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This letter is only sent by email to: [REDACTED]

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| OUR REFERENCE 21/12592 | YOUR REFERENCE | DATE 06.05.2022 |
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Decision regarding violation penalty

1. Introduction

Reference is made to previous correspondence, including the advance notification from The Financial Supervisory Authority of Norway ("Finanstilsynet") dated 3rd March 2022 and the reply by Azvalor Asset Management S.G.I.I.C. S.A ("Azvalor") on 30th March 2022.

Based on an assessment of the facts in the case, Finanstilsynet has concluded that Azvalor has violated the Norwegian Securities Trading Act ("NSTA") section 4-and has decided to impose a violation penalty of NOK 100,000.

2. Legal basis

Pursuant to the NSTA section 4-2, a shareholder shall immediately notify the regulated market of a transaction which causes the shareholder's portion of shares and/or rights to shares to reach, exceed or fall below 5 %, 10 %, 15 %, 20 %, 25 %, 1/3, 50 %, 2/3 or 90 % of the share capital or an equivalent proportion of the voting rights in a company whose shares are quoted on a regulated market. The section applies to shares admitted to trading on a regulated market of an issuer having Norway as its home state.

Equivalent to shares and/or rights to shares are certain voting rights to shares mentioned in the NSTA section 4-2 subsection 2. The notification requirement also applies to anyone who through disposal or other circumstances change their proportion of the share capital, rights to shares or voting rights so that the proportion reaches, crosses or falls below the mentioned thresholds.

According to the NSTA section 4-2 subsection 6, the notification to the regulated market is required "*immediately*" after an agreement on acquisition or disposal has been entered into, or the party concerned becomes aware of, or should have become aware of, any other circumstance causing the party concerned to reach or fall below a threshold as provided for in the NSTA section 4-2 subsection 1.

Finanstilsynet may under the NSTA section 21-3 subsection 1, impose individuals and/or legal persons a violation penalty in the event of negligent or willful violation of the NSTA section 4-2.

In order to impose a violation penalty on a legal person, the NSTA section 21-9 subsection 2 refers to the Public Administration Act (PAA) section 46 subsection 1. Finanstilsynet will practise the PAA section 46 in a manner that requires the legal person in question to have acted with at least negligence. This means that a violation penalty can be imposed if a person acting on behalf of the company commits the violation negligently or willfully. However, the subjective requirements can also be met by anonymous or cumulative errors.

When deciding whether an administrative sanction is to be imposed and the size of such sanction, attention may under the NSTA section 21-14 be given to the following:

1. the gravity and length of the breach;
2. the degree of guilt of the perpetrator;
3. the financial strength of the perpetrator, in particular total turnover or annual income and assets;
4. profits gained or loss avoided;
5. any loss inflicted on a third party due to breach;
6. will by the perpetrator to cooperate with public authorities;
7. earlier violations;
8. arguments as mentioned under the Public Administration Act section 46 subsection (2);
9. other relevant arguments.

3. Factual background

Oslo Stock Exchange was on 9th November 2021 at 08:15 CET notified that Azvalor as of 5th October 2021 crossed the 5% threshold of BORR DRILLING LTD ("BORR"). The 5% threshold was crossed following acquisition of 13 784 678 shares. After the purchase Azvalor held 13 784 678 shares in BORR which equated to 5,023% of the share capital and votes of BORR. BORR has Norway as its home state and the notification requirements therefore require that Azvalor should notify Oslo Børs.

4. Statements of the discloser

In email of 8th February 2022 Azvalor informs that BORR are executed and hold on both Oslo Exchange and New York Stock Exchange, however, their control was based on the Bloomberg tickers ("BORR US", "BORR NO") instead of ISIN. Therefore, Azvalor's checks gave them results under 5%. As soon they realized the mistake, they proceeded to disclose the notification.

Azvalor also informs that the investment in BORR is done through several investment funds managed by Azvalor. The investment in BORR was carried out with no intention of implementing a

particular strategy with regard to BORR and with no intention of exerting specific influence over the management of the company.

In reply dated 30th March 2022 Azvalor points out that this was the first time they found themselves with an asset that was traded on two different markets and therefore with two different tickers in the portfolio. As a consequence, the problem that the control was based on ticker and not ISIN code arose. Azvalor also give attention to the facts that it was their first communication to the Norway Supervisory Authority and that they had barely exceeded the first limit (5.02%).

5. Assessment of whether a violation penalty shall be imposed and its size

Finanstilsynet finds that Azvalor violated the NSTA section 4-2, by not notifying the regulated marked on time when Azvalor crossed the 5% disclosure threshold in BORR on the 5th October 2021.

According to the NSTA section 4-2, the notification to the Oslo Stock Exchange should have been made "*immediately*" after the transaction was completed on 5th October 2021. Pursuant to the Guidelines of Finanstilsynet regarding chapter 4 of the NSTA (cf. section 1 above), this should be understood as the time it actually takes to write and send the notification to the market. The notification to Oslo Stock Exchange was sent by Azvalor and published at 9th November 2021 at 08:15 CET. The notification to Oslo Stock Exchange was thus made too late.

Azvalor, as a professional company operating in the Norwegian securities market, is expected to have in place appropriate procedures and/or systems that will enable it to identify and satisfy the disclosure obligations in a timely and complete manner, and in accordance with the relevant specific requirements applicable in the jurisdiction in which it operates. In this case, Azvalor failed to set up its control systems to cover the correct ISIN.

Finanstilsynet's decision is that one or more persons acting on behalf of Azvalor acted negligently, or that cumulative errors were present. Finanstilsynet finds that both the objective and subjective conditions for imposing a violation penalty are met, cf. the NSTA section 21-3 subsection 1, section 21-9, 21-14 cf. PAA section 46.

When assessing whether to make use of a violation penalty in this particular case, Finanstilsynet has made a concrete assessment of the case in accordance with the NSTA section 21-14. In Finanstilsynet's opinion not notifying the regulated marked about passing the thresholds is a significant violation of the NSTA section 4-2. Finanstilsynet has taken into consideration that the violation of the disclosure obligation could have been prevented had Azvalor put in place more appropriate procedures and/or systems.

The rules on disclosure obligations under NSTA section 4-2 are meant to assure that the issuer and the stock market receive fast knowledge of the acquisition or disposal of shares or other

circumstances changing the proportion of the share capital, rights to shares or voting rights in the issuer. Changes in ownership in a company listed on a regulated market can have a notable influence on the price of the issuers shares in the market, as this could give an indication that someone has, or no longer has, a strategic interest in the issuing company. For this reason, it is important that the market receives this information as soon as possible.

Compliance with the disclosure rules is important to ensure that relevant information on significant changes in ownership at listed companies is disclosed to the market. This information enables the investors to make well-considered investment decisions, which in turn is important to maintain confidence in the market. Finanstilsynet has previously imposed violation penalties in cases of similar violations. Considerations for equal treatment therefore imply that such penalty should be imposed also in this case.

Finanstilsynet finds that a violation penalty should be imposed. The NSTA section 21-4 states that when the size of a violation penalty is assessed, importance shall be attached to gravity and the length of the breach, as well as the degree of guilt found. In addition, also other criteria specified in the NSTA section 21-4 may be taken into consideration when assessing the size of the violation penalty.

In its letter of 20th March 2022, Azvalor asks Finanstilsynet to reconsider and reduce the proposed penalty size based on previous given penalties "*with communication delays greater and more significant in terms of percentages than ours*". When assessing whether a violation penalty should be imposed, as well as the size of the violation penalty, Finanstilsynet takes into account the circumstances in the particular case. As explained above, we consider a violation penalty of NOK 100,000 to be appropriate in this case. Furthermore, a violation penalty of NOK 100,000 would be consistent with Finanstilsynet's decision in similar cases.

The violation penalty is based on an overall evaluation of the breach, taking into account amongst other factors, the length of the breach and previous decisions in similar cases. Finanstilsynet has in particular taken into consideration that the violation of the disclosure obligation could have been prevented had Azvalor put in place appropriate procedures and/or systems in advance which would have allowed them to notify the market in a timely and correct manner in accordance with the NSTA and the Securities Regulation.

An overview of violation penalties that have previously been imposed is published on Finanstilsynet's website in the second bullet-point under the tab "Flaggeplikt" at <https://www.finanstilsynet.no/tilsyn/markedsatferd>.

6. Finanstilsynets decision

On the basis of the above, Finanstilsynet imposes a violation penalty on *Azvalor Asset Management S.G.I.I.C. S.A* of the amount of NOK 100,000 for its violation of the NSTA section 4-2. The legal basis is the NSTA sections 21-3, 21-9 and 21-14.

This administrative decision can be appealed within 3 weeks after receipt. An appeal shall be sent to Finanstilsynet. The appellate instance is the Ministry of Finance. Sections 18 and 19 of the Public Administration Act, on the parties' right to become acquainted with the case documents, apply.

Violation penalties are collected by the Tax Administration at the Norwegian National Collection Agency. If the administrative decision is not appealed, the Norwegian National Collection Agency will send a claim for payment immediately after the deadline for an appeal has expired. If the decision is appealed, the claim is sent after the appeal has been decided by the Ministry of Finance. The Norwegian National Collection Agency's deadline for payment is 3 weeks after the invoice has been sent.

On behalf of Finanstilsynet

Thomas Borchgrevink
Head of Section

Madeleine Marie Melgård
Higher Executive Officer

This document has been electronically approved and does not require handwritten signatures.