

1 Purpose

- 1.1 This policy has been adopted with reference to Article 18 of Act No. 108/2007, on Securities Transactions ("AST"), and in accordance with Section 7 of Chapter III of Reg. No. 995/2007, on Investor Protection and the Business Practices of Financial Undertakings ("the Regulation").
- 1.2 When executing client orders, Arctica is obliged to make every effort to ensure the best possible outcome for its clients, whether it is executing orders from clients or receiving and transmitting orders from clients.

2 Scope

- 2.1 Arctica's policy on order execution applies only to transactions with financial instruments as defined in the AST, where Arctica performs one of the two following functions, if it has the required operating licenses:
- a. reception and transmission of client orders;
 - b. execution of orders on behalf of clients.
- 2.2 Arctica's order execution policy applies to all orders from clients, with the exception of eligible counterparties, whether issued by a client on behalf of other clients or not and regardless of the classification of the clients involved.
- 2.3 Arctica's order execution policy applies to all financial instruments with the exception of instruments of payment, as provided for in the AST. Products which are not covered by the definition in the Act are not covered by this policy. Nonetheless, Arctica and its clients may conclude a specific agreement on orders concerning such products.
- 2.4 Arctica may decide unilaterally to expand or narrow the scope of this policy to cover either additional or fewer financial instruments, in accordance with amendments to laws or regulations, advice, instructions or rulings of competent authorities, including rulings by courts and regulators, or in other respects as Arctica deems appropriate. The most recent version of Arctica's policy on order execution, or a summary thereof, shall always be available on www.arctica.is.
- 2.5 In interpreting this policy, regard shall be had for Arctica's current size and organisation, as well as the nature and scope of its operations, and its current operating licenses.

3 Best execution

- 3.1 Arctica's obligation to make every effort to ensure the best possible outcome for its clients applies only when Arctica executes orders on behalf of a client, regardless of what financial instruments are concerned.
- 3.2 Arctica's policy on best execution applies when Arctica executes orders on behalf of clients. In such

instances the client has a legitimate claim that Arctica protect its interests in relation to pricing or other aspects of the transaction which may be affected by how Arctica executes the orders. This applies, for instance, when Arctica:

- a. executes orders as a third party with power of attorney;
- b. executes orders as principal on behalf of the client;
- c. shows utmost caution in executing orders;
- d. offers the client the best possible outcome with regard to price or other factors.

- 3.3 This policy shall not generally apply in the following instances:

- a. when Arctica places a bid or invites an offer and Arctica is itself involved in the transaction on the basis of such order;
- b. when Arctica acts as principal or as agent, in those instances where Arctica is following specific client instructions on order execution.

Note: Transactions through online trading systems will be executed on the basis of specific instructions for this purpose.

4 Order execution

- 4.1 Subject to any specific client instructions, in executing orders Arctica will make every effort to ensure the best possible result for its clients taking into consideration the following factors: price, cost, speed, likelihood of execution, size, nature and any other consideration of significance.
- 4.2 While price and cost generally are given priority in seeking the best possible outcome, Arctica may decide that other factors are more significant, depending upon the client, what the instructions are, what financial instruments are involved or on what market a transaction is concluded.
- 4.3 Arctica will determine the proportional weighting of individual factors in order execution in each individual instance on the basis of facts available. Arctica will base its decisions on the expertise and experience of its employees, market information and execution criteria based on the following:
- a. client characteristics, including whether the client is classified as a retail client or a professional client;
 - b. characteristics of the proposed transaction;
 - c. characteristics of client orders;
 - d. characteristics of the financial instruments concerned in these orders;
 - e. characteristics of the execution venue to which the order can be directed.

5 Execution venues

5.1 Arctica will as appropriate assess the execution venues available with regard to the products it trades to decide which execution venues are most suitable to enable Arctica to fulfil its obligation to ensure the best possible result for clients in executing orders. Arctica will not structure its commissions or settle them in such a way as to discriminate between execution venues.

6 Transactions outside of a regulated securities market or multilateral trading facility (MTF)

6.1 Arctica may decide that it is necessary, to ensure the best possible order execution, to execute an order outside a regulated securities market or multilateral trading facility (MTF), for example, with a systematic internaliser.

6.2 According to the Act on Securities Transactions, Arctica is obliged to obtain prior consent from clients if orders are executed outside of regulated securities markets or MTFs (except in instances where there are no regulated securities markets or MTFs on the list of execution venues where the financial instruments concerned are traded).

6.3 By approving this policy on order execution the client is also specifically agreeing that Arctica may execute orders outside of regulated securities markets or MTFs.

7 Order execution

7.1 To ensure the best possible result in order execution, Arctica will in each instance select the execution venue most suited to the criteria for order execution and having regard for the relative importance of individual factors in executing the orders concerned in each instance. If the client gives specific instructions for order execution, Arctica will follow these instructions.

7.2 If a client does not give specific instructions, Arctica will execute orders by one or more of the following methods:

- a. outside a regulated securities market or MTF, by matching orders with orders from another client of Arctica, as appropriate;
- b. on a regulated securities market or MTF, or in those instances where Arctica is not a member of the relevant market or MTF, with a third-

party participant with whom it has an agreement for execution of orders on the market or MTF concerned.

8 Specific client instructions

8.1 If a client gives specific instructions (e.g. with electronic instructions), Arctica will execute the order in accordance with those instructions. Where the instructions cover only a limited aspect of the execution, Arctica will execute other aspects on the basis of this policy.

8.2 Arctica's clients should be aware that if they provide specific instructions on the execution of certain orders Arctica may be forced to deviate from the rules and criteria set out in this policy and adopted to ensure the best possible result in order execution.

9 Receipt and transmission of orders

9.1 Subject to any specific client instructions to the contrary, Arctica may transmit its orders for a transaction to other units within Arctica or to a third party, such as a broker, for execution. In so doing, Arctica must ensure that he acts in the client's best interest, and use as a basis the relative importance or all aspects and criteria for best execution of orders.

10 Making orders public

10.1 According to the AST, Arctica is to make public orders which have not been executed, unless the client expressly instructs otherwise. By approving this policy the client instructs Arctica not to make such orders public.

11 Monitoring and revision of policy

11.1 Arctica will review its policy on order execution and arrangements for order execution annually. Such a review will be carried out each time major changes occur which could affect Arctica's ability to continue to achieve best execution for its clients.

11.2 Arctica will notify clients of any substantial changes which are made to order execution or to this policy by posting updates or summaries thereof on the company's website, www.arctica.is.

12 Entry into force

12.1 This policy shall enter into force at once.