

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

ARCTICA FINANCE HF.

Rules on order execution

Introduction

These rules have been adopted by the board of directors of Arctica Finance hf. ("Arctica") with reference to Paragraph 6 in Article 48 and Paragraph 1 in Article 49 of Act No. 115/2021, on Markets in Financial Instruments.

1 Purpose and Scope

- 1.1 When executing client orders,¹ Arctica is obliged to make every effort to get the best possible outcome for its clients taking into consideration price, cost, speed, likelihood of execution and settlement, size, nature or any other consideration of significance. Arctica must also take measures aimed at the fair and prompt execution of client orders.² However, if a client requests a specific execution his order shall be carried out.³
- 1.2 These rules apply only to transactions with financial instruments as defined in the Act on Markets in Financial Instruments, where Arctica:
 - a Receives and transmits client orders.
 - b Executes orders on behalf of clients.
 - c Carries out asset management and directs transaction orders with reference to asset management to third parties.
- 1.3 These rules do not apply when Arctica executes orders according to specific instructions given by a client, as per Clause 5.1.
- 1.4 These rules apply to all orders from clients who have been classified as retail investors or professional clients, but do not apply to orders which Arctica executes for eligible counterparties, unless they have so specifically requested.⁴
- 1.5 Arctica may decide unilaterally to expand or narrow the scope of these rules 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. These rules shall be available on the company's website.⁵

2 Best execution

- 2.1 Subject to any specific client instructions, in executing orders Arctica will make every effort to get the best possible result for its clients taking into consideration the following factors: price, cost, speed, likelihood of execution and settlement, size, nature or any other consideration of significance. When carrying out the orders of retail investors, when determining the best possible result, the client's total payment must be taken into account, i.e. the price of a financial instrument plus all costs due to the execution of the transaction, i.a. fees.⁶

¹ An order refers to communications that include binding decisions between parties, e.g. instructions for the execution of certain transactions, confirmation of contracts, etc.

² See Paragraph 1 in Article 49 of Act no. 115/2021.

³ See Paragraph 1 in Article 48 of Act no. 115/2021.

⁴ See Paragraph 2 in Article 55 of Act no. 115/2021.

⁵ See www.arctica.is/en/information/order-execution.

⁶ See Paragraph 2 in Article 48 of Act no. 115/2021.

- 2.2 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.
- 2.3 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 (markets) to which the order can be directed.
- 2.4 When orders are executed outside the trading venue, Arctica must verify the reliability and fairness of the price at which the proposed transaction is to be executed and, in this regard, must obtain data on the price of comparable financial instruments.
- 2.5 Arctica shall always be authorized to refuse the execution of individual orders if it is suspected that their execution would involve market abuse.

3 Execution venues (markets)

- 3.1 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, settle them or accept discounts in such a way as to discriminate between execution venues.
- 3.2 When executing client orders Arctica is authorized to use any, one or more, of the execution venues listed below:
 - a Regulated securities market.
 - b Multilateral trading facility (MTF).
 - c Organized trading facility (OTF).
 - d Systematic internaliser (if applicable).
 - e Other financial undertaking, broker or other trader of financial instruments.
- 3.3 The table below lists the names of the execution venues which Arctica mainly relies on when executing client instructions:

| | Bonds | Shares | Unit Certificates |
|---------------------|-------|--------|-------------------|
| NASDAQ OMX Iceland | X | X | X |
| First North Iceland | X | X | X |

- 3.4 Arctica may decide that it is necessary, in exceptional cases, to ensure the best possible order execution, to execute an order outside a trading venue.
- 3.5 Arctica is obliged to obtain prior consent from clients if orders are executed outside a trading venue (except in instances where there are no trading venues where the financial instruments concerned are traded). By approving these rules the client specifically agrees that Arctica may execute orders outside a trading venue in exceptional cases, if Arctica deems it necessary to ensure that the transaction will be successful. Transactions with financial instruments that have not been accepted for trading on a trading venue always take place outside the trading venue, as per the nature of the case.

- 3.6 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. Arctica reserves the right to use other execution venues than those listed above, if that helps Arctica with ensuring the best possible result for its clients. Arctica may, in accordance with Clause 6.1, seek the assistance of a third party, such as a broker or other financial undertaking, in order to provide clients access with other execution venues than those listed above, e.g. if a client order concerns a financial instrument which is listed abroad, then Arctica might use a broker in that country to execute orders on that execution venue. If the client gives specific instructions for order execution, Arctica will follow these instructions.
- 3.7 Arctica will regularly evaluate the execution venues on offer, with regard to the financial instruments and products Arctica does business in, in order to decide which execution venues are best suited for Arctica to ensure the best possible result for its clients when executing client orders. List of markets, as per Clause 3.3, is updated when necessary based on this assessment.

4 Client order handling

- 4.1 Clients' orders must be recorded and saved in accordance with applicable regulations. In this regard, verbal orders must always be recorded.
- 4.2 Arctica shall, as soon as possible after receipt, direct orders in the right direction and strive to achieve their best execution in accordance with these rules. If Arctica takes care of settlement after the execution of a transaction, it must be ensured that the financial instruments or funds received are returned as soon as possible to the client's account.
- 4.3 Orders shall generally be executed in the order in which they are received. This can be waived if the client's interests require it, such as in the case of large or extensive transactions. It may be necessary to deviate from the priority order of orders in the case of specific (conditional) orders. The same applies if orders are received by Arctica in different ways.

5 Specific client instructions

- 5.1 If a client gives specific orders, Arctica will execute the order in accordance with those instructions, to the extent possible. Where the instructions cover only a limited aspect of the execution, Arctica will execute other aspects on the basis of these rules.
- 5.2 Client orders given via direct market access,⁷ in accordance with an agreement between Arctica and a client, are always considered as a specific instruction by the said client.
- 5.3 Arctica's clients are 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 these rules and adopted to get the best possible result in order execution.

6 Receipt and transmission of orders

- 6.1 Subject to any specific client order to the contrary and it is to the advantage of the client, 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 shall strive to act in the client's best interest, and use as a basis the relative importance of all aspects and criteria for best execution of orders.

7 Market disruption

- 7.1 If there is a disruption in a market, or in systems that are used for direct market access,⁸ it may become impossible or inappropriate to execute client orders in accordance with practises described in these rules. In such instances Arctica will, to the best of its abilities, seek all normal ways to ensure the best

⁷ See Article 27 of Act no. 115/2021 and Article 4.9 in Nasdaq Nordic Member Rules (www.nasdaq.com/solutions/rules-regulations-nordic-member-rules).

⁸ See Article 4.9 in Nasdaq Nordic Member Rules.

possible result for its clients, taking into consideration the disruption.

8 Combination of orders

- 8.1 Arctica is permitted, but not obliged, to combine orders of different clients and authorize the financial undertaking that Arctica may communicate orders to, to combine the orders from Arctica with the orders of other clients and/or the relevant financial undertaking. Arctica will assign to clients from such combination in a reasonable and fair manner.
- 8.2 If combined orders are not all executed at the same price, Arctica shall be allowed to calculate the average price obtained in the transaction when allocating to clients. At a client's request, Arctica will provide relevant information on the calculation of the average price.
- 8.3 Clients are advised that the combination of orders may lead to an unfavorable result for clients in individual cases.

9 Monitoring and revision of these rules

- 9.1 Arctica will monitor these rules so that these rules are in accordance with law, and that order execution is made in accordance with these rules. If Arctica's employees become aware of that transaction has taken place without being in compliance with these rules, then they shall inform Arctica's chief executive officer or compliance officer.
- 9.2 Arctica may alter these rules unilaterally. Arctica will review these rules and arrangements for order execution annually. Such a review shall be carried out each time major changes occur which could affect Arctica's ability to continue to achieve best execution for its clients.
- 9.3 Arctica will notify clients of any substantial changes which are made to order execution or to these rules by posting new or updated rules on the company's website, www.arctica.is.⁹ In so doing, Arctica is considered to have fulfilled its information obligations according to these rules.

10 Entry into force

- 10.1 These rules shall enter into force at once.

Adopted at a meeting of the Board of Directors on 23 October 2009 and amended on 11 November 2014 and on 24 February 2022.

⁹ See www.arctica.is/en/information/best-execution.