

Icelandic Investors Ltd.

POLICY ON PREVENTIVE MEASURES AGAINST CONFLICTS OF INTEREST



MAY 2020

# **POLICY ON PREVENTIVE MEASURES AGAINST CONFLICTS OF INTEREST**

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## **1. Generally / scope**

- 1.1. This policy is set, based on par. 1 of Art. 20 of Regulation no. 995/2007 on investor protection and business practices of financial undertakings, cf. Art. 8 of Act no. 108/2007 on Securities Trading.
- 1.2. The goal of this policy is to take appropriate measures to prevent conflicts of interests from damaging the interests of clients of Icelandic Investors Ltd. (hereafter "*Icelandic Investors*", "*ÍFJ*" or "*the company*") by identifying and responding to such conflicts of interest.
- 1.3. Conflicts of interest that can damage the interests of the company's clients can arise between:
  - 1.3.1. ÍFJ, on one hand, including the company's employees, exclusive agents, or parties subject to the company's authority and ÍFJ's customers, on the other hand, and
  - 1.3.2. The company's internal customers.
- 1.4. This policy pertains to the security services that Icelandic Investors provides to its clients.
- 1.5. Under this policy, Icelandic Investors' employees include the following parties:
  - 1.5.1. board members, co-owners or comparable parties, the company's managers, or exclusive agent,
  - 1.5.2. a board member, co-owner or comparable party, or an executive of the company's exclusive agent,
  - 1.5.3. an employee of the company or its exclusive agent, or any individual working under the direction of the company or its exclusive agent that participates in providing services for the company in the field of securities trading,
  - 1.5.4. individuals directly providing the company or its exclusive agent services, based on an agreement on outsourcing services in the field of securities trading.

## **2. Identifying conflicts of interest**

- 2.1. Each time that Icelandic Investors provide security services, there shall be an evaluation of whether the company, its employee or a party directly or indirectly related to the company through authority:
  - 2.1.1. Is likely to benefit financially or avoid financial loss at the cost of the client,
  - 2.1.2. Has interests at stake in the outcome of the services provided to the client as well as whether the interests are segregated from the client's interests regarding the outcome,
  - 2.1.3. Has a financial or another kind of incentive to put the interests of another client or group of clients before the interests of the client in question,
  - 2.1.4. Engages in the same kind of operations as the client, or
  - 2.1.5. Accepts or will accept remuneration related to the services provided to the client in the form of money, products, or services, other than customary commissions or remuneration for the services from parties other than the client.

### **3. Possible conflicts of interest**

- 3.1. In light of Icelandic Investors' services, one can expect possible conflicts of interest between the company, on one hand, and its clients, on the other, and the company's internal customers as follows:
  - 3.1.1. Two more clients request the purchase of securities in limited supply, or
  - 3.1.2. Icelandic Investors or its employees receive a gift or remuneration exceeding the norm (for example, non-financial value) that could influence a relevant person's behaviour, contravening the interests of the company's clients.

### **4. Measures to prevent conflicts of interest**

- 4.1. To prevent conflicts of interest in Icelandic Investors' operations, the company has instigated the following measures and arrangements:
  - 4.1.1. Icelandic Investors do not engage in proprietary trading through a trading book.
  - 4.1.2. There are restrictions on proprietary trading by the company's employees.
  - 4.1.3. Relevant areas of work have been segregated. Examples of this include brokerage, investment consultancy, and back-office work being segregated in management, performance, spaces, information systems, document custody, and with rules on communications between divisions/departments.
  - 4.1.4. Rules require employees of particular work units not to work in other segregated fields, except with the approval of the compliance officer, who records such instances.
  - 4.1.5. Internal regulatory schemes dealing, for example, with the securities trading of Icelandic Investors, employees, board members, and owners of active ownership shares, board membership of the managing director and employees outside the company, and security and communications rules of employees.
  - 4.1.6. Icelandic Investors publish information on a group of employees that are shareholders in the company and get dividends from its operations.
  - 4.1.7. Icelandic Investors keep information on file facilitating the identification and handling of conflicts of interest in a secure environment.
  - 4.1.8. Icelandic Investors regularly review this policy as well as the company's internal work processes.

### **5. Segregation of fields of work and handling of confidential information**

- 5.1. To reduce the likelihood of conflicts of interest, the company endeavours to limit the access to confidential information to the parties that, in the company's managers' view, have a real need for such information in carrying out their jobs. A key aspect of the company's measures to prevent conflicts of interest is the segregation of fields of work as directed in the company's code of practice on investor protection and trading practices. The purpose of the segregation is to prevent the inappropriate unrestricted flow of information between the company's different departments. This promotes the ability of Icelandic Investors' employees to see to daily tasks for the company's clients without being influenced by other information that may exist within the company that could result in conflicts of interest.
- 5.2. If there is an unusual reason, due to individual projects or unexpected information, Icelandic Investors can set up special segregation or make comparable arrangements.

### **6. Expanded arrangements**

- 6.1. In dealing with a specific risk of conflicts of interest, the party involved can expand arrangements if traditional measures are insufficient to prevent conflicts of interest that could damage clients' interests. The managing director shall always make a special decision to employ such measures. Such additional arrangements can entail the following measures:

- 6.1.1. After special evaluation of the instance involved, Icelandic Investors can set up special segregation or employ other measures to restrict information flow,
- 6.1.2. Icelandic Investors can increase requirements for the company's managers on measures and risk evaluation regarding possible conflicts of interest.
- 6.1.3. Icelandic Investors can decide to employ special monitoring of employees seeing to projects for clients whose interests can conflict, or otherwise act on behalf of other interests that can conflict with clients' interests, including the company's interests.
- 6.1.4. Icelandic Investors can decide to employ special arrangements to restrict or direct circumstances where the company's operations simultaneously or immediately afterwards play a role in different projects.
- 6.1.5. Icelandic Investors can refuse to execute specific trading if the company deems it impossible to prevent conflicts of interest. Before making such a decision, Icelandic Investors shall inform the client involved of the conflicts of interest involved, so that it can make an informed decision on continuation of trading.

## **7. Providing information on conflicts of interest**

- 7.1. If measures accordant with the above do not provide certainty that clients' interests are sufficiently protected, the following measures shall be taken before initiating or executing trading:
  - 7.1.1. Inform the customer of the nature and reasons for possible conflicts of interest.
  - 7.1.2. The information provided shall be sufficiently detailed, given the nature of the trading, so that a client can take a position on the trading that may involve a conflict of interest.
  - 7.1.3. The disclosures shall be in a permanent medium and the compliance officer notified.
- 7.2. The compliance officer shall record and store in digital form information on the instances where conflicts of interest have arisen entailing real risk to the interests of one or more clients that could be damaged, or in instances where services are ongoing, or such can occur. Icelandic Investors' employees shall notify the compliance officer by email when the above instances, come up.
- 7.3. This file shall contain information on which clients were involved, what events were involved, the kinds of relevant financial instruments and trading entries. The file shall also record Icelandic Investors' response.

## **8. Supervision of the policy on measures against conflicts of interest**

- 8.1. The compliance officer sees to supervising the execution of this policy.
- 8.2. The company's employees shall submit issues to the compliance officer involving possible conflicts of interest that come up in the company's daily activities. The compliance officer shall report to the managing director or, depending on circumstances, the company's Board of Directors a risk of potential conflicts of interest of that his work brings to his attention.
- 8.3. The compliance officer may stop trades from executing if he deems there to be a risk of conflicts of interest. If the trading has already occurred, and the compliance officer thinks that a conflict of interest may have damaged a client's interests, he shall alert the managing director of this and propose an appropriate response.
- 8.4. In the Board of Directors' annual report, the compliance officer shall discuss the implementation of the policy and, if relevant, employees' working methods.

## **9. Review and publication**

- 9.1. This policy shall undergo review, if relevant. The review shall consider, for example, the policy's efficacy in execution, both for the company's operations as a whole and the operations of individual work units.

- 9.2. The policy shall also undergo review, considering changes in the company's operations and legal environment.
- 9.3. Icelandic Investors shall inform clients of changes in its policy by publishing a new policy on its homepage.
- 9.4. This policy enters into force upon the Board of Directors' approval and shall be published on the company's home page.

Approved by the Board of Directors of Icelandic Investors Ltd. 14 May 2020

The Board of Directors of Icelandic Investors Ltd.