

- 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 Article 10, Paragraph 2 in Article 21 and Article 32 of Act No. 115/2021, on Markets for Financial Instruments, and with reference to Section 3 in Chapter II regulation (EU) 2017/565,<sup>1</sup> and the European Banking Authority's (EBA) guidelines on internal governance no. EBA/GL/2021/14 („EBA's Guidelines“).<sup>2</sup>

### 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.<sup>3</sup> 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.<sup>4</sup>
- 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.<sup>5</sup> When conflicts of interest exist, Arctica must maintain an efficient procedure to prevent conflicts of interest from harming the interests of Arctica's clients.<sup>6</sup>
- 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:<sup>7</sup>
  - a Arctica itself, including between related parties,<sup>8</sup> on the one hand, and Arctica's clients, on the other.
  - b Arctica's clients themselves.

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<sup>1</sup> See Paragraph 3 in Article 32 of Act no. 115/2021.

<sup>2</sup> See items 96 - 97 in EBA's Guidelines.

<sup>3</sup> See Paragraph 4 in Article 10 and Paragraph 2 in Article 21 of Act no. 115/2021, as well as Paragraph 1 in Article 1 of Act no. 161/2002, on financial undertakings.

<sup>4</sup> E.g. the board's rules of procedure, general rules, rules on incentive payments, rules on order execution, rules on employee securities trading and rules on employee participation in business operations.

<sup>5</sup> See Paragraph 1 in Article 32 of Act no. 115/2021.

<sup>6</sup> See items 96 - 97 in EBA's Guidelines.

<sup>7</sup> See Paragraph 1 in Article 32 of Act no. 115/2021.

<sup>8</sup> Related parties refer to Arctica's employees, private agents and entities that are related to Arctica due to control, as per Paragraph 1 in Article 32 of Act no. 115/2021.

## 2 Analysis of conflicts of interest

- 2.1 Conflicts of interest that may arise in connection with the provision of Arctica's investment or ancillary services that may harm the interests of clients or their wishes for sustainability shall be identified. The heads of Arctica's departments are responsible for ensuring that conflict of interest assessments are carried out within their departments, but as a general rule, the Arctica employee who leads communication with a (potential) client shall carry out a conflict of interest assessment.
- 2.2 A general conflict of interest assessment of Arctica's operations shall be carried out on a regular basis and when there is a special reason, e.g. in the event of organizational changes. These assessments shall be considered and discussed at meetings of the company's risk committee.
- 2.3 Ad hoc conflict of interest assessments shall be carried out in connection with individual projects, as appropriate, and shall be conducted using the Compliance Officer's form. An initial conflict of interest assessment should be carried out before work on a specific project begins, but a satisfactory conflict of interest assessment should be carried out before any investment or ancillary services are provided. The data and information available at any given time should be used as a basis for assessing potential conflicts of interest. The conflict of interest assessment should be updated as necessary.
- 2.4 The employee who carries out an ad hoc analysis of conflicts of interest shall send a completed conflict of interest assessment form to his/her superior, who shall take a position on the assessment. Following this, the employee in question shall send the completed form and the superior's position to the person designated by the Compliance Officer,<sup>9</sup> who keeps a record of the results of the analysis. If the results of the analysis indicate that a conflict of interest may exist, the employee in question shall also send them to his/her superior.
- 2.5 When analysing conflicts of interest, the importance of the interests in question shall generally be taken into account so that appropriate measures can be taken in each case.
- 2.6 When assessing whether there is a risk that conflicts of interest may arise in the provision of investment and/or ancillary services that may harm the interests of clients, including in terms of their sustainability preferences, if applicable, it should be considered whether the company itself, its employees or a party directly or indirectly linked to the company through control:
- a Is likely to benefit financially or avoid financial losses at the expense of a client.
  - b Has an interest in the outcome of the service provided to a client that is different from the interests of the client.
  - c Has a financial or other incentive to put the interests of another client or group of clients ahead of the interests of the client concerned.
  - d Is engaged in the same type of business as a client.
  - e Receives, or will receive, an inducement in the form of a financial or non-financial benefit or service from a party other than a client in connection with the provision of services to the client.
- 2.7 Arctica employees must bring to the attention of the head of the relevant department or subsidiary any personal interests that may conflict with the interests of Arctica or its clients in connection with a specific project, before work on the project in question begins.
- 2.8 Conflicts of interest may arise when Arctica manufactures financial instruments.<sup>10</sup> Arctica shall identify potential conflicts of interest each time a financial instrument is manufactured. In particular, it shall assess whether the financial instrument creates a situation in which Arctica's clients may be adversely

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<sup>9</sup> Today the office manager.

<sup>10</sup> The comments in the explanatory memorandum to Article 22 of the bill that became the Markets in Financial Instruments Act refer to the preamble to Directive (EU) 2017/593, which states: "investment firms that originate, develop, issue and/or market financial instruments, including when advising issuers on the commencement of the issuance of new financial instruments, should be considered manufacturers".

affected if they assume:<sup>11</sup>

- a Risk exposure that is the opposite of that which Arctica itself previously had, or
- b Risk exposure that is the opposite of that which Arctica wishes to have after the sale of a financial instrument.

### 3 Handling of conflicts of interest

3.1 Appropriate measures shall be taken to prevent or deal with conflicts of interest arising in Arctica's operations. Such measures shall ensure that employees carry on activities at a level of independence. Decisions on measures shall be taken by the employee and his/her superior, and where applicable, after consultation with the Compliance Officer.

3.2 When selecting appropriate measures, a distinction shall be made between occasional and ongoing conflicts of interest. Measures shall be reasonably proportionate to the seriousness of the conflict of interest in question.

3.3 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:<sup>12</sup>

- a To prevent an unlimited flow of information between parties, i.a. 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 Special supervision is required of employees whose primary role is to provide services to clients, when the clients in question have interests or represent interests that may conflict with the interests of Arctica, Arctica employees or other clients of the company. Supervision under this clause shall take into account Article 3.4.
- c 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.
- d 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.
- e 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.
- f 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.
- g Gifts, invitations and incentive payments are dealt with in Arctica's rules on incentive payments.
- h Data on Arctica's services and response are preserved in instance where conflicts of interest arise, as per Article 5.
- i Arctica's board of directors has approved various rules which tackle possible conflicts of interest, as per Article 1.2.
- j Arctica may exclude connected parties from specific transactions or the handling of conflicts of

<sup>11</sup> See Paragraph 2 of Article 13 of Icelandic regulation no. 976/2021, on the protection of financial instruments and client funds, obligations regarding product development and on the granting and receipt of fees, commissions or any other benefits.

<sup>12</sup> See items 98 - 99 and 105 in EBA's Guidelines.

interest if their participation in the transactions concerned or in handling conflicts of interest could result in conflicts of interest.

- k Cases where an employee participates simultaneously, or in direct succession, in different investment or ancillary services are limited or controlled, if such participation may prejudice the appropriate management of conflicts of interest.

3.4 In cases where measures under Article 3.3 do not fully prevent a conflict of interest related to an employee, and taking into account Article 4, special monitoring shall be carried out and the supervisor shall take one or more of the following measures, after consultation with the Compliance Officer:

- a Instruct the employee to complete a new Compliance Officer form for registering interests, i.e. a declaration of financial instruments ownership and more, and hand it over to the Compliance Officer.
- b Increase supervision by the supervisor of the project being carried out for a client.
- c Have the employee sit in a separate space from other employees, e.g. a meeting room, during the project, if the conflict of interest is of such a nature that special care must be taken to ensure confidentiality.
- d Change the employee's access to information systems.

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

- 4.1 If Arctica considers its measures to address major conflicts of interest to be insufficient, Arctica shall provide its client with clear and unambiguous information about the nature and cause of the potential conflict of interest before the service is provided. Similarly, the client shall be informed of the risks arising from the relevant conflict of interest and what measures have been taken to mitigate the risk. The information shall clearly state that the organisational and management measures that the company has put in place to prevent or deal with such conflicts are not sufficient to ensure, to the extent deemed adequate, that the risk of damage to the client's interests is prevented. Arctica shall send the client a notice on a durable medium and the information shall be sufficiently detailed, taking into account the party concerned, to enable that party to make an informed decision with regard to the service to which the conflict of interest relates. Services shall not be provided until the client has given explicit consent for Arctica to continue providing specific services despite such potential conflicts of interest.<sup>13</sup>
- 4.2 The remedy set out in Article 4.1 shall be used as a last resort and only if Arctica's effective organizational and management measures are not sufficient to ensure, as deemed satisfactory, that the risk of harm to the interests of clients is prevented.

#### **5 Documentation**

- 5.1 Arctica shall maintain a register of the types of circumstances and incidents in the company's operations that cause or may cause harmful conflicts of interest.<sup>14</sup> Such register shall be considered Annex I to these rules (the "Annex"). The register shall be maintained and updated regularly. The Annex or amendments thereto shall enter into force with the approval of Arctica's Chief Executive Officer and the Compliance Officer shall be informed thereof. The Compliance Officer shall provide the Chief Executive Officer with reports at least annually on the circumstances referred to in this clause and which, in his opinion, should cause changes and updates to the Annex.
- 5.2 The Compliance Officer shall maintain a register of incidents that cause or may cause a risk of conflicts of interest in the company's operations.<sup>15</sup> Heads of departments are responsible for reporting incidents to the Compliance Officer. A notification to the Compliance Officer shall contain information on what decisions and measures have been taken in relation to the relevant incidents and why the

<sup>13</sup> See Paragraphs 1 and 2 in Article 32 of Act no. 115/2021 and item 97 in EBA's Guidelines.

<sup>14</sup> See Article 35 of regulation (EU) 2017/565.

<sup>15</sup> See items 108 - 109 in EBA's Guidelines.

measures in question were deemed sufficient to avert the risk of conflicts of interest. Notification of disclosure to clients shall be made on the basis of Article 4.1 and client consent, if applicable.

## **6 Increased requirements in connection with an offering of financial instruments for clients**

- 6.1 When Arctica supervises an offering of financial instruments for a client, Arctica employees shall act in such a way that the interests of other clients or Arctica's own interests are not favoured in a manner that may conflict with the interests of the client.
- 6.2 The involvement of employees of other departments within Arctica in the provision of services to a client in connection with the client's offering shall be consistent with the company's procedures for the separation of functions and these rules. Employees shall not be involved in the provision of services to anyone other than the client in connection with the offering.
- 6.3 When Arctica supervises an offering of financial instruments for a client, the company shall, as applicable:
- a Provide the client with Arctica's allocation policy before the company undertakes such supervision.
  - b Involve the client in the offering process so that Arctica can understand and take into account the client's interests and objectives.
  - c Obtain client approval for an allocation proposal in accordance with Arctica's allocation policy.
- 6.4 If Arctica provides corporate finance services<sup>16</sup> and also supervises an offering of financial instruments for the same client, the company shall, before undertaking such an assignment, inform the client of the following, as applicable:<sup>17</sup>
- a The various financing alternatives available, and an indication of the amount of transaction fees associated with each alternative.
  - b The timing and the process with regard to the corporate finance advice on pricing of the offering.
  - c The timing and the process with regard to the corporate finance advice on placing of the offering.
  - d Details of the targeted investors, to whom Arctica intends to offer the financial instruments.
  - e The job titles and departments of the relevant individuals involved in the provision of corporate finance advice on the price and allotment of financial instruments
  - f Arctica's arrangements to prevent or manage conflicts of interest that may arise where the company places the relevant financial instruments with its investment services clients.
- 6.5 Arctica shall not accept payments or benefits from third parties in connection with an offering unless such payments or benefits are in accordance with the law and the provisions of these rules and Arctica's rules on incentive payments. In particular, the following actions shall be considered to be in breach of those requirements and are therefore prohibited:<sup>18</sup>
- a An allocation made to incentivise the payment of disproportionately high fees for unrelated services provided by Arctica ("laddering"), such as disproportionately high fees or commissions paid by an investment client, or disproportionately high volumes of business at normal levels of commission provided by the investment client as a compensation for receiving an allocation of the issue.
  - b An allocation made to a senior executive or a corporate officer of an existing or potential issuer client, in consideration for the future or past award of corporate finance business ("spinning").

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<sup>16</sup> "Corporate finance" refers to advice to companies on capital structure, strategy and related matters, and advice and services regarding mergers and acquisitions of companies, cf. point c of point 67 in Paragraph 1 Article 4 of Act no. 115/2021.

<sup>17</sup> See Paragraph 1 Article 38 of regulation (EU) 2017/565.

<sup>18</sup> See Paragraph 3 Article 40 of regulation (EU) 2017/565.

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- c An allocation that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from Arctica by an investment client, or any entity of which the investor is a corporate officer.
- 6.6 Arctica shall have in place systems, controls and procedures to identify and prevent or manage conflicts of interest that arise in relation to possible under- or over-pricing of an issue or involvement of relevant parties in the process. In particular, Arctica shall aim to ensure both of the following:<sup>19</sup>
- a That the pricing of the offering does not promote the interests of other clients or Arctica's own interests, in a way that may conflict with the issuer's interests.
  - b That the prevention or management of a situation where persons responsible for providing investment services to Arctica's clients are directly involved in decisions about corporate finance advice on pricing to the issuer.
- 6.7 It shall be ensured that clients are provided with adequate information in connection with and for the purpose of the proposed management of an offering. As a minimum, the following information shall be provided, as applicable:<sup>20</sup>
- a About how the recommendation as to the price of an offering and the timings involved is determined.
  - b Inform and engage with the client about any hedging or stabilisation strategies it intends to undertake with respect to an offering, including how these strategies may impact the clients' interests.
  - c During the offering process, Arctica shall also take all reasonable steps to keep the client informed about developments with respect to the pricing of the issue.
- 6.8 A record shall be kept of each offering project. Data and information shall be retained in accordance with Arctica's security policy. The records shall be accessible to the Financial Supervisory Authority of the Central Bank of Iceland upon request. The records shall include, among other things, the following information, as applicable:<sup>21</sup>
- d Date on which the company received information about a potential offering.
  - e Content and timing of instructions from a client.
  - f A record of allocation decisions, including justification for final allocation made to each client.
- 7 Increased requirements related to an offering of Arctica's own financial instruments or financial instruments of a company within Arctica's group<sup>22</sup>**
- 7.1 If Arctica engages in the placement of financial instruments issued by the company itself, or by a party within its group, and directs it to its own clients, potential conflicts of interest that may arise in those circumstances shall be identified and prevented or managed.
- 7.2 Where conflicts of interest cannot be appropriately managed so as to prevent any adverse effects on clients, an assessment shall be made with the Compliance Officer as to whether to refrain from providing the services.
- 7.3 If a decision is made to provide the service despite the fact that it is not possible to deal with conflicts of interest in an appropriate manner, the measures stipulated in the relevant provisions of these rules shall be taken, as well as informing the client about the specific risks that may arise in those circumstances, in a manner that enables the client to make an informed investment decision.

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<sup>19</sup> See Paragraph 1 Article 39 of regulation (EU) 2017/565.

<sup>20</sup> See Paragraph 2 Article 39 of regulation (EU) 2017/565. As an example, information can be found in emails, teams chat etc.

<sup>21</sup> See Article 43 of regulation (EU) 2017/565.

<sup>22</sup> See Article 41 of regulation (EU) 2017/565.

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### 8 Supervision of implementation of these rules

- 8.1 The Compliance Officer oversees the implementation and enforcement of these rules and has priority over their interpretation. Thus, the Compliance Officer shall, among other things, concern ensuring that internal structures, rules, procedures and similar elements within Arctica are in place and in accordance with these rules.
- 8.2 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.<sup>23</sup>
- 8.3 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 and timely notify the Compliance Officer if a suspicion of conflict of interests arises or possible conflict of interests which has not been previously defined.
- 8.4 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.
- 8.5 Otherwise a reference is made to Arctica's rules on compliance with regard to the Compliance Officer's authorizations and resources.

### 9 Revision of these rules

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

Adopted at a meeting of the Board of Directors on 23 October 2009 and amended on 30 March 2012, 13 September 2012, 24 August 2015, 2 October 2017, 14 December 2021, 4 October 2022, 26 August 2025, 17 December 2025 and 24 March 2026.

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<sup>23</sup> See item 103 in EBA's Guidelines.

## ANNEX I

**List of types of investment or ancillary services provided by Arctica where a conflict of interest has arisen or may arise:**

- Arctica is authorised to provide the following investment or ancillary services:
  - Reception and transmission of orders in relation to one or more financial instruments.
  - Execution of orders on behalf of clients.
  - Portfolio management.
  - Investment advice.
  - Placing of financial instruments without a firm commitment basis.
  - Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management and excluding providing and maintaining securities accounts at the top tier level.
  - Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings.
  - Foreign exchange services where these are connected to the provision of investment services.
  
- Arctica believes that conflicts of interest may arise in the provision of all types of investment or ancillary services that the company provides.

**Situations that cause or may cause a conflict of interest:**

- General examples of potential conflicts of interest:
  - Arctica, or related parties, receive a benefit or avoid a loss at the expense of a client.
  - Arctica, or related parties, may have a different interest in the outcome of investment services than the client.
  - Arctica, or related parties, may have an interest in favoring one client at the expense of another.
  - Arctica, or related parties, may operate the same business as a client.
  - Arctica, or related parties, may receive fees from others than clients in connection with the company's services.
  - Arctica serves more than one party at a time, e.g. oversees an offering and sells financial instruments in the offering or provides investment advice regarding the financial instruments.
  - Arctica, or related parties, receive gifts or entertainment, beyond what can be considered normal, that could influence their work in a way that is contrary to the interests of their clients.
  
- Potential conflicts of interest arising from the receipt and transmission or execution of orders:
  - Arctica may transmit or execute orders in a manner that favors one client at the expense of another (e.g. regarding the timing or price of execution).
  - Arctica may direct a client's orders to a particular execution venue or other party from which the company receives incentive payments.
  - Arctica employees may have an interest in favoring particular financial instruments or companies when handling orders from a client.
  - An Arctica employee trades in financial instruments that are contrary to the interests of a client who has indicated an interest in trading in the relevant financial instruments.

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- Potential conflicts of interest due to investment advice:
  - Arctica, or related parties, may have a financial interest in a financial instrument or its issuer that they recommend to clients.
  - Arctica, or related parties, may receive incentive payments from third parties in connection with investment advice.
  - Arctica, or related parties, may have an interest in recommending financial instruments that are related to the company, including shares in funds operated by a group company.
  - Arctica has a financial interest in recommending a financial instrument that is not in line with the sustainability wishes of a client.
  
- Potential conflicts of interest due to the supervision of an offering of financial instruments without underwriting:
  - Arctica, or related parties, may have an interest in a sale in an offering, which could cause Arctica to classify a client or not adequately assess their suitability or eligibility.
  - Arctica may give preference to certain investors over others in the allocation.
  - Arctica may supervise an offering of financial instruments by an issuer that has a business relationship with the company, or a personal relationship with the company or a related party, which could affect Arctica's objectivity.
  
- Potential conflicts of interest arising from the custody and administration of financial instruments:
  - Arctica uses a client's assets for its own benefit or for the benefit of another client.
  
- Potential conflicts of interest arising from corporate finance:
  - Arctica may act for more than one party in a particular transaction (e.g. a buyer and a seller).
  - Arctica provides advice on the acquisition of the same company to two clients who are in direct competition with each other.
  - An incentive may arise to advise in a particular way that generates more income for Arctica but does not serve the client's best interests.
  - Confidential information obtained from one client could be misused for the benefit of another party, including other clients.
  - Arctica recommends or sells a financial instrument issued by itself or a related party when providing corporate advice to clients.
  - Arctica may provide advice on transactions that are said to increase sustainability without any real underlying changes.
  
- Potential conflicts of interest due to foreign exchange services as part of investment services:
  - Foreign exchange services provided in connection with investment services are provided on less favourable terms for the client, with Arctica, or related parties, benefitting from the terms.