

- If any inconsistency is between the agreed rules or this English translation, the original rules shall prevail -

ARCTICA FINANCE HF.

Rules on Measures to Prevent Conflicts of Interest

Introduction

These rules are adopted by Arctica Finance hf.'s („Arctica“) board of directors on the basis of Paragraph 4 in Art. 10, Paragraph 2 in Art. 21 and Art. 32 of Act No. 115/2021, on Markets for Financial Instruments, (“MFI”) and with reference to Art. 33 and 34 of EU regulation no. 2017/565,¹ and the European Banking Authority's (EBA) guidelines on internal governance no. EBA/GL/2021/14 („EBA's Guidelines“).²

1 Policy and scope

- 1.1 The board's policy is to establish, implement and maintain effective rules on conflicts of interest in accordance with the size and organization of the company and the nature, scope and complexity of the activities. They include an analysis of the situations that cause or may cause conflicts of interest that involve the risk of harming the interests of one or more clients, as well as specifying the procedures to be followed and the measures to be taken in order to prevent or dealing with such conflicts.
- 1.2 The policy of Arctica's board is to prevent potential conflicts of interest, so that it contributes to the integrity of the market and the interests of clients.³ By preventing conflicts of interest, the aim is also to increase Arctica's credibility. The board of Arctica has, among other things, for this purpose, adopted various internal rules and policies, which by their nature include measures against conflicts of interest.⁴
- 1.3 Arctica must take all appropriate measures to identify and prevent or deal with conflicts of interest in connection with the provision of investment or ancillary services.⁵ When conflicts of interest exist, Arctica must maintain an efficient procedure to prevent conflicts of interest from harming the interests of Arctica's clients.⁶
- 1.4 These rules apply to all Arctica employees.
- 1.5 Referrals to “conflicts of interest” in these rules are to incidents or situations that may arise when Arctica serves the interests of two or more parties and is in a position to put one party in a better position at the expense of another party. Conflicts of interest that fall under this definition can be between:⁷
 - a Arctica itself, including between related parties,⁸ on the one hand, and Arctica's clients, on the other.
 - b Arctica's clients themselves.

¹ See Paragraph 3 in Art. 32 in MFL.

² See items 96 - 97 in EBA's Guidelines.

³ See Paragraph 4 in Art. 10 and Paragraph 2 in Art. 21 in MFL, as well as Paragraph 1 in Art. 1 of Act no. 161/2002, on financial undertakings.

⁴ E.g. the board's rules of procedure, rules on employee securities trading and rules on employee participation in business operations.

⁵ See Paragraph 1 in Art. 32 in MFL.

⁶ See items 96 - 97 in EBA's Guidelines.

⁷ See Paragraph 1 in Art. 32 in MFL.

⁸ Related parties refer to Arctica's employees, private agents and entities that are related to Arctica due to control, as per Paragraph 1 in Art. 32 MFL and definition in item 22 in Paragraph 1 in Art. 1 a in Act no. 161/2002. Arctica's subsidiary, A/F Rekstraraðili ehf., is considered, among others, to be a related party.

2 Analysis of conflicts of interest

2.1 Conflicts of interest could conceivably arise from Arctica's activities, for example:⁹

- a Arctica's trading on own account or on the account of related parties, e.g. if trading relates to a financial instrument which is in short supply.
- b Arctica recommends or sells a financial product which it has issued itself when providing investment advice or corporate finance services to clients.
- c Arctica's corporate finance division may be under contract with a specific enterprise while at the same time Arctica's securities brokerage is brokering its shares. Each division is then obliged to prioritise the interests of its clients.
- d Arctica may hold a stake in a company, to which it provides corporate finance services, or concerning which it provides investment advice to clients, or whose shares Arctica brokers for other clients. Arctica's employees providing the above-mentioned services may be unaware that Arctica has other interests at stake connected to shares in the company concerned.
- e Arctica or its related party have financial interests at stake in the outcome of services provided to a client or the outcome of services carried out on behalf of the client.
- f Arctica carries out investment research or financial analysis in connection with legal entities to which it also provides investment advice or corporate finance.
- g Arctica or its related parties receive gifts or invitational trip, which is considerably beyond what can be constituted as reasonable or normal, which again might influence how they perform their tasks, against the interests of their clients.

3 Handling of conflicts of interest

3.1 To preclude conflicts of interest, Arctica has taken measures which include the following, and in some instances specific rules or policies adopted by Arctica apply:¹⁰

- a To prevent an unlimited flow of information between parties, i.e. between different divisions, tangible and intangible barriers (Chinese walls) have been set up to limit access to confidential information to those parties who actually need such information, in accordance with the interests of the client concerned or Arctica itself. Arctica has adopted special rules which apply in this regard.
- b Arctica's employees may not conclude transactions with financial instruments on their own account without the prior written permission of Arctica's compliance officer, except in predefined cases, as per Arctica's rules on employees' securities transactions.
- c Arctica's employees may not conclude transactions on their own account before a client if a request has previously been received for a transaction on the client's behalf (front-running), as per Arctica's rules on employees' securities transactions.
- d No direct connection shall be between the remuneration of Arctica's employees responsible primarily for one area of operation and the remuneration of other Arctica employees responsible primarily for another division or the revenues they generate, if this could give rise to conflicts of interest in these divisions.
- e As appropriate, suitable work procedures are adopted, that contribute to the prevention of conflicts of interest, minimize potential harm from conflicts of interest or provide guidance on how to respond to conflicts of interest, both with regard to events within a single division or between divisions of Arctica.
- f Gifts, invitations and fees for the provision of services are dealt with in clauses 5 and 6.

⁹ See item 101 in EBA's Guidelines.

¹⁰ See items 98 - 99 and 105 in EBA's Guidelines.

- g Data on Arctica's services and response are preserved in instance where conflicts of interest arise, as per clause 4.3.
 - h Arctica's board of directors has approved various rules which tackle possible conflicts of interest, as per clause 1.2.
 - i Arctica may exclude connected parties from specific transactions or the handling of conflicts of interest if their participation in the transactions concerned or in handling conflicts of interest could result in conflicts of interest.
- 3.2 When the measures according to clause 3.1 do not provide sufficient certainty that the risk of conflicts of interest will be averted, before services are provided, the client must be clearly informed of the general nature and/or reasons of the conflicts of interest and what measures have been taken to reduce the risk, with the aim of preventing adverse effects on the interests of clients and to ensure fair treatment.¹¹ The information must be provided on a durable medium and be sufficiently detailed, taking into account the type of client involved, to enable him to make an informed decision regarding the service to which the conflict of interest relates.¹²

4 Information disclosure on conflicts of interest

- 4.1 If Arctica is of the opinion that its measures to respond to chief conflicts of interest are insufficient, it must provide clients clearly and unambiguously with information on the nature and causes of potential conflicts of interest before concluding transactions between parties. Arctica must send the client a written notice and the information must be sufficiently detailed, taking into account who is involved, to enable the party concerned to make an informed decision with regard to the service to which the conflict of interest is related, as well as seek its approval for Arctica to continue to provide a specific service despite such potential conflicts of interest.
- 4.2 If conflicts of interest arise, Arctica shall inform the client concerned thereof, so that the client can take an informed decision on proceeding with the transaction in question and take such measures as can be considered realistic to ensure that the client is not harmed by such conflicts of interest. Arctica is not obliged, however, to disclose the scope of such interests nor income or profit in connection with such interests or obligations, as Arctica may be unauthorised to disclose such information due to provisions on confidentiality.
- 4.3 The compliance officer shall maintain a list of cases, where conflicts of interest have developed in Arctica's operation, resulting in a real risk that the interests of one or more clients were prejudiced, or could be prejudiced in instances where these activities continue and this could occur. The list must include information as to what clients were involved, what transactions were concerned and the type of the financial instruments and transactions concerned. This list shall be updated regularly as appropriate.¹³

5 Gifts and invitations from outside parties

Gifts

- 5.1 Employees are not permitted without the approval of the CEO (the board in the case of a CEO) to accept gifts from clients or prospective clients if they are so financially valuable as to be considered excessive. This does not include opportunistic gifts that are common in general or in the case of personal relationships that cannot be traced to actual or potential business with Arctica. If employees are in doubt as to whether they are allowed to accept a gift, they should seek the opinion of the CEO or the compliance officer and abide by their decision. If an employee frequently receives gifts under the aforementioned amount from the same party, which he considers may call his neutrality into question, he must inform the CEO or the compliance officer about this. The CEO may demand that gifts received by employees inconsistent with this clause be returned, that the employee reimburse all

¹¹ See Paragraph 1 in Art. 32 in MFL.

¹² See clause 4 in these rules, as well as Paragraph 2 in Art. 32 in MFL and item 97 in EBA's Guidelines.

¹³ See items 108 - 109 in EBA's Guidelines.

costs, or that the gift be given to charity.

- 5.2 When Arctica gives gifts to clients or prospective clients, care must be taken to observe moderation and gifts must be in reasonable accordance with the nature and scope of the business relationship. Gifts do not mean personal opportunistic gifts, which are given independently of communication with Arctica.

Invitations

- 5.3 Employees are not allowed to accept invitations from clients or prospective clients. Invitations e.g. refer to events and travel, both domestically and abroad, that are paid for by someone other than the person receiving or enjoying them.¹⁴ Exceptions are invitations to events,¹⁵ where the costs are considered not to be excessive and in accordance with the nature of the business relationship. Exempted are also the trips that can be considered to have informational value for Arctica, make employees more competent in their work or are necessary to develop or maintain a business relationship. In these cases, the relevant head of department and compliance officer assess whether this is the case. As the case may be, Arctica shall pay for such trips that have been authorized, unless otherwise specifically decided by the head of a department or the CEO.
- 5.4 If Arctica invites clients or prospective clients on business trips, the cost of such an invitation shall be moderate and in reasonable accordance with the nature and scope of the business relationship.

6 Fees for providing investment services

- 6.1 Fees¹⁶ which Arctica receives or gives to third parties in connection with the provision of investment services,¹⁷ may lead to conflicts of interest in Arctica's operations.
- 6.2 Arctica is not permitted to pay fees to, or accept such payments from, third parties, in connection with the provision of investment services, unless the following conditions are all met:¹⁸
- a The payment serves to increase the quality of client service. Payment is considered to increase the quality of service if all the following conditions are met:
 - i The payment is proportional to the increased service.
 - ii Arctica, its employees or shareholders do not directly benefit from the payment unless it also results in tangible benefits for the client.
 - iii If the payment is continual, the benefits for the client must also continue and the client must also be informed annually about such payments.
 - b The payment does not prevent Arctica from acting honestly, fairly and professionally in accordance with the client's interests.
 - c Before the service is provided, the client is informed clearly and in an understandable way about the existence, nature and amount of the fee. Minor non-financial benefits can be disclosed in a general way.¹⁹ In exceptional cases, it is permitted to inform the client afterwards, provided that he is then informed as soon as possible after the service has been provided.
- 6.3 Notwithstanding clause 6.2, Arctica is permitted to receive fees from third parties if they are fully

¹⁴ Invitations does not refer to the situation, whereby an employee is invited, as a spouse, to participate in events or trips hosted by the spouse's employer or because of the spouse's work.

¹⁵ E.g. courses, lectures, sporting events, art exhibitions, concerts or golf tournaments.

¹⁶ "Fees" in these rules also refers to commissions and other financial or non-financial benefits. Fees do not cover payments that enable Arctica, or are necessary for the provision of investment services, e.g. custodial, settlement and transaction costs, regulatory fees or other things that cannot, by their nature, prevent Arctica from acting honestly, fairly and professionally so that it is in line with the interests of clients, as per Paragraph 4 in Art. 36 in MFL.

¹⁷ "Investment services" in these rules refers to investment and ancillary services, as that term is defined in MFL. Investment services include e.g. trading in financial instruments, providing investment advice and asset management services.

¹⁸ See Paragraphs 2 and 3 in Art. 36 in MFL.

¹⁹ Minor non-financial benefits include i.a. I) information about a financial instrument or investment service, whether of a general nature or adapted to the circumstances of a particular party, II) information from an issuer, or a third party on its behalf, which is disclosed at the same time to anyone who requests it or to the public, III) participation in conferences, lectures and other educational events about the benefits and features of a specific financial instrument or financial service, and IV) moderate expenses, e.g. food and drink, on e.g. a business meeting.

distributed to clients.

- 6.4 It is not permitted to receive and withhold fees from third parties when providing independent investment advice and asset management, unless it is a minor non-financial benefit and the conditions of clause 6.2 are otherwise met.²⁰

7 Supervision of implementation of these rules

- 7.1 The compliance officer oversees the implementation and enforcement of these rules and has priority over their interpretation.
- 7.2 Clients, as well as employees, must have the opportunity to direct their comments or complaints to the compliance officer if they are of the opinion that the company or an employee has violated these rules.
- 7.3 The compliance officer shall have good access to real time information due to his supervision according to these rules, including having access to meetings and minutes of meetings. Arctica's employees, including the chief executive officer and head of departments, shall specifically notify the compliance officer and in advance if a suspicion of conflict of interests arises or possible conflict of interests which has not been previously defined.
- 7.4 If a situation or instance arises which the compliance officer thinks might cause conflict of interests which might harm the interests of clients and/or in order to prevent certain situations or instances from happening, the compliance officer has the authority to stop an employee's particular transaction as well as reversing an employee's particular transaction which has already been executed, if the compliance officer believes that the transaction should not take place or should not have taken place. Also, the compliance officer is authorized to inform the chief executive officer and the employee's supervisor about the employee's practices that are in direct conflict with these rules.
- 7.5 Otherwise a reference is made to Arctica's rules on compliance with regard to the compliance officer's authorizations and resources.

8 Revision of these rules

- 8.1 These rules shall be regularly revised to determine whether they are sufficiently effective in practice or if amendments are made to laws or administrative provisions which concern their substance.
- 8.2 If Arctica expands the activities and services it offers, these rules shall be reviewed accordingly.

9 Entry into force

- 9.1 These rules shall enter into force upon approval by the Board of Directors.

²⁰ See item 2 in Paragraph 1 in Art. 35 and Paragraph 1 in Art. 36 in MFL.