Tax Policy of Festi hf.

1. Introduction

Festi hf. is one of Iceland's leading retail and service companies and conducts diverse operations through its subsidiaries, including N1, Krónan, ELKO and Lyfja. Festi places emphasis on being a trusted and responsible participant in Icelandic business life, an attractive employer and a good corporate citizen. Paying taxes correctly and on time is one of the cornerstones of responsible business conduct and forms part of Festi's contribution to society and sustainable development.

The purpose of this Tax Policy is to set out an overall framework for how Festi and its subsidiaries manage the Group's tax affairs, control tax risk, comply with laws and regulations, and maintain professional and transparent relations with tax authorities.

2. Scope and application

The Tax Policy applies to Festi hf. as the parent company and to all subsidiaries within the Group. It applies to the Board of Directors, management and all employees of the Group, as well as others working on its behalf, who are required to conduct their work in accordance with the Policy.

The Policy applies to all taxes and public charges imposed on the Group, whether direct or indirect taxes borne by the company itself or taxes and charges collected and remitted by the company on behalf of public authorities. These include:

- corporate income tax and capital income tax,
- withholding of public charges and social security contributions,
- value added tax,
- excise duties and environment-related charges, including oil tax, carbon tax, recycling fees and deposit fees,
- other taxes and public charges that may relate to the Group's operations.

3. Key principles

3.1 Compliance and integrity

Festi is committed to complying with all tax laws and regulations, filing accurate tax returns and paying the correct amount of tax at the right time. Festi does not participate in activities or arrangements where fundamental principles of fair and just taxation are not respected and does not engage in tax avoidance. The Tax Policy serves as a guiding principle in agreements with customers, suppliers and contractors.

3.2 Tax risk management

Festi regards tax risk as any uncertainty arising from the interpretation or application of tax legislation that may have a negative financial or reputational impact on the Group. The objective is to minimise such risk through robust internal controls, professional expertise among employees and access to external advisers when matters of interpretation arise. Tax risk may increase, among other things, due to changes in tax legislation, changes in the Group's operations or insufficient compliance.

3.3 Tax reliefs and incentives

Where the use of tax reliefs or incentives is considered, this is done only to the extent that the underlying activity is commercially driven and not motivated by tax considerations. Incentives are used only in accordance with the purpose and spirit of the relevant legislation.

3.4 Transfer pricing and related-party transactions

All transactions between companies within the Festi Group and with other related parties are conducted on an arm's length basis in accordance with the OECD Transfer Pricing Guidelines, Regulation No. 1180/2014 on documentation and transfer pricing in transactions between related legal entities, and Article 57 of Act No. 90/2003 on Income Tax. Taxes are paid where value is created.

3.5 Cooperation with tax authorities

Festi is committed to professional, honest and transparent cooperation with tax authorities. The company responds to requests in a timely manner, provides necessary information and seeks to resolve matters of interpretation in a constructive way. If errors arise, they are corrected and disclosed as soon as possible.

3.6 Transparency and tax footprint

Festi emphasises transparency in tax matters towards stakeholders. The Group's annual financial statements and annual report describe the company's Tax Policy, income tax liabilities and taxes paid. Festi aims to disclose its tax footprint and thereby the Group's contribution to society through tax payments to central and local government.

4. Implementation, responsibility and monitoring

The Board of Directors of Festi is responsible for the company's Tax Policy. The CEO is responsible for implementing the Policy, communicating it to management and employees, and making it accessible. The Group Finance function is responsible for the day-to-day management of tax matters, monitoring tax risk and regulatory developments, and engaging external specialists when needed. The status of tax matters and compliance with the Policy is reported regularly to the Board of Directors and the Audit Committee.

5. Entry into force, review and approval

This Tax Policy is published on Festi's website and remains in force until amended or revoked. The Policy will be reviewed if changes occur in laws, regulations, the Group's operations or other circumstances that the Board of Directors considers to warrant amendments to the Policy.

In the event of any discrepancy between the English and Icelandic versions of this Tax Policy, the Icelandic version shall prevail.

Version 1.0, approved by the Board of Directors of Festi hf. on 1 July 2026.