

WORKING IN A LISTED COMPANY

INTRODUCTION TO THE MARKET ABUSE REGULATION



June 2021

SCHJØDT

AGENDA

- **The Market Abuse Regulation (MAR)**
- **What is inside information?**
- **The market abuse crimes**
- **Procedures to be taken when inside information arises**
 - Immediate disclosure as main rule*
 - Possibility to delay disclosure*
- **Closed/silent periods prior to publication of financial reports**

MARKET ABUSE REGULATION (MAR)

- Designed to prevent and detect market abuse, market manipulation and insider dealing
- Applies to financial instruments (shares, depositary receipts, bonds, derivatives etc.),
- Issuers that have their financial instruments admitted to trading on:
 - Regulated market
 - MTF
 - OTF
- Traded within the EU regulation market (global reach for e.g. if an American company issues bonds in Sweden)



WHAT IS INSIDE INFORMATION?

Definition

*“Information of a **precise nature**, which has **not been made public**, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a **significant effect on the prices** of those financial instruments or on the price of related derivative financial instruments”*

“Precise nature”

- Circumstances or events that exist or may reasonably be expected to come into existence
- The information must be specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event
- Intermediate steps in a protracted process (must have some form of crucial importance to the whole process)

“Significant effect on the price”

- Such information that a reasonable investor would be likely to use as a part of the basis of his or her investment decision
- There must be a real prospect of the information having a significant effect on the price

Examples of inside information

- Significant purchase orders
- A potential large customer receives regulatory approval for significant project
- Submission of a tender offer for a significant project where the likelihood of a successful outcome is high
- Capital raises
- Investment decisions
- Cooperation agreements or other significant agreements
- Mergers or acquisitions of companies
- Credit or customer losses
- Joint ventures
- Initiation or settlement of legal disputes and relevant court decisions
- Financial difficulties
- Information regarding subsidiaries and associated companies

Examples of information that is not inside information

- Early stage negotiations of a agreement, where the outcome is highly uncertain
- Insignificant changes to existing agreements
- Conclusion of agreements in the ordinary course of business

THE MARKET ABUSE CRIMES

Insider dealing

- Insider dealing is considered to be any activity where a person acquires, disposes of, changes, or cancels an order for a financial instrument based on inside information
- Please note that this also includes the act of soliciting a third-party to arrange deals through intermediary accounts

Unlawful disclosure

- Unlawful disclosure of inside information arises where a person possesses inside information and discloses that information to any other person
- Exemptions for where the disclosure is made in the normal exercise of an employment, a profession or duties, e.g.:
 - Disclosures in relation to the employment of agents, i.e. legal and financial advisors
 - Other disclosures that are normal practise in the company

Market manipulation

The deliberate attempt to:

1. Execute transactions in order to manipulate the stock market; or
2. Spread false or misleading information in order to manipulate the stock market

PROCEDURES TO BE TAKEN WHEN INSIDE INFORMATION ARISES

Public disclosure

Inside information must be made public by the issuer as soon as possible

- Regardless of time of the day (whether during trading or not)
- In order to ensure uniform conditions for the application of MAR, ESMA has developed draft technical standards to establish the conditions for the publication of inside information, which have been adopted by the commission through (EU) 2016/1055
- Press release templates to be according to the standards
- Press release template with MAR legend to be used only when inside information is disclosed

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This information is such that Smart Wires Technology Ltd is obligated to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication through the agency of the contact person set out below, at 8:00 a.m. on 2 July 2021

ABOUT SMART WIRES TECHNOLOGY LTD.

Smart Wires conducts grid technology business that helps utilize, modernize, optimize and monetize grid capacity to meet the demands and opportunities of the energy transition. The Company operates in the global transmission grid technology market and is a leader in modular power flow control technology. Power flow control technology controls and directs power flow on high voltage electric transmission systems. Smart Wires serves transmission owners, primarily electric utilities. Transmission owners use power flow controllers to eliminate line overloads by redirecting power to other lines, to reduce transmission congestion, and to enable renewable energy connection and dispatch. Currently, Smart Wires' main projects are located in Europe, the United States and Australia with upcoming projects in South America and Canada. The Company has a large customer base comprised of utilities globally. For more information, please visit www.smartwires.com.

PROCEDURES TO BE TAKEN WHEN INSIDE INFORMATION ARISES (CONT'D)

Delayed disclosure

Under certain conditions, it is permissible to delay a public disclosure:

- i. Immediate disclosure is likely to prejudice the legitimate interests of the issuer;
- ii. Delay of disclosure is not likely to mislead the public; and
- iii. The issuer is able to ensure the confidentiality of that information

Leakage

- If inside information has been leaked before publication, the information must be published
- Note that rumours and media speculation normally do not need to be commented on

“Legitimate interest”

- i. The issuer is conducting negotiations, where the outcome of such negotiations would likely be jeopardised by immediate public disclosure, e.g. negotiations related to mergers, acquisitions, purchase of major assets, reorganisations etc.;
- ii. The issuer is in a very serious financial crisis, although not within the scope of applicable insolvency law, an immediate public disclosure of the inside information would seriously prejudice the interests of existing and potential shareholders by jeopardising the conclusion of the negotiations designed to ensure the financial recovery of the issuer; or
- iii. The issuer has developed a product or an invention and the immediate public disclosure of that information is likely to jeopardise the intellectual property rights of the issuer

“Mislead the public”

- i. The information is materially different from previous public announcements of the issuer on the matter to which the inside information refers;
- ii. The information regards the fact that the issuer’s financial objectives are not likely to be met, where such objectives were previously publicly announced; or
- iii. The information is in contrast with the market’s expectations, where such expectations are based on signals that the issuer has previously sent to the market, such as interviews, roadshows or any other type of communication organized by the issuer or with its approval

PROCEDURES TO BE TAKEN WHEN INSIDE INFORMATION ARISES (CONT'D)

Delayed disclosure (cont'd)

Measures to be taken when resolving to delay disclosure

- i. **Take a decision about the delayed disclosure** – The decision shall include a motivation as to why the requirements of a delayed disclosure are met
- ii. **Open an insider register** - Keep a record of employees and contractors having access to inside information about the company

Measures to be taken upon disclosure

- After the information has been made public, the Swedish Financial Supervisory Authority (SFSa) shall immediately be notified in writing that the publication of the information has been delayed
- At the SFSa's request, the issuer must provide a written explanation of how the requirements for delayed disclosure were met
 - Important to establish routines for handling delayed disclosures

Insider registers

- Must follow a prescribed form
- Must be kept digitally
- Should always be kept updated
- Shall include employees and contractors (but no need to include e.g. counterparties)
- Individuals being entered into the register to confirm entry and understanding of legal implications
- Access to the register should be restricted

All published information must be accessible on the company's website for five years. Financial reports need to be accessible for ten years.

CLOSED/SILENT PERIODS PRIOR TO PUBLICATION OF FINANCIAL REPORTS

Important

- No trading in Smart Wires' financial instruments during the 30-day period preceding the publication of a financial report
 - No commenting on the financial development, and no contacts with analysts and media in the 30-day period preceding the publication of a financial report
 - Updated financial calendar to be available on webpage
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- Legal obligations for board members and other persons discharging managerial responsibilities (PDMRs) to report transactions that are carried out in Smart Wires' financial instruments

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