



## SMTC CORPORATION

### INSIDER TRADING POLICY

(As of November 2017)

In order to take an active role in the prevention of insider trading violations by officers, directors, employees and other related individuals of SMTC Corporation and its subsidiaries (the "Company"), the Company has adopted this Insider Trading Policy (the "Policy").

#### Statement of Intent

The Company opposes the misuse of material nonpublic information in the trading of securities and it is the intent of this Policy to implement procedures designed to prevent trading in the Company's securities based on material nonpublic information regarding the Company. A general description of what constitutes material nonpublic information is included in this Policy.

#### Covered Parties

##### *Insiders*

The Policy covers all officers, directors and other employees of the Company, as well as their immediate families, and members of their households (collectively, the "Insiders") and any consultants, contractors or other third parties that the Company's Compliance Officer (described below) may designate as Insiders because they have access to material nonpublic information concerning the Company.

This Policy also applies to any entity that an Insider influences or controls, including any corporation, partnership or trust, and transactions by these entities would be treated for purposes of this Policy and applicable securities laws as if they were made for the Insider's account.

##### *Section 16 Persons*

Each member of the Company's Board of Directors ("Board"), and those officers of the Company designated by the Board to be "Section 16 officers" of the Company, are subject to the reporting provisions and trading restrictions of Section 16 of the Securities Exchange Act of 1934, as amended ("Exchange Act") and the underlying rules and regulations promulgated by the U. S. Securities and Exchange Commission ("SEC") (the "Section 16 Persons"). Section 16 Persons must provide notice within 48 hours of all trades in Company securities to the Compliance Officer in accordance with the procedures set forth in the section below entitled "Section 16 Reports." As of the date of this Policy, the Board had designated those persons holding the following offices as Section 16 officers: CEO and CFO.

##### *Key Employees*

The employees and/or employee categories listed on [Appendix A](#) are designated as key employees ("Key Employees") because of their position with the Company and their possible access to material nonpublic information of the Company.

#### Covered Transactions

This Policy applies to all transactions in the Company's securities, including common stock, options for common stock, restricted stock, restricted stock units and any other securities the Company may issue from time to time, such as preferred stock, warrants and convertible and non-convertible debentures and notes, as well as to derivative securities relating to the

#### SMTC Corporation

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Company's stock, whether or not issued by the Company, such as publicly-traded options. The Policy also applies, under certain circumstances, to transactions in the securities of other companies.

## **Prohibited Transactions and Communications**

### *General Rules Applicable to All Insiders*

No Insider may engage in any transaction involving a purchase or sale of the Company's securities, including any offer to purchase or offer to sell, during any period commencing with the date that the Insider possesses material nonpublic information concerning the Company, and ending at the opening of the third trading day following the date of public disclosure of that material nonpublic information, or at such time as such nonpublic information is no longer material.

No Insider may disclose material nonpublic information concerning the Company to any outside person (including spouses, parents, children, siblings or other persons who are expected to hold such information in confidence, individual investors, or members of the investment community and/or news media), unless required as part of that Insider's regular duties for the Company and authorized by the Company. In particular, no Insider may disclose material nonpublic information to any holder of Company securities, or to any analyst, broker, dealer, investment adviser, investment company, institutional investment manager, or anyone associated with any of these securities professionals, unless required as part of that Insider's regular duties for the Company and authorized by the Company.

Any person who owes an Insider an express duty of trust or confidence or with whom the Insider has a history of sharing confidences, such as a spouse, parents, children and siblings, who trades while in possession of material nonpublic information the Insider may have disclosed to them, can be liable for violating the insider trading rules under what is referred to as the "misappropriation" theory. As a result, Insiders should refrain from "tipping" (or disclosing that information) these people to ensure that they do not trade until the information is public or no longer material.

No Insider may, while in possession of material nonpublic information about any other company gained in the course of employment or service with the Company, (a) trade in the securities of the other company while aware of such material nonpublic information concerning that company, (b) "tip" or disclose such material nonpublic information concerning that company to anyone, or (c) give trading advice of any kind to anyone concerning the other company while aware of such material nonpublic information about that company. For further information see the section below entitled "Information Concerning Other Companies."

Without the specific approval of the Chief Executive Officer or the Compliance Officer, no Insider (including directors) may respond to market rumors or otherwise make any public statements regarding the Company or its prospects. This includes responding to or commenting on Internet-based bulletin boards or chat rooms. All inquiries from outsiders regarding information about the Company must be forwarded to the Compliance Officer and/or the head of Investor Relations.

No Insider may trade in Company securities during any special trading black-out periods applicable to such Insider as designated by the Compliance Officer.

### *Additional Rules Applicable to Section 16 Persons and Key Employees*

No Section 16 Person or Key Employee may trade in Company securities outside of the applicable "trading windows" described in the section below entitled "The Company's Trading Window." Further, no Section 16 Person or Key Employee may trade in Company securities unless the trade(s) has been pre-cleared by the Compliance Officer in accordance with the procedures set forth in the section below entitled "Pre-clearance of Securities Transactions."

## **Problematic Transactions**

While employees are not prohibited by law from using Company securities as collateral for loans or in margin accounts or from engaging in transactions involving publicly-traded options, such as puts and calls, or other derivatives securities related to the Company's securities, the Company discourages employees from such activity because, among other problems, these types of transactions (i) may result in transactions in Company securities occurring outside the Open Window (described below) and (ii) in the case of publicly-traded options, create an appearance of impropriety in that these types of transactions

often focus on short-term and speculative interest in the Company's securities or can be used to profit from poor Company performance.

In addition, Section 16 Persons and Key Employees, as well as their immediate families and members of their households, are prohibited, unless advance approval is obtained from the Compliance Officer, from (i) selling the Company's securities short, (ii) engaging in transactions involving the purchase or sale of puts or calls or other derivative securities with respect to the Company's securities, (iii) holding the Company's securities in margin accounts or pledge the Company's securities as collateral or (iv) enter into any hedging or monetization transaction or similar agreement with respect to the Company's securities.

Section 16 Persons and Key Employees interested in trading outside of the Open Window should consider adopting a 10b5-1 trading plan, as described below. Exercising stock options issued pursuant to the Company's equity incentive plan, as otherwise permitted under this Policy, are not considered problematic.

### **The Company's Trading Window**

The Company has determined that all Section 16 Persons and Key Employees are prohibited from buying, selling or otherwise effecting transactions in any securities of the Company EXCEPT during the following trading window:

Beginning at the open of market on the third trading day following the date of public disclosure of the Company's financial results for a preceding quarter or year and ending at the close of market on the fourteenth calendar day before the quarter end or year-end date (the "Open Window").

In addition, the Company, through the Compliance Officer or otherwise, may authorize longer or additional trading windows in which buying, selling or otherwise effecting transactions in the Company's securities may be permitted pursuant to this Policy. Similarly, the Company, through the Compliance Officer or otherwise, may impose special black-out periods during which specified persons will be prohibited from buying, selling or otherwise effecting transactions in securities of the Company, even though the trading window would otherwise be open. If a special black-out period is imposed, the Company will notify affected persons, who should thereafter not engage in any transaction involving the purchase or sale of the Company's securities and should not disclose to others the fact that such special black-out period has been imposed.

It should be noted that even during the Open Window, any person possessing material nonpublic information concerning the Company should not engage in any transactions in the Company's securities until the open of market of the third trading day following the date of public disclosure of such information or the date that such information is no longer material, whether or not the Company has recommended a suspension of trading to that person.

*Exceptions.* Trades made pursuant to a properly adopted 10b5-1 trading plan (described below) may be made during or outside the Open Window. The Compliance Officer may, on a case-by-case basis, also authorize trading in Company securities outside of an applicable trading window due to financial or other hardships but only after:

- The person trading has notified the Compliance Officer in writing of the circumstances of the hardship and the amount and nature of the proposed trade(s); and
- The person has certified to the Compliance Officer in writing no earlier than two business days prior to the date of the proposed trades that he or she is not aware of material nonpublic information concerning the Company.

## **Section 16 Reports**

All Section 16 Persons must comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Exchange Act.

Any Company securities purchased on the open market by a Section 16 Person, as well as their immediate families and members of their households, are required to be held under this Policy for a minimum of six months prior to being sold. The SEC's short swing profit rules penalize Section 16 Persons who sell any Company securities within six months of a purchase or who purchase any Company securities with six months of a sale by requiring such person to disgorge all profits to the Company whether or not such person had knowledge of any material, non-public information at the time of such transaction.

All Section 16 Persons must notify the Compliance Officer of all trades in the Company's securities within 48 hours of the occurrence of such trades (including trades occurring pursuant to a 10b5-1 trading plan (as defined below)). The Compliance Officer will assist Section 16 Persons in preparing and filing the required reports with the SEC, however Section 16 Persons will retain responsibility for these reports.

## **Pre-clearance of Securities Transactions**

Because Section 16 Persons and Key Employees are likely to obtain material nonpublic information on a regular basis, the Company requires all such persons to refrain from trading, even during an Open Window, without first pre-clearing all transactions in the Company's securities.

No Section 16 Person or Key Employee may, directly or indirectly, purchase or sell (or otherwise make any transfer or gift) any Company security at any time without first obtaining prior approval from the Compliance Officer. These procedures also apply to transactions by such person's immediate families and members of his or her household.

The Compliance Officer shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading five trading days following the day on which it was granted. If the transaction does not occur during the five trading-day period, pre-clearance of the transaction must be re-requested.

Notwithstanding the foregoing, pre-clearance is not required for purchases and sales of securities under an approved 10b5-1 trading plan. With respect to any purchase or sale under an approved 10b5-1 trading Plan, the third party effecting transactions on behalf of the Section 16 Person or Key Employee should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

## **Adoption and Effect of 10b5-1 Trading Plans**

Rule 10b5-1 under the Exchange Act provides a defense from insider trading liability under Rule 10b-5. In order to be eligible for this defense under Rule 10b5-1, prior to becoming aware of material nonpublic information about the company whose securities are to be traded, the person enters into a binding contract for the sale or purchase of the securities, provides instructions to another person to execute the trade, or adopts a written plan for trading securities. Such contracts, irrevocable instructions and plans are commonly referred to as Rule 10b5-1 plans (a "10b5-1 trading plan"). Any person desiring to enter into a 10b5-1 trading plan must enter into the plan at a time when he or she is not aware of any material nonpublic information about the company whose securities are to be traded. Once the 10b5-1 trading plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which the securities are to be traded or the date of the trade. The Company permits all directors, officers and other employees to adopt 10b5-1 trading plans, which plans must be approved by the Compliance Officer prior to adoption. The restrictions on trading outside the Open Window set forth in this Policy will not apply to trades made pursuant to a properly adopted 10b5-1 trading plan. Additional information concerning 10b5-1 trading plans is available from the Compliance Officer.

## **Exemptions from this Policy**

The exercise of stock options under the Company's equity incentive plan with a cash payment of the exercise price is exempt from this Policy, since the other party to these transactions is the Company itself and the price does not vary with the market, but is fixed by the terms of the option agreement. This exemption does not apply to the sale of any shares issued upon such exercise and it does not apply to a cashless exercise of options, which is accomplished by a sale of a portion of the shares issued upon exercise of an option into the marketplace. In addition, this Policy does not apply to the vesting of restricted stock or restricted stock units, or the exercise of tax withholding rights pursuant to which an Insider elects to have the Company withhold shares of stock to satisfy tax withholding requirement in connection with such vesting. The exemption does not apply to any market sale of restricted stock or shares of the Company's stock received upon the vesting of restricted stock units. In addition, bona fide gifts of the securities of the Company are exempt from this Policy.

## **Consequences for Violation**

Employees who violate this Policy may also be subject to disciplinary action by the Company, which may include ineligibility for future participation in the Company's equity incentive plans or termination of employment.

Pursuant to U.S. federal and state securities laws, Insiders may be subject to criminal and civil fines and penalties as well as imprisonment for engaging in transactions in the Company's securities at a time when they have knowledge of material nonpublic information regarding the Company. In addition, Insiders may be liable for improper transactions by any person (commonly referred to as a "tippee") to whom they have disclosed material nonpublic information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities.

## **Individual Responsibility**

Every officer, director and other employee, consultant and contractor has the individual responsibility to comply with this Policy, and the applicable laws of their jurisdiction. An Insider may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of the material nonpublic information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting. **Trading in the Company's securities during the Open Window should not be considered a "safe harbor," and all Insiders should use good judgment at all times.**

## **Compliance Officer**

The Company's Corporate Controller serves as the Insider Trading Compliance Officer (the "Compliance Officer").

## **Definition of Material Nonpublic Information**

### *"Material" Information*

Information about the Company is "material" if there is a substantial likelihood that it would be important for the investment or voting decisions of a reasonable shareholder or investor, or if there is a substantial likelihood that the disclosure of the information would significantly alter the total mix of information in the marketplace about the Company. In simple terms, material information is any type of information that could reasonably be expected to affect the price of Company securities (either upwards or downwards). Materiality is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger or acquisition, the point at which negotiations are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect of the event would have on the Company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt, assume it is material. While it is not possible to identify all information that would be deemed "material," the following types of information ordinarily would be considered material:

- Financial performance, especially quarterly and year-end earnings and significant changes in financial performance, liquidity or prospects.
- Proposals, plans or agreements even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets.
- Offering of Company securities.
- Changes in earnings estimates or unusual gains or losses in major operations.
- New major contracts, orders, suppliers, customers, or finance sources, or the loss thereof.
- Significant changes or developments in supplies or inventory, including significant product defects, recalls or product returns.
- Significant write-downs/impairment charges or increases in reserves.
- Stock splits, public or private securities/debt offerings, or changes in Company dividend policies or amounts.
- Significant changes in or matters affecting senior management or directors.
- Significant labor disputes or negotiations.
- Actual or threatened major litigation, or the resolution of such litigation, including investigations by governmental agencies.
- Statements by stock market analysts regarding the Company and/or its securities.

#### *“Nonpublic” Information*

Material information is “nonpublic” if it has not been widely disseminated to the public through major newswire services, national news services and financial news services or included in an SEC filing. Even once the information has been widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information. For the purposes of this Policy, information will be considered public, i.e., no longer “nonpublic,” at the open of trading on the third trading day following the Company’s widespread public release of the information.

#### *Information Concerning Other Companies*

In the course of his or her association with the Company, an Insider may have access to information that is material and nonpublic in relation to other companies, including, but not limited to, customers, partners and competitors of the Company. For example, an Insider may possess material nonpublic information that a major prospective customer has chosen to purchase the Company’s products over those of a competitor. Such material and nonpublic information is the property of the Company and trading, tipping or rendering trading advice relating to the securities of such other companies while aware of such material and nonpublic information could violate federal and state securities laws. In addition, inappropriate trading, tipping or trading advice by Insiders could irretrievably damage the Company’s relationships with its customers or partners. For these reasons, the Company prohibits Insiders from trading, tipping and rendering trading advice relating to other companies while aware of information that is material and nonpublic relating to such companies.

#### *Consult the Compliance Officer for Guidance*

Any Insider who is unsure about the application of this Policy or has any questions regarding the Policy, including whether the information that he or she possesses at any point in time is material or nonpublic, should consult the Compliance Officer for guidance. The Compliance Officer can be reached by telephone at 289-378-1099 or via email at [blair.mcinnis@smtc.com](mailto:blair.mcinnis@smtc.com).

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## **Appendix A**

### **Key Employees**

- Employees of the Company or a subsidiary of the Company with the title of vice president or higher who are not otherwise designated as Section 16 officers
- Corporate Controller
- Site General Managers
- Manager, Financial Planning
- Site Controllers