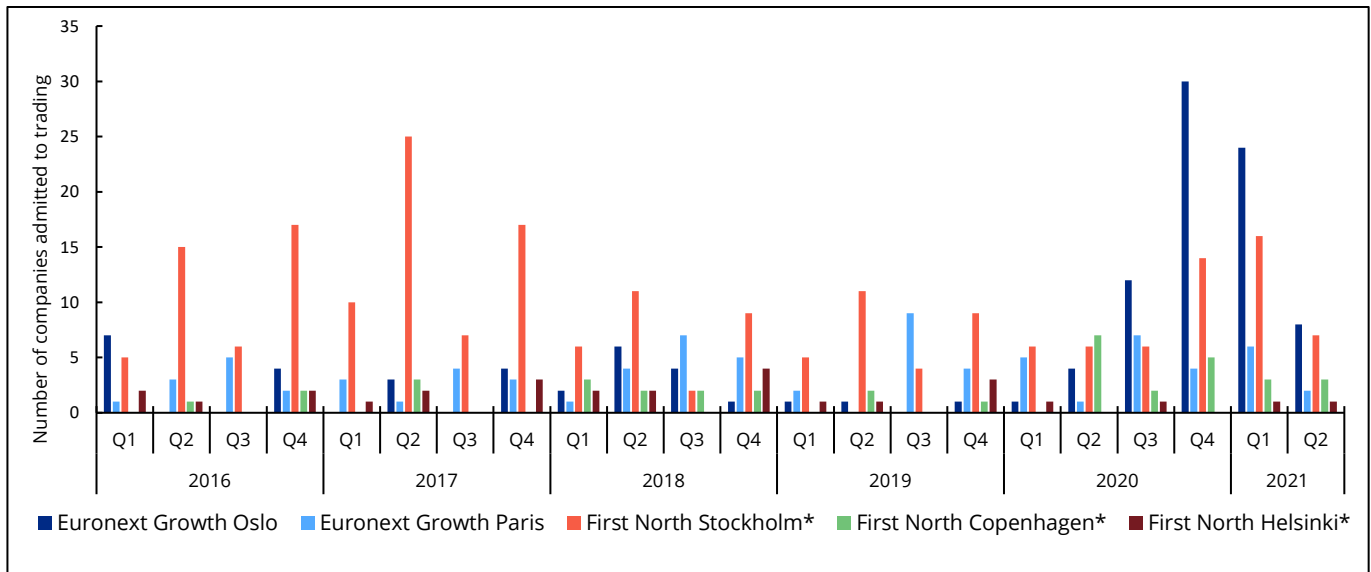
Source: Euronext Growth

In the period from the third quarter of 2020 through the first quarter of 2021, there was also a pronounced increase in the valuation of the companies admitted to trading on Euronext Growth Oslo. During this period, their average market capitalisation (first trading day) increased from EUR 89 million in the second quarter of 2020 to EUR 321 million in the first quarter of 2021 (the market capitalisation in the fourth quarter of 2019 represents only one company admitted to trading – Kahoot!).



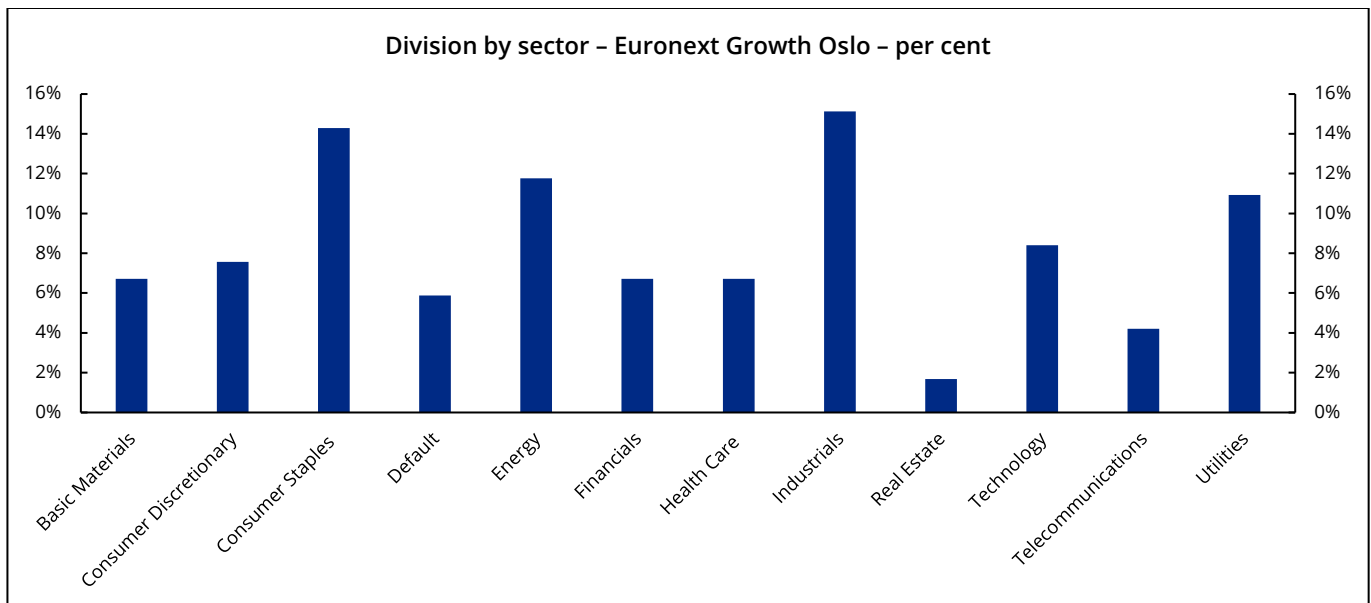
Source: Euronext Growth

For the sake of comparison, the number of admissions per quarter since 2016 is also shown for the two Euronext Growth trading venues in Oslo and Paris, as well as Nasdaq's First North Growth trading venues in Stockholm, Copenhagen and Helsinki.¹



Source: Euronext Growth and Nasdaq

The companies on Euronext Growth Oslo operate in a number of different industries. Several are engaged in fish farming and aquaculture related activities, renewable energy or ICT. Statistics from the trading venue show the following sector division:



Source: Euronext Growth

The companies admitted to trading on Euronext Growth Oslo typically have a far shorter history and more limited operations than listed companies. Many are start-ups and have no or very low operating income. Investments in such companies thus entail higher risk than investments in well established listed companies.

¹ The figures for First North Stockholm, Copenhagen and Helsinki do not include figures for First North Premier, a growth market for small and medium-sized companies

An important reason is that the admission requirements at this trading venue are less stringent than at Oslo Børs' other trading venues. There is no obligation to publish a prospectus for listing at Euronext Growth. Instead, an information document is prepared that provides investors with basic information about the company and its activities and plans, as well as an overview of significant risk factors.

Finanstilsynet has taken a closer look at the admission processes and securities transactions related to selected issuers admitted to trading on Merkur Market/Euronext Growth Oslo (also referred to as 'the trading venue' below) in 2020–2021. As part of its investigations, Finanstilsynet has carried out a thematic inspection at Oslo Børs (as market operator for Euronext Growth Oslo) and investment firms and audit firms that have been involved in the relevant processes.

The issuers use so-called Euronext Growth Advisors (formerly Merkur Market Advisors) to assist with the admission process and quality assurance of the information document. Euronext Growth Advisors shall confirm to Oslo Børs that the issuer meets all terms and conditions for admission, and that the issuer's shares are suitable for admission to trading. This role is held by the same investment firms that arrange the companies' share issues, and possibly the main shareholders' divestments of shares, in connection with the admissions process. Finanstilsynet has specifically assessed the handling of conflicts of interest related to the various roles of investment firms – both in connection with its inspection at the trading venue and in connection with its inspections at investment firms.

2 FINANSTILSYNET'S INVESTIGATIONS

Finanstilsynet's thematic inspections have been limited to admission processes, transactions and audits related to selected issuers. A full thematic inspection has been carried out at the relevant entities associated with a selection of nine issuers. In addition, Finanstilsynet has reviewed subscription and allotment lists for share issues/share divestments for a further seven issuers. The issuers were randomly selected, although it was ensured that as many as possible of the large and leading investment firms were included in the investigations.

Finanstilsynet has reviewed Oslo Børs' handling of the admission process for five issuers: Play Magnus AS, GNP Energy AS, Aker Horizons AS, Huddly AS and Flyr AS. The inspection of the trading venue has been limited to aspects concerning the admission process, focusing on the trading venue's regulations, admission procedures and handling of conflicts of interest. The trading venue's Euronext Growth Advisors system, the practice of granting dispensation from terms and conditions for admission and the issuers' ongoing obligations have also been considered.

The thematic inspection of investment firms encompassed the eight firms/branches ABG Sundal Collier, Carnegie, DNB Markets, Nordea Markets, Pareto Securities, SEB, SpareBank 1 Markets and Swedbank. The table below shows the issuers included in the investigations and the various roles of the investment firms.

Thematic inspections at investment firms:

Issuer	Investigation	Advisor in the admission process	Manager of the transaction
1 Aker Carbon Capture AS	Full thematic inspection	Carnegie	Carnegie, SEB, Sparebank 1 Markets
2 Aker Horizons AS	Full thematic inspection	ABG Sundal Collier, DNB Markets, Nordea Markets, Pareto Securities	ABG Sundal Collier, DNB Markets, Nordea Markets, Pareto Securities, Carnegie, SEB
3 Everfuel A/S	Full thematic inspection	Sparebank 1 Markets	Sparebank 1 Markets
4 Flyr AS	Full thematic inspection	Carnegie, Sparebank 1 Markets	Carnegie, Sparebank 1 Markets
5 Huddly AS	Reviewed subscription and allotment lists		ABG Sundal Collier, Pareto securities
6 Patientsky Group AS	Reviewed subscription and allotment lists		Carnegie, DNB Markets
7 Play Magnus AS	Full thematic inspection	ABG Sundal Collier, Sparebank 1 Markets	ABG Sundal Collier, Sparebank 1 Markets
8 Proximar Seafood AS	Reviewed subscription and allotment lists		ABG Sundal Collier, Pareto securities
9 Pryme B.V.	Reviewed subscription and allotment lists		Pareto Securities, Carnegie, SEB
10 Rana Gruber AS	Reviewed subscription and allotment lists		DNB Markets, Sparebank 1 Markets
11 Salmon Evolution Holding AS	Full thematic inspection	DNB Markets, Pareto Securities	DNB Markets, Pareto Securities, Sparebank 1 Markets
12 The Kingfish Company N.V	Full thematic inspection	DNB Markets, Swedbank	DNB Markets, Swedbank
13 Volue AS	Reviewed subscription and allotment lists		ABG Sundal Collier
14 Zaptec AS	Reviewed subscription and allotment lists		ABG Sundal Collier

Finanstilsynet's inspections of audit firms included the audit of six issuers carried out by the four audit firms KPMG, BDO, PwC and Mazars.

3 MAIN DIFFERENCES BETWEEN REGULATED MARKETS AND MTFs

The Euronext Growth Oslo trading venue is a multilateral trading facility (MTF). There are significant similarities between a regulated market (stock exchange) and an MTF. The trading venues are both multilateral systems where several buying and selling interests in financial instruments are brought together in order to enable a binding trade to be concluded.

The statutory requirements for the functioning of and trading processes at regulated markets and MTFs – related to trading systems, tick sizes, market surveillance and the publication of orders and trades – are largely identical. However, there are important differences between the two types of trading venues. A fundamental difference is that the operation of an MTF is an investment service. This means that investment firms can be authorised to operate such trading venues. In such case, the organisational rules for investment firms will apply, but additional requirements have been set for multilateral trading facilities in the Securities Trading Act. MTFs can also be operated by market operators who have been authorised to do so, such as Oslo Børs ASA, which operates Euronext Growth Oslo. In these cases, the market operator must comply with both parts of the regulation of investment firms and the regulation of market operators in the Securities Trading Act.

Another important difference is that the definition of regulated markets (stock exchanges), as opposed to the definition of MTFs, requires that they formally admit financial instruments to trading. Regulated markets shall therefore have clear and transparent rules on such admission, and it is an absolute requirement that shares and other financial instruments are freely negotiable. For MTFs, the operator has far greater freedom of choice with regard to terms and conditions for admission, but there must be *'transparent and duly published rules on which financial instruments can be traded under the system'*, cf. Section 9-26 (1) no. 2 of the Securities Trading Act. The adaptation of the legislation thus entails that a number of foreign MTFs do not make an ordinary admission assessment of the financial instruments that can be traded in the system, but rather facilitate trading in financial instruments that have already been admitted to trading on

other trading venues.² However, for an MTF such as Euronext Growth, which admits companies to ‘primary listing’ in the same way as stock exchanges, it is logical to have admission rules.

After the introduction of the Market Abuse Regulation in March 2021, the market abuse rules (prohibition of insider dealing, market manipulation, etc.) and the issuers' duty to publish inside information are the same for regulated markets and MTFs. However, there are still significant differences in the statutory information requirements that apply to financial instruments traded on regulated markets and MTFs, respectively. The requirement for a prospectus³ only applies when negotiable securities are admitted to trading on regulated markets. In addition, there are statutory requirements for regular publication of accounting information, including which accounting standards must be used (IFRS or the equivalent). For MTFs, the only statutory requirement is that the operator shall ‘*ensure access to sufficient publicly available information to enable users to make an informed investment judgement, taking into account the nature of the user and the type of financial instrument*’. Nor are MTFs subject to statutory disclosure rules, i.e. share investors’ obligation to publish acquisitions of large shareholdings, rights to shares and voting rights.

Altogether, this gives investors on multilateral trading facilities less information than is provided for shares admitted to trading on regulated markets. However, some operators of MTFs, including Oslo Børs ASA, have imposed disclosure requirements on issuers that are stricter than the minimum statutory requirements.

Some provisions of significance to investor protection, including the Securities Trading Act's rules on the mandatory bid obligation and equal treatment of holders of financial instruments, apply only to regulated markets. However, a similar equal treatment rule has been included in the regulations laid down by Euronext Growth Oslo.⁴

4 CHARACTERISTICS OF INVESTORS

Professional investors

The investors involved in the transactions included in Finanstilsynet's investigations are all professional investors (according to the definitions in the Securities Trading Act). There are two main reasons for this:

- The transactions included in Finanstilsynet's investigations have generally been heavily oversubscribed (on average 4.5 times).
- As mentioned above, there is no requirement for a prospectus for admission to trading on an MTF. However, there are requirements for a national prospectus for offers for subscription or purchase of securities for a total consideration between EUR 1 million and EUR 8 million, and for an EEA prospectus for offers for subscription or purchase of securities for a total consideration of more than EUR 8 million. Exemptions can be made from the obligation to publish a prospectus if the offer for subscription or purchase is given to fewer than 150 retail investors (the exemption does not apply when professional investors are contacted).

As a result of the large investor interest and the exemption from the obligation to publish a prospectus when contacting only professional investors, the managers of the relevant transactions have thus not needed to offer the transactions to retail investors.

² In these cases, the issuer of the financial instrument will often not be aware that the financial instrument is traded on the multilateral trading facility, nor will the issuer be subject to any disclosure obligation as a result of the trading on such facility. The operator of the multilateral trading facility will rely on the admission assessment made by the other trading venue.

³ Even though the actual admission to trading on a multilateral trading facility does not necessitate a prospectus, the duty to publish a prospectus may follow from other rules.

⁴ In addition, the Limited Liability Companies Act and the Public Limited Liability Companies Act set out an equal treatment obligation for Norwegian companies.

Use of cornerstone investors

The subscription and allocation lists received for the reviewed transactions show that the investors are divided into categories named ‘cornerstone’, ‘anchor’, ‘long-only’, ‘family office’, ‘high net worth’ etc. As a rule, the first category – cornerstone investors – is allotted 100 per cent of the amount subscribed in the relevant transaction, while the next category – anchor investors – is typically allotted between 1/3 and 2/3 of the amount subscribed. The percentage allotments to other investor categories are gradually declining.

The investment firms that arrange the transactions conduct market sounding meetings with selected investors in the days before the actual placement starts. The purpose of the meetings is to gauge large and experienced investors’ interest in the relevant issuer and the investment opportunity, and to receive feedback on pricing, timing and transaction size/structure etc.

At this stage, the managers also seek to find cornerstone investors and receive their advance subscriptions. In the agreements entered into with the cornerstone investors, the investor commits to a defined subscription amount. Another condition set out in the agreement is that the investor's name and subscription amount can be used by the issuer and the managers in press releases and other material published in connection with the relevant placement.

In return for committing to a subscription amount prior to the placement and to be willing to be used in the marketing of the transaction, the cornerstone investors are, as mentioned above, guaranteed to be allotted 100 per cent of the subscription amount. The next investor category – anchor investors – that the managers also meet during the market sounding phase comprises investors who are not willing to commit to a subscription amount in advance, and thus receive a lower percentage allotment than the cornerstone investors. Often, some of the existing main shareholders and directors/executives/key employees will also subscribe for or provide an underwriting guarantee prior to the placement. Just like the cornerstone investors, these will as a rule be allotted 100 per cent of the subscription amount. Existing shareholders/directors/executives/employees will typically enter into lock-up agreements preventing them from selling their shares for a specified period of time after admission to the trading venue. As a rule, cornerstone investors do not enter into lock-up agreements.

The actual placement of the transaction is normally in the form of a book building process. In some cases, there is a fixed issue price for the placement. The placement process typically lasts from one afternoon/evening and for up to one or two days (depending on the interest). These are rapid processes. Most of the placement processes examined by Finanstilsynet were completed on the same day as they were started.

The cornerstone investors in the 14 transactions examined are major fund managers, industrial players and various investment companies. The cornerstone investors involved in the 14 transactions examined are specified in the table:

Issuer	Cornerstone investors	Issuer	Cornerstone investors
Aker Carbon Capture AS	1 Danske Invest A/S 2 DNB Asset Management AS 3 Folketrygdfondet 4 KLP Kapitalforvaltning AS 5 Storebrand Asset Management AS	Pryme B.V.	1 Oliphant Holding SA 2 KLP Kapitalforvaltning AS 3 Saga Pure ASA 4 Tycoon Industrier AS
Aker Horizons AS	1 Aker Capital AS 2 Danske Invest A/S 3 DNB Asset Management AS 4 Folketrygdfondet 5 Handelsbanken Fonder AB 6 Newtyn Management LLC 7 Storebrand Asset Management AS 8 Swedbank Robur Fonder AB	Rana Gruber AS	1 Datum Opportunity AS 2 Handelsbanken Fonder AB 3 Nordea Asset Management ASA 4 Songa Capital AS 5 Tycoon Industrier AS
Everfuel A/S	1 Bankinvest A/S 2 Luxor Captal LP 3 NEL Fuel AS 4 Saga Tankers ASA	Salmon Evolution Holding AS	1 Carucel Holding II AS 2 DNB Asset Management AS 3 Jakob Hatteland Holding AS 4 Klaveness Marine Finance AS 5 Rasche Investeringer AS 6 Stella AS
Flyr AS	1 Apollo Asset Limited 2 Nordea Asset Management ASA 3 Sissener AS 4 Tycoon Industrier AS	The Kingfish Company N.V	1 Cibus Enterprise Fund LP 2 Claris B.V. 3 Creadev International S.A.S. 4 Kverva AS 5 Lin AS 6 Rabo Participaties B.V. 7 Sortun Invest AS 8 Tycoon Industrier AS
Huddly AS	1 Arctic Fund Management AS 2 DNB Asset Management AS 3 Handelsbanken Fonder AB 4 Joh. Berenberg Gossler & Co KG 5 KLP Kapitalforvaltning AS	Volue AS	1 Eika Kapitalforvaltning AS 2 Luxor Capital LP 3 CentraGruppen AS 4 Nordea Asset Management ASA 5 Norron AB 6 KLP Kapitalforvaltning AS 7 Sissener AS 8 Danske Invest A/S 9 Delphi Norge
Patientsky Group AS	1 Handelsbanken Fonder AB 2 TIN Fonder AB 3 AltoCumulus Asset Management AB 4 Carucel Holding II AS 5 Consensus Asset Management AS	Zaptec AS	1 DNB Asset Management AS 2 Swedbank Robur Fonder AB 3 Nordea Asset Management ASA 4 Delphi Norge 5 Pareto Asset Management AS
Play Magnus AS	1 DNB Asset Management AS 2 Luxor Capital LP 3 Swedbank Robur Fonder AB 4 TD Veen AS 5 Teknik Innovation Norden Fonder AB		
Proximar Seafood AS	1 Nutreco International B.V. 2 DNB Asset Management AS 3 Fondsinans Kapitalforvaltning AS 4 Klaveness Marine Finance AS 5 Pactum AS 6 TD Veen AS 7 Tycoon Industrier AS		

The most active cornerstone investors in the transactions examined were DNB Asset Management (seven transactions), companies affiliated with Øystein Stray Spetalen – Tycoon Industrier / Saga Pure / Saga Tankers (seven transactions), Handelsbanken Fonder (four transactions), KLP Asset Management (four transactions), Nordea Asset Management (four transactions), Danske Invest (three transactions) and Swedbank Robur Fonder (three transactions).

A total of 80 cornerstone investors were involved in the 14 transactions that were examined (as mentioned above, many investors were involved in several of the transactions). Finanstilsynet has taken a closer look at 44 of these cornerstone investors' transactions in the relevant share in the secondary market in the first three months after admission to the trading venue.

In the majority of the examined transactions, the cornerstone investors made no changes to their positions during the initial period after admission. In 52 per cent of the cases, the investors neither bought nor sold any shares during the three months after the first trading day. In 30 per cent of the cases, the investors sold shares during the period, while in 18 per cent of the cases, the investors purchased additional shares during the period.

Retail investors

As mentioned above, the capital raised prior to the admission processes examined has been exclusively from professional investors. However, Finanstilsynet has noted that a large number of retail investors invest in shares traded on Euronext Growth, and many households have significantly increased their risk exposure through such investments. Investment advice to retail clients has not been part of this survey, but Finanstilsynet has in various contexts reminded the investment firms of their duty to provide clients and potential clients with a balanced and clear guidance on the risks associated with investments on trading venues such as Euronext Growth. In Finanstilsynet's assessment, good and adequate information from the issuers and investment firms, as well as robust admission processes, are important to promote investor protection in both the primary and secondary markets.

5 THEMATIC INSPECTION AT OSLO BØRS

As part of Finanstilsynet's investigations, a thematic inspection has been carried out at Oslo Børs, restricted to the admission process at Euronext Growth. In addition to regulations, policies and procedures, Finanstilsynet has reviewed five specific admission processes for the issuers Aker Horizons AS, Flyr AS, GNP Energy AS, Huddly AS and Play Magnus AS, where the entire process, from the initial dialogue to the processing of the application and a decision on admission, has been reviewed.

There is a simplified process for admission to trading on Euronext Growth Oslo compared with the one for admission to trading on a regulated market, in order to make access to the capital market easier for small and more immature companies. The formal process for admission to trading normally takes ten trading days. For issuers deemed suitable, Oslo Børs also offers a fast track process that is carried out within five trading days. The admission process at Euronext Growth Oslo is thus very fast compared with the processes at the other trading venues operated by Oslo Børs.

In the period from 1 January 2020 to 14 September 2021, 104 companies were admitted to trading on Euronext Growth Oslo, of which 19 (approx. 18 per cent) were admitted through a fast track process. The demand for a fast track process has increased following the implementation of the Market Abuse Regulation on 1 March 2021. Since this date, 11 of 41 admission processes (approx. 27 per cent) have been carried out as fast track processes.

All companies that apply for admission to trading on Euronext Growth Oslo must have a Euronext Growth Advisor. The role of the Euronext Growth Advisors is to assist the issuer with preparations, quality assurance of the suitability of the issuer and the shares, as well as the preparation of documentation. Investment firms that are members of one of Oslo Børs' trading venues and are authorised to offer corporate finance services automatically qualify as Euronext Growth Advisors.

Oslo Børs has stipulated terms and conditions for admission to trading on Euronext Growth and is also entitled, at its discretion, to decline applications for admission to trading. In other words, Oslo Børs will not only assess whether all terms and conditions for admission have been met, but also make a general suitability assessment of the issuer.

Finanstilsynet's conclusions

Based on Oslo Børs' current procedures for considering admissions, some of the admission processes are very quick. Moreover, there are few employees involved who periodically have heavy workloads. In addition to implementing measures to ensure sufficient time and resources for sound case processing, Oslo Børs should improve its procedures to be able to check compliance with the terms and conditions for

admission and make sure that sufficient publicly available information about the shares has been provided to enable investors to make an informed investment decision. This applies even though Finanstilsynet has the impression that those involved in the work on and processes relating to admissions to trading on Euronext Growth Oslo generally have a high level of competence and extensive experience.

Finanstilsynet also points out that Oslo Børs has not identified or handled all potential conflicts of interest that may arise when admitting companies to trading on Euronext Growth Oslo. This is particularly relevant for conflicts of interest between the trading venue's role as 'controller' to ensure that that all terms and conditions for admission have been met and that the market receives sufficient information, and its interest in selling as many services as possible to companies that either wish to be admitted to trading or have already been admitted.

The Euronext Growth Advisor scheme has several weaknesses. Among other things, the stock exchange's regulation of the role as Euronext Growth Advisor appears unclear, Oslo Børs has not given the Euronext Growth Advisors an adequate explanation of the specific requirements that apply, and Oslo Børs does not appear to be following up or monitoring the Euronext Growth Advisors' activity in a systematic manner. Nor has Oslo Børs adequately addressed the conflicts of interest arising from the Euronext Growth Advisors' role as both advisor and manager for the issuer, and as a key provider of information to Oslo Børs during the admission process.

The companies applying for admission should receive more comprehensive guidance from Oslo Børs on what information should or must be included in an information document than what they receive through the exchange's current regulations. Oslo Børs' procedures should be changed to ensure that the market always receives sufficient information to make an informed investment decision.

Oslo Børs must also take measures to ensure that Euronext Growth Oslo's regulations meet the Securities Trading Act's requirements for 'transparent' rules. The rules appear to be structured in a relatively complicated and complex manner, and parts of the regulations are also imprecise or difficult to interpret.

6 THEMATIC INSPECTIONS AT INVESTMENT FIRMS

Finanstilsynet's thematic inspection included the eight investment firms/branches ABG Sundal Collier, Carnegie, DNB Markets, Nordea Markets, Pareto Securities, SEB, SpareBank 1 Markets and Swedbank. Finanstilsynet has assessed how the firms have handled the following key aspects:

- Due diligence of the issuer, its activities and information provided in the information document.
- Information provided to potential investors in information documents and subscription material, including risk information.
- Handling of conflicts of interest related to the firm's roles as manager and Euronext Growth Advisor.
- Placement of share issues/share divestments, including allotment/allotment criteria and the use of so-called cornerstone investors.
- The firm's client testing/client classification.
- Employees' own account trading in the issuer's shares.
- The firm's own compliance check of the handling of admission and issue processes.

The duties of investment firms

Investment firms are subject to a number of requirements pursuant to the Securities Trading Act and appurtenant regulations. Statutory requirements of relevance to the thematic inspections completed by Finanstilsynet are described below.

Investment firms shall conduct their activities in accordance with the conduct of business rules. As a main principle, the firms shall act honestly, fairly and professionally in accordance with the best interests of their clients and ensure that the integrity of the market is safeguarded in the best possible way.

Investment firms are required to take all appropriate steps to identify and prevent or handle conflicts of interest between them and their clients and between their clients. Investment firms shall organise their business in such a way as to minimise the risk of conflicts of interest.

Investment firms shall have in place adequate and satisfactory policies, procedures and control mechanisms to ensure compliance by the firm and its executives, employees and tied agents with their obligations pursuant to law and regulations. Investment firms shall have effective guidelines that regulate conflicts of interest. These shall be adapted to the firm's size and organisation, and the nature, scope and complexity of its activities. The guidelines shall describe the circumstances that constitute or may result in a conflict of interest that entails a risk of harming the interests of customers, and specify procedures and measures to prevent or handle such conflicts.

Investment firms shall also have in place satisfactory internal guidelines, procedures and control mechanisms for personal transactions executed by the firm's executives, employees and tied agents. This includes policies and procedures to ensure that financial analysts and associated persons with knowledge of the probable timing of the publication of the investment recommendation or of the content of the investment recommendation that has not been made public, cannot trade on their own or others' account in financial instruments covered by the investment recommendation or in any associated financial instrument, until the recipients of the investment recommendation have been given a reasonable opportunity to trade on the basis of such recommendation.

Investment firms shall ensure that all information to clients or potential clients is balanced, clear and not misleading, and shall in good time before the provision of any investment service or ancillary service provide clients and potential clients with relevant information on financial instruments, proposed investment strategies and all costs and charges. The information on financial instruments and proposed investment strategies shall include appropriate guidance and warning of risk associated with investments in those instruments or the proposed investment strategies.

Investment firms shall ensure documentation of all investment services, including all executed transactions, which shall at minimum be sufficiently comprehensive to enable Finanstilsynet to verify compliance with the rules within Finanstilsynet's area of responsibility. The documentation shall include recording of all telephone conversations and retention of all electronic communication relating to the provision of investment services. The documentation shall also include conversations and communication intended to result in the provision of investment services.

Finanstilsynet's conclusions

Conflicts of interest

Most investment firms have both acted as Euronext Growth Advisor and arranged private placements for issuers. The role as Euronext Growth Advisor entails that the firm assists the issuer during the admission process, that it – to the best of its ability and on the basis of an adequate review of the issuer – confirms to

the Euronext Growth trading venue that the issuer meets the terms and conditions, and that the shares are suited for admission to trading.

A heavy responsibility thus rests on the investment firms to, among other things, assess the *adequate* scope of due diligence and to advise the issuer on which information is deemed to be *material* in the information document. It is therefore important that investment firms that assume the role of Euronext Growth Advisor are highly aware of the inherent conflict of interest. Even though the trading venue cannot be regarded as a client of the investment firm, the firm is obliged to ensure that the integrity of the market is safeguarded in the best possible way. The firm is also obliged to secure the interests of the trading venue and contribute to facilitating secure, orderly and efficient trading in financial instruments.

None of the investment firms have identified the specific conflict of interest arising from their role as Euronext Growth Advisor in their internal guidelines. In Finanstilsynet's opinion, this type of conflict should be explicitly described in the investment firm's guidelines, along with specific measures to handle such conflict.

Disclaimers

The Euronext Growth Advisors' general and extensive disclaimers included in the issuer's information document in connection with admission to trading on Euronext Growth are not in accordance with the Securities Trading Act's investor protection requirements. Finanstilsynet has no objection to investment firms (in their capacity of Euronext Growth Advisors) regulating and limiting potential liability in the information document within statutory limits. However, the disclaimers used by the firms go further than permitted by the Securities Trading Act. The firms' duty to investigate, combined with their duty to ensure that all information to clients is correct and balanced, means that the firms cannot disclaim any responsibility for information provided about the issuer or the financial instruments.

Voice recordings

Finanstilsynet has asked the investment firms for all communication, including voice recordings of conversations and copies of electronic communication, between the firm and the issuers in connection with initial discussions and the commencement and implementation of the admission and transaction processes. Some of the firms have not provided such voice recordings, with reference to the Norwegian Securities Dealers Association's Industry Recommendation No. 11, stating that there is no requirement to record such conversations.

Finanstilsynet has concluded that this represents a breach of the duty to make voice recordings of telephone conversations. Finanstilsynet has made it clear to the firms concerned that conversations that are *intended to result in* the provision of investment services are also required to be recorded. The investment firms must be aware of the type of assignment or potential assignment they are facing, and at what time communication related to the assignment or potential assignment is required to be recorded and stored. If it is obvious that the assignment involves the provision of one or more investment services, the voice recording and storage requirements must be complied with. In all the relevant assignments from the issuers, it was a clear condition relatively early in the processes that the assignments would involve the provision of the investment service 'placement' and in some cases the provision of the investment service 'execution of orders'. A fundamental consideration behind the provision on recording and storing of telephone conversations and electronic communication is that sufficient documentation shall be provided to enable Finanstilsynet to effectively carry out its supervisory tasks and to ensure that the investment firm fulfils its obligations. The same applies to the firm's in-house compliance function.

Employees' own account trading

A fundamental consideration behind the rules on employees' own account trading is to ensure public confidence in the securities market. A key purpose of the rules is to prevent employees in investment firms from exploiting their position to gain special advantages when trading financial instruments, as well as to prevent employees from exploiting information they receive in their position for their own benefit. The rules shall thus prevent employees from executing trades for own account that must be assumed to be contrary to the interests of the firm or the clients, and to damage the confidence in the market. Own account trading close to the publication of an investment recommendation where the person concerned actually has knowledge of, or where the impression can be created that the person concerned has knowledge of, the content of the recommendation or the probable timing of publication, is likely to undermine confidence in the integrity of the investment firm in particular and the integrity of the market in general.

Finanstilsynet has reviewed transaction lists for the firms' employees' own account trading in the shares of the issuers in question. A few employees at some firms have bought shares before the firm published its first investment recommendation concerning the company. In preliminary inspection reports to the firms, Finanstilsynet has questioned some of the employees' own account trading. Finanstilsynet has not identified infringements of the rules on own account trading, but has nevertheless pointed out to the firms that investment firms shall ensure that the risk of conflicts of interest between the firms and their clients is minimised, and that the integrity of the market is safeguarded in the best possible way. Investment firms should therefore meet a prudence standard when establishing and enforcing internal guidelines, procedures and control mechanisms for personal transactions executed by the firm's executives, employees and tied agents. It is in the firms' interest that their employees' own account trading cannot be questioned.

7 INVESTMENT FIRMS' INVESTMENT RECOMMENDATIONS

When the Market Abuse Regulation was implemented on 1 March 2021, the rules for the preparation and dissemination of investment recommendations were also amended. Their scope of application was then expanded to include MTFs. Finanstilsynet has reviewed a selection of recommendations dated after 1 March in light of the specific content/information requirements that have been set. Finanstilsynet's review of the content of the investment firms' investment recommendations has not been part of Finanstilsynet's thematic inspection at the investment firms.

The investment firms are generally compliant with the new requirements. The firms have prepared internal templates and standard formulations to be included in their recommendations in order to help ensure that the person responsible for producing the recommendation meets all the disclosure requirements and interprets these correctly. Finanstilsynet's review has nevertheless uncovered some deficiencies in several of the recommendations. The key findings are:

- The firms generally only report the recommendations that have been made previously about the issuer in question, as well as the total number of 'buy'/'sell'/'hold' recommendations. It follows from the statutory wording that the disclosure requirement applies to all recommendations and is not restricted to the issuer that the relevant recommendation concerns. Subject to certain conditions, the firms may choose to specify in the recommendation where the recipient of the recommendation '*easily and free of charge can get direct access to the necessary information*'. However, this has not been specified, or it has proven difficult to find the information on the website referred to by the firm. Similarly, it has been challenging to find other types of information where the firm is allowed to refer to its website.

- A declaration shall be issued on whether the investment firm ‘*has been the lead or co-manager in connection with a published offer for the issuer’s financial instruments during the previous twelve months*’ (text underlined by Finanstilsynet). This disclosure requirement largely appears to have been interpreted to apply to public offerings. The way Finanstilsynet understands this disclosure requirement, it includes any offer of financial instruments that has been published, including e.g. private placements where the investment firm has been the lead or co-manager.
- Several of the content requirements require a relatively high level of discretion to be exercised. Although this may give rise to uncertainty as to how much information must be provided in order to fulfil the individual requirement, several of the firms have chosen minimum solutions for the information included in the recommendations.

8 THEMATIC INSPECTIONS AT AUDIT FIRMS

Chapter 12 of the Auditors Act contains rules on special obligations when auditing public interest entities. Admission to Euronext Growth does not mean that a company falls under the definition of a public interest entity.

Finanstilsynet's conclusions

Three of the audit firms that were reviewed have procedures for appointing quality controllers and IFRS controllers for companies admitted to trading on Euronext Growth in accordance with ISQC 1 (international standard for quality control). These relatively new procedures were introduced during 2020. The firms also use audit teams that have experience from auditing listed companies and from IFRS. The fourth audit firm is a small firm. This firm has not appointed a quality controller (due to a generation change, however, two partners worked on the assignment during the past year). Nor has it appointed a separate IFRS controller. Just like other small audit firms, the audit firm does not have its own specialist department, and its auditors therefore have to consult their colleagues more informally when needed, including colleagues who audit companies reporting according to IFRS.

Audit firms shall always establish a materiality threshold for the companies to be audited. The purpose is to carry out an effective audit while ensuring that the auditor can state with a high level of assurance that the financial statements give a true and fair view of the company’s financial position and profit or loss. The auditor must therefore consider the threshold at which changes in the financial statements potentially would cause users to change their decisions. The materiality threshold affects the type, scope and timing of the audit procedures carried out. A lower limit threshold requires, in principle, a more comprehensive audit.

Three of the audit firms have internal rules stating that the thresholds shall be calculated as if the companies had been admitted to trading on a regulated market. In the firms’ opinion, so much interest is shown in the various companies on Euronext Growth that, based on a risk assessment, it is appropriate to set the materiality thresholds lower than if the company's shares had not been traded on the trading venue.

Requirements concerning the auditor's communication with the board of directors /management are set out in the Auditors Act and ISA 260. Both the ISA standard and Chapter 12 of the Auditors Act have extended communication requirements for listed companies. None of the audit firms have communicated directly with persons who have overall responsibility for the companies’ governance and control (the board of directors/audit committee), which would have been relevant if they were listed companies. The requirements for such additional communication in ISA 260 apply to significant findings and the auditor's views on, for example, estimates and independence. The provision of non-audit services is of key

importance to the assessment of independence. One of the audit firms provided extensive **non-audit** services on IFRS and international tax prior to the admission to the trading venue. The services were within the rules of the Auditors Act when provided.

In some cases, the auditor has audited new financial statements prepared by the company's management solely for the purpose of including it in the information memorandum upon admission to Euronext Growth. Only one of the audit firms has a policy to specify in the audit report that the relevant report has been prepared in accordance with a special purpose framework. The basis for such information in the auditor's report is set out in ISA 800, and it is good practice to provide the reader of the financial statements with such information.

Although it is not a requirement, there are good reasons (for example a large number of existing and potential shareholders) why the audit of companies that are – or are about to be – admitted to trading on Euronext Growth should be carried out as if they were public interest entities. Finanstilsynet has noted that as of 2020, the three large audit firms that have been subject to inspection have implemented changes to their guidelines for auditing companies admitted to trading on this trading venue.

The changes include:

- The auditor shall set materiality thresholds according to the same rules as for public interest entities, for which the thresholds are set lower.
- When the annual financial statements are presented in accordance with IFRS, the auditor shall carry out an IFRS Review.
- An assignment controller shall be involved.

For the largest audit firms, risks related to the admission process and the capital raising have been taken into account in the planning of the audits. In addition, Finanstilsynet notes that these audit firms assign personnel to the audit teams that have experience from auditing listed companies. These measures are appropriate as several of the companies listed on Euronext Growth are planning to seek admission to a regulated market in the short or long term. The audit firms should also consider whether they should communicate with those with overall responsibility for governance and control in the same way as if the company was a public interest entity.

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