

This policy is adopted by Arctica Finance hf.'s („Arctica“) board of directors on the basis of Art. 20 of Regulation No. 995/2007, on Investor Protection and the Business Practices of Financial Undertakings, cf. Art. 8 of Act No. 108/2007, on Securities Transactions (“AST”).

### 1 Purpose and objective

- 1.1 Arctica provides various types of financial services and situations can be expected to arise through its activities which can result in possible conflicts of interest. Arctica is obliged to take all measures available to identify conflicts of interest in its activities and respond to them.
- 1.2 The objective of this policy is to prevent potential conflicts of interest. Preventing conflicts of interest is also aimed at increasing Arctica's credibility as a securities broker. This policy does not imply a promise or obligation that Arctica will take measures to prevent conflicts of interest above and beyond what is currently prescribed by law and administrative provisions.

### 2 Scope

- 2.1 When conflicts of interest exist, Arctica is to have clear procedures to prevent such conflicts of interest from damaging the interests of Arctica's clients. The policy covers all divisions currently operating within Arctica.
- 2.2 This policy shall apply to securities transactions between Arctica and its clients, regardless of client classification. In those instances where this policy provides for less stringent measures to prevent conflicts of interest than specific internal rules adopted by Arctica, those internal rules shall apply. In those instances where this policy sets more stringent requirements than Arctica's internal rules, this policy shall apply.
- 2.3 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 license to operate from the Financial Supervisory Authority.

### 3 Definitions

- 3.1 For the purposes of this policy, the following concepts shall be defined as follows:
  - 3.1.1 **Conflicts of interest:** An event or circumstances which could conceivably arise when Arctica, or its departments, serves the interests of two or more parties and is in the position to put one party's interests ahead of another one. Conflicts of interest that fall under this definition can be between:

- a. Arctica itself, including between employees, tied agents or parties under Arctica's direction, on the one hand, and Arctica's clients, on the other
- b. Arctica's clients themselves.

3.1.2 **Connected parties:** Those considered as connected parties in this policy are:

- a. The management of the relevant party, including directors.
- b. Tied agents of the relevant party, as this concept is defined in Art. 20 of the AST, or their management.
- c. Employees of the relevant party or of the relevant party's tied agents.

### 4 Analysis of conflicts of interest

- 4.1 Conflicts of interest could conceivably arise from Arctica's activities, for example:
  - a. Arctica's trading on own account or on the account of related parties, e.g. if trading on own account relates to a financial instrument which is in short supply, at the same time as other clients request to buy or sell the same financial instruments.
  - 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-related analyses in connection with legal entities to which it also provides investment advice or corporate finance.

- g Arctica or its related parties receive generous gifts or participate in an activity, 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.

## **5 Handling of conflicts of interest**

5.1 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:

- a To prevent an unlimited flow of information between divisions, Arctica has set up tangible and intangible barriers (Chinese walls) to limit access to confidential information to those parties who, in Arctica's estimation, 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.
- 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).
- d Arctica shall ensure that there is no direct connection 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 Arctica will adopt, as appropriate, suitable work procedures, both with regard to events within a single division or between divisions of Arctica, regarding instances which could result in conflicts of interest or when conflicts of interest arise.
- f Arctica will not authorise payment of fees, commissions or non-financial benefits to a third party or party representing clients, or which a third party or party on its behalf pays or provides, unless the client has been clearly informed of the existence, nature and amount of such fees, commissions or benefits. Such payments must,

furthermore, be conducive to increasing the quality of services provided to the client.

- g Data on Arctica's services and response are preserved in instance where conflicts of interest arise.
- h Arctica's board of directors has approved various rules which tackle possible conflicts of interest, as per clause 7.
- 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.

## **6 Information disclosure on conflicts of interest**

- 6.1 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 seek its approval for Arctica to continue to provide a specific service despite such potential conflicts of interest.
- 6.2 If conflicts of interest arise, Arctica will 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.
- 6.3 The compliance officer shall maintain a list of activities, where conflicts of interest have developed 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.

## **7 Arctica's procedures to prevent conflicts of interest**

- 7.1 Arctica has adopted the following internal rules to prevent conflicts of interest:

- a Procedures which contain rules for separation of divisions (Chinese walls) and rules on security and communications.
- b Rules for the Board of Directors, including rules on eligibility of directors, on credit to parties related to directors and on participation of directors on the boards of Arctica's subsidiaries and associates.
- c Rules on Arctica's employees' securities transactions.
- d Rules on employees acting as directors or participating in business operations.
- e General rules, including for instance procedures concerning gifts and invitational trips for employees.
- f Rules on best execution of orders.

### 8 Supervision of policy implementation

- 8.1 The compliance officer is responsible for ensuring the implementation of this policy and clients must have the opportunity to direct their comments or complaints to the compliance officer if they are of the opinion that an employee has violated this policy.
  - 8.2 The compliance officer shall assist and/or provide advice with regard to definition of conflict of interests.
  - 8.3 The compliance officer shall supervise that there are in place internal organization, rules, procedures and other similar factors, in accordance with this policy and the company's rules. In addition, the compliance officer shall supervise that this policy is adhered to, as well as the company's other policies and rules which concern conflicts of interests, inter alia Arctica procedure rules, and that actions are taken if conflicts arise, or are likely to arise, which have not been previously defined.
  - 8.4 The compliance officer shall have good access to
- real time information due to his supervision according to this policy, including having access to 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.
- 8.5 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 has the authority to comment or criticize how an employer acts.
  - 8.6 Otherwise a reference is made to Arctica's rules on compliance with regard to the compliance officer's authorizations and resources.

### 9 Revision of the policy

- 9.1 Arctica revises this policy regularly to determine whether it is sufficiently effective in practice, both with regard to the activities of individual divisions within Arctica or those of the company as a whole, and will amend its policy should it prove to be not effective enough or if amendments are made to laws or administrative provisions which concern its substance.
- 9.2 If Arctica expands the activities and services it offers, this policy shall be reviewed accordingly.

### 10 Entry into force

- 10.1 This policy shall enter into force upon approval by the Board of Directors.