

## AFME Recommended Market Practices Disclosure by Issuers of Non-Investment Grade Debt Securities<sup>1</sup>

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The Association for Financial Markets in Europe recommends that the issuers of non-investment grade debt securities adopt the following four principles of disclosure as “best practice” where their securities are to be listed or otherwise publicly traded:

### **1. Disclosure of Debt Documentation and Amendments**

An issuer of non-investment grade debt securities should make publicly available the key documentation for its material debt facilities and intercreditor arrangements, including agreed amendments and waivers. The documentation should be available on the issuer’s public website, Bloomberg (or other comparable public news service), and/or, to the extent practicable, the exchange on which the securities are listed.

### **2. The Offering Memorandum**

An offering memorandum for a new issue of non-investment grade debt securities should include an organizational chart of the issuer’s corporate legal structure, including an indication of where in the corporate legal structure each material debt facility or other financing (including any guarantees or security interests, if applicable) is located.

In addition, the offering memorandum should disclose the key terms of the issuer’s material debt facilities and other financings, including a table showing the maturity profile of the issuer’s long term debt obligations (on a pro forma basis for the offering) over the next 5 years and, with respect to each material facility or instrument:

- Key payment terms, including unused availability, interest rate, maturity and required amortization;
- Financial covenants, including definitions, and ratios (for each period of the loan until maturity) in sufficient detail to enable investors to understand the issuer’s obligations under the covenants;

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<sup>1</sup> These guidelines represent an update of the disclosure guidelines that were issued by the European High Yield Association and the Loan Market Association on 16 June 2008.

- Guarantees and security, including material limitations on enforceability and release provisions; and
- Terms of any intercreditor arrangements that affect such debt.

This description may be in any form, including term sheet format.

### **3. Ongoing Disclosure**

The issuer of non-investment grade debt securities should promptly disclose to the same extent and in substantially the same manner as its initial disclosure:

- When agreed:
  - the terms of any material amendments to, or waivers of, provisions of its material debt facilities (including any related guarantees and security interests);
  - the terms of any material amendments to, or waivers of, provisions of its material intercompany debt arrangements, including intercompany loans, guarantees and security interests;
  - new or refinanced material debt facilities;
- Payment or covenant default or any other triggering event that has resulted in acceleration of debt of the issuer; and
- Any material changes to its corporate legal structure (including any material acquisitions, disposals or corporate reorganizations).

### **4. Financial Disclosure and Ongoing Reporting Obligations**

Issuers of non-investment grade debt securities are reminded of their recurring and special reporting obligations under the indenture or trust deed and the listing rules of the exchange on which the securities are listed. Any financial reports or other disclosure given after the initial issuance of non-investment grade debt securities should be consistent with, and made to the same extent and in substantially the same manner as, the reports and disclosure given in connection with the initial issuance, including a reconciliation between EBITDA and the Cash Flow Statement, if applicable.

The issuer's quarterly and annual reports should include, where applicable:

- Balance Sheet, Income Statement and Cash Flow Statement, each prepared in accordance with the relevant GAAP standard;

- Definitions for non-GAAP measures referred to in the report; and
- Information regarding the issuer's outstanding debt obligations, including:
  - The total amount of the issuer's material debt obligations, including a breakdown of the individual components of such debt obligations; and
  - Unused availability under committed credit lines.

The issuer's annual report should also include a maturity profile for the issuer's long term debt obligations over the next 5 years, shown on a yearly basis.

Issuers of non-investment grade debt securities should ensure that:

- Any report or other information regarding the securities (or, if applicable, the Issuer) is released simultaneously to all relevant market participants;
- All relevant market participants are given reasonable advance notice of (a) any conference calls related to the securities (or, if applicable, the Issuer) and (b) the release dates and times of any quarterly report, annual report or other relevant information regarding the securities (or, if applicable, the Issuer); and
- To the extent that information regarding the securities or the Issuer is released via email, the related email distribution list is updated on a continuous basis.

In addition to the foregoing, the issuer should, within a reasonable time after each quarterly and annual report:

- Hold a conference call open to relevant market participants; and
- Make the report accessible to investors on the issuer's website.

Issuers of non-investment grade debt securities should be able to satisfy the reporting obligations referred to above by posting the relevant information to the issuer's public website, Bloomberg (or other comparable public news service), and/or, to the extent practicable, the exchange on which the securities are listed.

Issuers are reminded that the relevant listing or disclosure rules may also require the issuer to make disclosures using a prescribed service (such as an approved regulatory information service in the UK and Ireland) and to post information to its own website. Those rules may also require that material information should not be publicly disclosed by posting to a website or otherwise released in advance of publication via the prescribed service.