

Allen & Overy LLP

MEMORANDUM

To Norges Bank
From Pavel Shevtsov
Our ref PAS/0034788-0000121 UKO1: 2000728661.1
Date 28 May 2020
Subject **Disaggregation Structure Note**

This note is subject to possible changes resulting from further refinement of the structure and evolution of regulatory rules.

Close Links

For the purposes of the below note “**Close Links**” mean close social, professional (outside AKO Capital) or other links to NT which are likely to result in frequent meeting or frequent communications of such person with NT.

It is agreed that initially persons with Close Links will be David Woodburn, Nicola Staples and Henrik Syse. Those individuals will be named in the contractual undertakings.

There will be a mechanism for adding new individuals if it becomes apparent that they too develop Close Links with NT. NB would propose to add an individual and provide evidence of his/her Close Links and such individual shall become a Person with Close Links with immediate effect unless AKO contests such designation. A mechanism to determine any such disputed designations is to be agreed. The new person with Close Links would then be subject to the undertakings regarding their non-involvement in the relevant AKO boards and voting process in respect of portfolio companies.

NT will undertake that he will notify NB of any new Close Links. AKO Capital LLP will put in place procedures to identify any personnel at AKO Capital LLP with Close Links and will notify NB if any such personnel are identified.

1. **Shareholdings**

Changes to shareholdings etc. are conditional on UK FCA change of control and any other required regulatory consent to the ownership changes.

a) DSHN Philanthropy LLP (UK)

- NT will have 100% of voting rights in DSHN Philanthropy (“DSHN”) however his voting rights will be delegated to a person agreed between NB, NT and DSHN (the “**Delegate**”) for the duration of NT’s employment at NBIM:
 - The Delegate must have no Close Links;
 - The exercise of voting rights in DSHN by the Delegate will be on a fully discretionary basis, even on critical matters. NT will not have any “reserved matters” / be able to give instructions to the Delegate and will give an undertaking to that effect.
 - While the delegation agreement will be revocable in principle, NT will undertake to NBIM not to terminate the delegation arrangement without NB’s consent, subject to certain exceptions (being the Delegate’s death, incapacity, insolvency, criminal or other serious conviction, termination as a member of DSHN, material breach, fraud, negligence or wilful misconduct where NT can terminate on prior notice to NB (providing details of these events))
 - Upon termination of the Delegate and subject to FCA approval, NT will immediately appoint a replacement on the same terms. NB, NT and DSHN will agree an alternative delegate upfront to ensure immediate continuation of the delegation arrangement.
- Apart from NT, David Woodburn, the Delegate and Philip Lawford will be members of DSHN Philanthropy.

b) AKO Capital LLP

- DSHN Philanthropy will have 45 - % or less of voting rights in AKO Capital, directly and indirectly via AKO Capital (Jersey) Limited (until that entity’s liquidation) and AKO Capital Management Ltd.
- NT will have no other direct or indirect voting rights in AKO Capital.
- There will be no delegation arrangements. The voting rights of the current non-NT members will be increased to make up 55% and will be held and exercised on their own behalf.
- If any persons with Close Links will have voting rights in AKO Capital, the combined voting rights of DSHN Philanthropy and members with Close Links in AKO Capital should be under 45 - % or under.

c) AKO General Partner Limited

- DSHN Philanthropy will cease to be an indirect majority shareholder in that entity no later than 30 June 2021. The new indirect owners will be a purpose trust with its purpose as the furtherance of the business of the AKO Group.
- This action can happen at a later stage as currently the relevant AKO feeder funds which are limited partnerships are minority shareholders in the respective master funds. The relevant AKO entities to confirm this in contractual representations and undertakings.
- NT will have no other direct or indirect voting rights in AKO GP.
- If any persons with Close Links will have voting rights in AKO GP, the combined direct and indirect voting rights of DSHN Philanthropy and members with Close Links in AKO Capital should be under 50%.

d) AKO Funds

- NT will remain a minority shareholder in AKO funds but will agree to switch into non-management ordinary shares
- NT’s investment in the AKO funds will be put in a blind trust type structure (“the Blind Trust”) under the a discretionary mandate with Gabler with all AKO fund reporting going to the

Blind Trust and not to NT personally (neither directly nor via the Blind Trust). This arrangement will be included in NT's contractual undertakings.

- The relevant AKO entities to confirm contractually that the Blind Trust will be treated as all other investors with regards to information (in that he will receive the regular fund reports and newsletters at the same time as all other investors). Gabler will be restricted contractually from passing Transparency Platform information to NT.

e) Other entities

- AKO Capital Jersey Ltd will initially be wholly owned by DSHN Philanthropy and will be liquidated no later than 30 June 2021 AKO Capital LLP will provide investment management services directly to the AKO Cayman funds.
- AKO Capital Management Ltd will be wholly owned by DSHN Philanthropy, initially indirectly and, following the liquidation of AKO Capital Jersey, directly.

2. Boards' composition

a) DSHN Philanthropy LLP (UK)

- NT will not be a member of DSHN's board.
- Neither Henrik Syse nor any other person with Close Links (other than David Woodburn) will be a member of the board. Apart from David, the board will initially comprise Philip Lawford and the Delegate.
- Any changes to the board can only be made by the Delegate (in its capacity as delegate pursuant to the delegation agreement) with NB's prior consent.
- The board will have day-to-day responsibility for the operation of the LLP, including voting and other rights in respect of its interest in AKO Capital LLP.
- Board meetings will take place in the UK with the Delegate participating in person or dialling in/ video-linking from Norway. The Delegate will undertake to participate in board meetings and be regularly involved in that capacity in the management of DSHN.
- Board decisions will be made by unanimous consent.
- Reserved matters of member will be limited and customary and will not involve dictating any operating or financial policies of the LLP.

b) AKO Capital LLP

- NT will not be a member of AKO Capital's board.
- Neither Henrik Syse nor any other person with Close Links will be a member of the board.
- Peter Towler (AKO Compliance Officer) and an independent (i.e. non AKO) non-executive director known in the industry to be added as board members. The remaining members will be Patrick Hargreaves and Andrew Dubin.
- AKO Capital to have flexibility to change its board members from time to time subject to the general provisions above (compliance officer and one independent non-executive or, if the compliance officer is not a board member, two independent non-executives) being maintained. All appointments will be subject to FCA approval where required. Prior notice of any planned change to those non-executive appointments will be given to NB.
- Among other responsibilities, the independent director will monitor the separation between AKO and NT.
- The board will have day-to-day responsibility for the operation of the LLP.

- DSHN alone will not have any reserved matters. A "Qualified Majority" of Members holding over 50% of votes (and including DSHN) will approve certain customary reserved matters which do not dictate any operating or financial policies of the LLP.

c) AKO General Partner Limited

- NT will not be a member of AKO GP's board
- Neither Henrik Syse nor any other person with Close Links will be a member of the board.
- The board will be majority independent (i.e. non AKO) - in the same way as the boards of the AKO corporate funds, comprising initially Adrian O'Carroll Carsten Lønfeldt and Declan Quilligan. A further independent (i.e. non AKO) director may be added to replace Henrik.
- The board will have strategic and day-to-day responsibility for the operation of the company (subject to the delegation of investment management to AKO Capital).

d) AKO corporate funds (Cayman and Irish)

- NT will not be a member of any fund's board
- Neither Henrik Syse nor any other person with Close Links will be a member of the board.
- The boards will have strategic and day-to-day responsibility for the operation of the company (subject to the delegation of investment management to AKO Capital).
- Each fund's board will remain majority independent (i.e. non AKO) comprising initially Adrian O'Carroll Carsten Lønfeldt and Declan Quilligan in case of the Cayman funds and Andrew Dubin, Des Quigley and Des Fullam in case of the Irish funds. A further independent (i.e. non AKO) director may be added to replace Henrik.

e) AKO Foundation

The board of trustees will comprise David Woodburn, Henrik Syse, and Sally Procopis. Neither NT nor his family members will be trustees.

3. **AKO's portfolio voting process and compliance procedures**

- Voting and other rights in respect of portfolio companies will continue to be recommended by AKO Capital's portfolio analysts, none of whom will be a Person with Close Links.
- The analysts' recommendations on voting or other rights will continue to be reviewed and approved or disapproved by AKO Capital's portfolio managers. None of the portfolio managers will be a Person with Close Links.
- Any disapproval of an analyst's recommendation on rights and reasons therefor will be reported to AKO Capital's compliance officer.
- None of the Persons with Close Links will be involved in decisions on the exercise of voting or other rights in respect of portfolio companies.
- To put in place compliance procedures for all AKO Capital employees covering the communication of information on portfolio companies to NT, the soliciting of any such information from NT and the discussion of matters relating to portfolio companies with NT. AKO Capital will notify and regularly remind all its staff that they are subject to their confidentiality obligations with respect to AKO's business activities and portfolio positions in respect of NT and will require all staff to certify, as part of their regular compliance attestations, that they have complied with this requirement.
- These voting and compliance procedures will be confirmed in contractual undertakings to NB by AKO Capital.

4. Contractual undertakings

a) By AKO Capital LLP and AKO Funds

- A range of contractual undertakings will be agreed by AKO Capital and the AKO funds to support the structure. Where the commitment relates to particular actions by members, officers or employees of an entity the obligation on the entity will be to put in place appropriate compliance procedures designed to prevent the prohibited actions.
- “NT NBIM Conflict and Risk Policy” to be amended to include additional procedures e.g. regarding the voting process of portfolio. The policy will be appended to the contractual undertakings alongside the final structure paper.

b) By NT

- A range of contractual undertakings will be agreed by NT to support the structure and will fit within the existing NBIM policies/ employment contracts.
- In addition, NT to confirm contractually that, other than as may be expressly agreed by NBIM, neither he nor his family members will (i) hold (legally or beneficially) or exercise voting rights in any listed securities or (ii) participate in or control any other investment management entity.

c) By AKO Foundation

The trustees of AKO Foundation to confirm contractually that the foundation will not hold (legally or beneficially) any securities in portfolio companies or exercise voting rights in any such securities.

d) By the Delegate

Certain undertakings will be given to NB by the Delegate (e.g. regarding attendance of DSHN board).

e) By Gabler

Certain undertakings will be given to NB by Gabler (e.g. regarding Transparency Platform information).

AKO proposed structure updated

