

**ICELANDIC INVESTORS LTD.****RULES OF PROCEDURE ON INVESTOR PROTECTION AND BUSINESS PRACTICES****I. DEFINITIONS AND SCOPE****1. Definitions**

In these rules the terms below shall be defined as follows, except as otherwise noted in the passage in question.

**“Closely related party”:** Parties who are linked to „*employees*“ by family ties or where there is a direct interrelationship of financial interests:

1. The spouse, registered partner and co-habiting partner;
2. Children, foster children and stepchildren who are supported by the employee;
3. Any other relatives who have shared the household of an employee for at least one year on the date of a transaction;
4. A legal person who is under the control or management of an employee or a party pursuant to points 1-3 or a legal person in which such persons, pursuant to points 1-3 have significant interests at stake.<sup>1</sup>

**“Products”:** Products or services in the field of securities trading or intermediation in the access by customers to a new market or trading system for a consideration.

**“Other work area”:** The work area of another division, which is segregated from the division in which an employee works.

**“Day-to-day employees“:** Employees in an employment relationship with Icelandic Investors Ltd. (hereinafter „*The company*“), i.e. employed persons.

**“Owners of qualifying holdings“:** Parties controlling a qualifying holding in The company as defined in the Act on financial undertakings No. 161/2002.

**“Own trading“:** A trade in a financial instrument effected by or on behalf of an employee of the company, where at least one of the following criteria are met:

1. The trade in question takes place outside the scope of the employee’s work;
2. The trade is carried out for the account of any of the following persons:
  - a. an employee of The company;
  - b. any person with whom the employee of The company has a family relationship, or a person closely related to an employee of The company;
  - c. a person whose relationship with the employee of The company is such that the latter has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.

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<sup>1</sup> It should be noted that this point exceeds the direct requirement in point 2 of the first paragraph of Article 2 of Regulation No. 995/2007, but is linked to the requirements of subsection (b) (ii and iii) of point 4 in the first paragraph of Article 2 of the same regulation.

- “Financial instrument”:** A financial instrument as defined in the Act on securities transactions as amended at any time, currently Act No. 108/2007.
- “Insider information“:** Insider information as defined in the Act on securities transactions as current at any time, currently Act No. 108/2007.
- “Employees“:** Employees in the understanding of point 1 of the first paragraph of Article 2 of Regulation No. 995/2007, i.e.
1. A director, partner or equivalent person, manager or tied agent of a financial undertaking;
  2. A director, partner or equivalent person or manager of a tied agent of the financial undertaking;
  3. An employee of the financial undertaking or of a tied agent of the undertaking, or any natural person whose services are placed under the control of the financial undertaking or a tied agent of the undertaking and who is involved in the provision by the undertaking of services in the area of securities transactions;
  4. A natural person who is directly involved in the provision of services to the financial undertaking or to its tied agent under an outsourcing arrangement for the purpose of the provision by the undertaking of services in the area of securities transactions.
- “Board members”:** Natural persons who have been elected for service on the board of directors of The company or as alternate members of the board of directors of The company.
- „Confidential information“:** Any information, documents and data (regardless of medium or means of preservation) which relate to the operation or business activity of The company or financial or private affairs of The company’s customers. Whether such data originate with employees, the board of directors, consultants, customers or partners of The company or other parties is of no relevance.
- „Securities transactions“:** Securities transactions as defined in the Act on securities transactions as current at any time, currently Act No. 108/2007.
- „Rules of Procedure“:** Rules of conduct, such as policies, processes, rules, rules of procedure, manuals, established by the board of directors or chief executive officer of The company.
- „Substantial holding“:** A holding of at least 10% of the total shares of a company.
- „Sensitive information“:** Information which is confidential information, not only externally but also internally within The company so that it needs to be kept within the division in question and not disclosed to employees of separate divisions except in accordance with a direct written decision of the chief executive officer. The disclosure of such information to other employees/consultants is permitted provided that the receipt of such information is a lawful, necessary and normal part of the work of the recipient.

## **2. Scope**

- 2.1. These rules are established in accordance with the third paragraph of Article 6 of Act No. 108/2007 on Securities Transactions. Their purpose is to ensure that The company's investor protection and business practices comply with the provisions of law.
- 2.2. In addition to these general rules on investor protection special rules have been established on various aspects of investor protection, such as rules on the classification of customers, rules on conflict of interests and best practices in the execution of trading instructions.
- 2.3. These Rules apply to all aspects of The company's business activities and all employees of the company. Furthermore, the provisions of Chapters VI, VII and VIII of these Rules also apply to persons with close relations to employees.

## **II. GENERAL PRINCIPLES OF BUSINESS PRACTICES AND INVESTOR PROTECTION**

### **3. Good business practices**

- 3.1. The company's business activities shall comply with proper and sound business procedures and practices in securities trading, with a view to ensuring the integrity of the financial market and customer interests.

### **4. Conflicts of interest**

- 4.1. Care shall be taken in the business activities of The company regarding any risk of conflict of interests, and measures shall be taken to prevent conflicts of interest from harming the interests of customers. To this end special rules of procedure shall always be in place on measures against conflicts of interests. In addition, these Rules include provisions intended to achieve the same objective, i.e. rules on the segregation of divisions, employee trading and proprietary trading by The company.

### **5. Provision of information to customers**

- 5.1. In accordance with the provisions of law The company's employees shall, as applicable, provide its customers with detailed information on The company itself, its services, the investment options available and the risks attached to such investment options so that customers can make informed investment decisions. Employees who are involved in the preparation and 4 presentation of information are required to familiarise themselves with the requirements of law regarding disclosures.
- 5.2. The company shall inform customers beforehand of any fee charged by The company for its services.

### **6. New Products**

- 6.1. If The company plans to introduce a new product or service in securities trading or offer customers access to a new market or new trading system (together "new products") The company shall assess whether the new product is generally in compliance with The company's rules of procedure and appropriate for its customers.
- 6.2. The company shall ensure that the employees involved in the preparation, creation and presentation of new products intended for customers have sufficient knowledge to ensure that the product and

information on the product comply with the requirements of law. The employees in question are required to seek the advice of the compliance officer regarding the development of new products.

## **7. Recording and preservation of data on transactions**

- 7.1. In accordance with the provisions of law written contracts shall be concluded with general investors and records shall be kept of contracts made with investors, the services provided or the trades in which The company acts as an intermediary.
- 7.2. Customers shall be sent information and statements on the execution of orders and services rendered in accordance with the provisions of law.
- 7.3. Data regarding transactions shall be preserved for a minimum of five years.
- 7.4. The chief executive officer may establish more specific rules on the implementation of this provision if needed.

## **8. Segregation of assets**

- 8.1. The company shall ensure that financial instruments and assets of customers in the custody of The company are kept securely segregated from The company's assets in accordance with the provisions of law.
- 8.2. The company is licensed to undertake the custody of financial instruments for customers.
- 8.3. The chief executive officer may establish more specific rules on implementing procedures if needed.

## **9. Customer classification**

- 9.1. The company classifies its customers in compliance with statutory conditions and have established special rules of procedure on the classification of customers.

## **10. Suitability of customers and appropriateness of financial services**

- 10.1. Where The company provides investment advice to customers other than eligible counterparties, appropriate information shall be obtained from the customer in order to assess whether the customer is qualified to engage in the requested transactions. Steps shall be taken to verify whether the customer possesses the understanding, knowledge and experience to understand the risks attached to the securities and products in which he or she intends to invest. It shall also be ensured that advice provided by The company regarding investment options and risk takes account of the financial position and objectives of the customer. When a customer is a professional investor or eligible counterparty The company will assume that the customer possesses the experience and knowledge necessary to understand the risks involved in relation to the particular services or types of transaction or product in respect of which the customer is classified as a professional investor or an eligible counterparty and the customer is financially capable to bear all risk associated with his investment goals.
- 10.2. When The company provides services other than investment advice in securities trading care shall be taken that information is obtained in compliance with the requirements of law regarding the knowledge and experience of the customer in the relevant type of securities trading in order to assess whether the service or product is appropriate for the customer or whether the customer should be advised not to engage in the trading. No such information needs to be obtained regarding customers who are eligible counterparties. When a customer is a professional investor or eligible counterparty The company will assume that the customer possesses the experience

and knowledge necessary to understand the risks involved in relation to the particular services or types of transaction or product in respect of which the customer is classified as a professional investor.

- 10.3. The company is not required to take measures pursuant to the first clause of paragraph 1 of this Article when the conditions of paragraph 4 of Article 16 of the Act on securities transactions No. 108/2007 are met.

#### **11. Execution of orders and best practice**

- 11.1. In order to secure its customers' interests The company has established special procedural rules regarding best practices in the execution of trading orders.

#### **12. Public investment advice**

- 12.1. In the event that The company provides investment advice, a written agreement with the customer shall always be made.
- 12.2. In the event that The company decides to provide public investment advice The company shall ensure that information is presented in accordance with the Rules on public investment advice (currently Rules No. 1013/2007).

#### **13. Legal remedies of customers and processing of complaints**

- 13.1. The company shall provide information on its website regarding the legal remedies available to customers.
- 13.2. The company shall have in place special rules or processes regarding the handling of customer complaints.

### **III. SECURITY OF INFORMATION AND OF THE WORKPLACE**

#### **14. Normal duty care of employees**

- 14.1. Employees of The company are required to exercise care in the protection of information and preservation of security in the workplace. Employees are therefore required in general to contribute to compliance with the provisions of law and regulations on information security, e.g. regarding secrecy and the treatment of insider information.
- 14.2. In addition to the provisions of this Chapter the board of directors or chief executive officer may establish additional rules on the safeguarding of data and security in the workplace.

#### **15. Access to business premises**

- 15.1. Access by external parties to The company's business premises shall be restricted. When an external party enters The company's business premises the employee granting the access shall accompany the party to the person within The company that the party in question is there to meet. The person receiving/meeting with the external party shall ensure that such party does not gain unauthorised access to confidential information and is responsible for accompanying such party to the exit on his or her departure.

## **16. Access to electronic documents**

- 16.1. Employees' computers and telephones shall be locked with a password. Passwords shall be changed regularly.
- 16.2. Access to electronic documents shall be controlled by adequate security measures, e.g. through the use of passwords, electronic identification and access definitions in databases. If passwords are used for access control, these must be sufficiently complex, and the access control so designed as to withstand any brute force attack. Employees are not permitted to write such passwords down on paper or in computer files. Employees shall only be granted access to access-controlled electronic data on a need-to-know basis.

## **17. Treatment of confidential information**

- 17.1. Confidential information, sensitive information and insider information shall be handled with care and confined to as restricted a group as possible. This means that an employee in possession of such information shall ensure that there is no unauthorised access to the information, including by other employees who do not need such access for their work.
- 17.2. Careful handling of information pursuant to paragraph 1 means that such information shall be safeguarded in locked storage or saved electronically using access constraints so that only those who are authorised to work with the information have access.
- 17.3. If employees are in doubt regarding the provision of information to other employees, they shall seek the advice of a supervisor or the compliance officer.
- 17.4. The handling of insider information is in other respects subject to the provisions of Chapter XIII of Act No. 108/2007 on securities transactions and rules and regulations established on the basis of that Act.

## **18. Viewing of confidential information**

- 18.1. If documents are labelled as "confidential" or if they purport to contain sensitive information or be subject to access restrictions employees shall take care not to view them unless they are certain that they are permitted access to the information. If they are in doubt, or if they have discovered such information in an unprotected state they shall inform the chief executive officer or compliance officer.

## **19. Clearing of work area**

- 19.1. Employees shall take care to clear the work area at the end of the day. The last person to leave a division, and the workplace, at the end of the working day shall ensure that enclosed work areas are locked, windows are closed (where the employee has access) and the security system activated before leaving the workplace.
- 19.2. Clearing the work area includes secure storage of working documents in accordance with their security requirements. Employees are also required to lock their computers. The same requirements apply if employees leave their workstations temporarily during the day.

## IV. SEGREGATION OF DIVISIONS

### 20. General points in the segregation of divisions

20.1. The provisions of this chapter on the segregation of divisions are intended to reduce the risk of conflicts of interests damaging customers' interests. Segregation means that the divisions of The company are separated as regards management, performance, communications and information systems. Special requirements may be made for enhanced segregation or exemptions granted from segregation as further provided in this chapter.

### 21. Meaning of segregation

21.1. Segregation of management means that the chief executive officer appoints a separate manager for the work of the division in question.

21.2. Segregation of performance means that that a cost-accounting system is maintained within The company where income and expenses are divided among individual operating units based on the origin of the income and expenses. The chief executive officer is responsible for further details.

21.3. Segregation of information systems means that the employees of individual divisions do not have access to the electronic data of other divisions than their own.

21.4. Segregation of communications between divisions means the following:

21.4.1. Divisions are segregated within the same premises and through access restrictions.

21.4.2. Employees of segregated divisions shall keep out of each other's work areas. In the event that employees need to enter an "other work area" they shall notify the employees of the work area in advance so that confidential documents can be removed.

21.4.3. Employees are required to take care that reasonable measures are taken to ensure that sensitive information is not carried between divisions.

21.4.4. Special care shall be taken at consultation meetings, in lunch breaks or on other occasions where employees gather that sensitive information is not transmitted between divisions. Responsibility for implementation of these measures rests with the chief executive officer and division managers.

21.5. In other respects, employees are required to observe the provisions of law and the security rules established in Chapter III of these Rules.

21.6. Back office work is outsourced, and market trading employees are prohibited from obtaining information from back office regarding the work of other divisions than their own. The service provider to which the back office operations are outsourced will ensure a clear segregation of employees and divisions of The company in consultation with The company. If employees require such information (from another division) they shall consult the chief executive officer. Persons charged with risk management, internal audit, compliance or legal work are permitted to obtain information from the back office for the purposes of their work.

### 22. Work of employees in other divisions

22.1. Employees of individual divisions shall not work in other divisions which are segregated from their own divisions except with the consent of the compliance officer. The consent of the compliance officer shall be obtained in advance and shall always be temporary (time of work).

The compliance officer shall keep records of the tasks of the employee in question in the other division, the reasons that the employee is working in another division and what measures have been taken to reduce the risk that "sensitive information" is passed between divisions. If the time of work needs to be extended the consent of the compliance officer shall be obtained again and the compliance officer shall record his/her consent together with appropriate information.

- 22.2. Where there are plans for an employee to perform tasks in another division pursuant to paragraph 1 along with tasks in his or her regular division, the compliance officer is responsible, in deciding on whether to grant permission, for assessing whether it is possible to take adequate measures to mitigate the risk of conflicts of interest.
- 22.3. The chief executive officer may give instructions on a collaborative project between divisions with the consent of the compliance officer, such consent to be granted in the same manner as provided for in paragraph 1, mutatis mutandis.

## **V. PROPRIETARY TRADING**

### **23. General rules on proprietary trading**

- 23.1. The company does not trade for its own account in the understanding of point (e) of paragraph 1 of Act No. 161/2002 on financial undertakings, i.e. proprietary trading through its trading book.
- 23.2. However, The company is permitted to invest in financial instruments outside the trading book for the purposes of investing its own funds. The provisions of this Chapter apply to such investments by The company.

### **24. General principles regarding proprietary trading**

- 24.1. When The company invests in financial instruments for the purposes of its own funds care shall be taken to ensure that such trading does not conflict with customers' interests. The chief executive officer is required in particular to establish that this is not the case and to obtain the permission of the compliance officer in accordance with the provisions of Article 36 of these Rules. The compliance officer shall record information on such trading in accordance with the provisions of Article 39 of these Rules.
- 24.2. If The company itself handles the brokerage of such proprietary trading the trade shall be conducted on an arm's length basis with the exception that The company will not pay to itself a commission. The trading slip shall note that The company was the counterparty "for its own account".

### **25. Disclosure of „substantial interests“**

- 25.1. Day-to-day employees of The company who are engaged in securities services shall be informed by the Chief Executive Offer of all proprietary trading by The company which have the effect that The company has "substantial interests" regarding certain financial instruments or issuers of financial instruments.



- 25.2. In cases where The company has "substantial interests" The company's day-to-day employees are required to inform customers of such circumstances before The company undertakes securities services relating to such financial instruments.
- 25.3. "Substantial interests" refers to a substantial holding in a company (i.e. a 10% holding and/or voting rights) or a substantial value of financial instruments in relation to The company's equity (i.e. 20% of equity). The chief executive officer will assess whether such substantial interests are at stake in other circumstances.

## **VI. TRADING IN FINANCIAL INSTRUMENTS FOR THEIR OWN ACCOUNT BY BOARD MEMBERS AND OWNERS OF QUALIFYING HOLDINGS**

### **26. General rules on trading by The company's board members**

- 26.1. Board members (including alternate members) are required to exercise care in their trading in financial instruments for their own account. In particular they are required to take care that such trading does not prejudice The company's credibility,
- 26.2. Trading in financial instruments for own account in this Chapter refers to trading by board members personally and parties which are closely related to a board member.

### **27. Restrictions on trading or involvement in trading**

- 27.1. A board member or closely related person shall not engage in trading in financial instruments when:
- 27.1.1. the person in question is prohibited from entering into the trade under the Act on securities transactions, for instance as a result of the rules on insider trading;
  - 27.1.2. the trade involves abuse or improper use or disclosure of confidential information relating to customers or their trading;
  - 27.1.3. the trading conflicts or is likely to conflict with The company's obligations under the Act on securities transactions.
- 27.2. A board member or closely related person shall not supply to other parties information, provide advice or assist in entering into a trade, except as expressly permitted by law, if such conduct:
- 27.2.1. would fall within the scope of Section 27.1 in the case of the board member;
  - 27.2.2. would conflict with the provisions on handling information relating to investment research pursuant to points (a) and (b) of paragraph 2 of Article 23 of Regulation No. 995/2007, cf. Article 10 of the same Regulation.
  - 27.2.3. would constitute misuse of information relating to unexecuted instructions from a customer, cf. paragraph 3 of Article 47 of Regulation No. 995/2007.

### **28. Information to closely related persons**

- 28.1. Board members shall inform closely related persons of their obligations pursuant to these Rules. Such provision of information shall take place at the outset of service on the board of directors

and on re-election to the board. Board members shall confirm to the compliance officer that their closely related persons have been informed in accordance with the above.

## **29. Notifications to the compliance officer and recording of trades**

- 29.1. Board members of The company shall inform the compliance officer of any trades in financial instruments for their own account which have the result that a board member will acquire a substantial holding, or increase or decrease such holding, no later than 24 hours after the trade has taken place. Similarly, and within the same time limits, board members shall inform the compliance officer of similar trading by closely related persons.
- 29.2. The compliance officer shall maintain records of trading by board members and their closely related persons pursuant to Section 29.1. The records shall include information on the identity of the board member or closely related person who engaged in the trade, the date of the trade, the type of financial instrument involved and further details and the transaction value.
- 29.3. If the compliance officer is of the opinion that a trade by a board member or closely related persons may violate the law or The company's Rules of Procedure the officer shall take appropriate measures.

## **30. Special requirement of due care**

- 30.1. If board members have received information on individual trades in accordance with the provisions of the board's rules of conduct, board members shall show special care if they engage in trading for their own account in financial instruments which are connected with such trades. Board members shall in such circumstances always take care that such trading is not liable to cause conflict of interests and/or likely to prejudice the credibility of The company, see also Article 27 of these Rules. The same applies to trading in the same financial instruments by parties who are closely related to board members. If a board member is in doubt as to whether it is appropriate to trade in financial instruments under this section the board member shall consult the compliance officer.
- 30.2. The compliance officer shall maintain records of queries/consultations of board members under this section and the advice given by the compliance officer regarding the trades.

## **31. Intermediation by The company and business terms**

- 31.1. If The company undertakes intermediation on behalf of board members with regard to trading in financial instruments for their own account, such trading shall be conducted on the same conditions and terms as in the case of comparable customers, e.g. as regards the execution of the trade and the commission amount.

## **32. Other parties falling within the scope of this Chapter**

- 32.1. The provisions of this Chapter and requirements of board members and their closely related persons apply also to trading by owners of qualifying holdings in The company and their closely related persons. If owners of qualified holdings in The company (or owners of legal entities owning qualified holdings) are also employed by The company, the provisions of Chapter VII. shall apply to their trading for own account.

## **VII. TRADING BY DAY-TO-DAY EMPLOYEES AND OTHERS IN FINANCIAL INSTRUMENTS FOR THEIR OWN ACCOUNT**

### **33. General prohibition of trading by day-to-day employees**

- 33.1. Day-to-day employees of The company and their closely related persons are in general prohibited from trading in financial instruments except in compliance with the exceptions and conditions of this Chapter. Trading in financial instruments for own account in this Chapter refers to trading by day-to-day employees personally and their closely related persons.
- 33.2. The provisions of this Chapter do not apply to trading by employees in shares in The company; such trading is permitted without the approval of the compliance officer. However, the compliance officer shall be notified of such trades within two days from their occurrence and the compliance officer shall record them in accordance with Article 39 of these Rules.
- 33.3. Day-to-day employees and their closely related persons are prohibited from involvement in trades for their own account in any manner other than directly, e.g. through participation in investment groups (clubs) or other similar associations which have the purpose of joint participation in investments.

### **34. General due care and cases of doubt**

- 34.1. The exercise of due care is required where day-to-day employees of The company and their related parties are permitted to engage in trading for their own account. In particular it must be ascertained that such trading does not prejudice The company's credibility,
- 34.2. Day-to-day employees are required to observe the substantive provisions of Article 27 of these Rules regarding restrictions on trading and involvement in trading.
- 34.3. In the event of any doubt regarding the compliance of a prospective trade with these Rules employees shall seek the opinion of the compliance officer.

### **35. Information to closely related persons**

- 35.1. Day-to-day employees shall inform their closely related persons of their obligations pursuant to these Rules. Such provision of information shall take place at the outset of employment. Day-to-day employees shall confirm to the compliance officer that their closely related persons have been informed of the above.

### **36. Exceptions from the prohibition of trading for own account**

- 36.1. Day-to-day employees and their closely related persons are permitted to trade in financial instruments for their own account in the following circumstances:
- 36.1.1. Personal trades effected under a discretionary portfolio management service where there is no prior communication in connection with the transaction between the portfolio manager and the person in question or closely related persons, as applicable;
- 36.1.2. Personal trades in units in collective undertakings, investment funds or funds for professional investors that comply with the conditions of Act No. 128/2011 on undertakings for collective investment in transferable securities (UCITS) and investment funds, provided that the individual in question, or a closely related person, is not involved in the management of that undertaking;
- 36.1.3. Personal trades with registered foreign stocks.

- 36.1.4. The spouse of an employee or, as applicable, other closely related persons, are permitted to engage in trading in financial instruments as a part of their normal business, provided that the compliance officer has been informed in advance of the business;
- 36.1.5. In the case of a general take-over offer or merger relating to financial instruments held by the person in question;
- 36.1.6. In the case of the exercise of a right of first refusal on the increase of the share capital of a company where the person in question is a shareholder, but only with respect to a right of first refusal in proportion to own holdings (i.e. not increased rights of first refusal to the extent that other shareholders do not exercise their rights);
- 36.1.7. Where the person in question has inherited a financial instrument, received it as a gift, as payment in the sale of real estate or chattels, or financial instruments that were owned by the person in question at the start of employment of a day-to-day employee at The company;
- 36.1.8. When a reasoned application for permission to engage in a trade has been approved by the chief executive officer or by the board of directors in the case of the chief executive officer, and also the compliance officer, cf. Article 37 above; Any decision regarding approval should take into account that the trade does not have the appearance of a short-term position-taking.

### **37. Notifications to the compliance officer regarding trades**

- 37.1. Day-to-day employees shall inform the compliance officer of any prospective trading in a financial instrument for their own account (notification of intended trade). The notification may be sent by e-mail.
- 37.2. The notification should include the following:
  - 37.2.1. The name of the day-to-day employee and closely related persons in the case of a trade by such person.
  - 37.2.2. Which financial instruments are intended for acquisition/sale, units/nominal value and trade price, provided such information are available at that moment.
  - 37.2.3. What exceptional circumstances provide the occasion for derogation from the general principle regarding a blanket prohibition of trading by day-to-day employees of The company, if the request for trade is based on Article 36.1.7.
- 37.3. Day-to-day employees and their closely related persons are not permitted to engage in trading except with the consent of the compliance officer. If the trade does not take place on the same date as the consent of the compliance officer the consent shall lapse; however, the compliance officer may permit a longer time in the case of financial instruments which are not traded in a regulated market. Notwithstanding the permission of the compliance officer, trades and their compliance with law and The company's Rules of procedure are the responsibility of the employee in question.
- 37.4. Day-to-day employees are required to inform the compliance officer when a trade for their own account in a financial instrument has taken place (notification of executed trade). Notifications of executed trades shall cite the earlier notice and confirm that the trade has been executed in all respects in accordance with that notice. Such notice of executed trade may be given by e-mail.

37.5. An employee need not report trades falling within the scope of the first three points of Article 36 of these Rules (asset management or UCITS unit certificates). An employee needs only at the outset of employment, or on any change in the employment of his/her spouse, notify the compliance officer of his/her intention to take advantage of the exemption from disclosure requirements regarding the business activity of the spouse, cf. point three of Article 36. In such cases the compliance officer shall assess whether there is reason for supplementary measures regarding the work of the spouse of a day-to-day employee.

### **38. Denial of execution of trades**

38.1. The compliance officer may prohibit trades without reasoning or time limits or attach conditions to a consent to trading. The employee understands that the denial of the compliance officer may constitute price-forming information which may not be used in any manner.

### **39. Recording of trades and information on holdings of financial instruments**

39.1. The compliance officer shall maintain a record of trades in financial instruments made by day-to-day employees and their closely related persons for their own account. The records shall include information on the identity of the employee or closely related person who engaged in the trade, the date of the trade, the type of financial instrument involved and further details and the transaction value.

### **40. Authorisation for reversals of trades**

40.1. The compliance officer may require the cancellation or reversal of a trade made by a day-to-day employee or a closely related person if the compliance officer believes that it should not have taken place, e.g. if it is not in compliance with the law or The company's Rules of procedure. Employees and their closely related persons are required to comply with such a request and provide the necessary assistance for such cancellation or reversal to take effect.

40.2. An employee or closely related person shall bear the cost or loss of any such cancellation or reversal. If such cancellation or reversal results in a profit the employee or closely related person is required to allow such profit to accrue to The company.

### **41. Intermediation by The company in trades and business terms**

41.1. Trades of day-to-day employees and their closely related persons shall take place through the intermediation of The company unless the compliance officer permits otherwise. The consent of the compliance officer shall specify the reasons for the consent.

41.2. When The company intermediates in the trade of a day-to-day employee or a closely related person such trade shall be executed by another party than the employee in question. The employee executing the trade shall verify that the consent of the compliance officer has been obtained.

41.3. Trades by day-to-day employees and their closely related persons shall take place on the same conditions and terms that apply to The company's best customers, e.g. as regards the execution of the trade and the amount of the commission, as decided by the chief executive officer.

### **42. Violation of laws and Rules of procedure**

42.1. If the compliance officer is of the opinion that a trade under this Chapter may violate the law or The company's Rules of procedure the officer shall take appropriate measures.

#### **43. Others that fall under the rules of this chapter**

43.1 The provisions of this chapter and demands to day-to-day employees and closely related parties also apply regarding business with the following persons and their closely related parties:

43.1.1 Employees of tied agents of The company, that work under the control of the financial institution and play a part in providing The company's service in regards to trading.

43.1.2 Individuals who in a direct way provide a service to The company or tied agents of The company on the grounds of a outsourcing contract in regards to trading.

### **VIII. OTHER TRANSACTIONS BETWEEN THE COMPANY ON THE ONE HAND AND DAY-TO-DAY EMPLOYEES OR BOARD MEMBERS ON THE OTHER HAND**

#### **44. Transactions with board members, the chief executive officer and key employees**

44.1. Requests for business submitted by board members and undertakings that they represent shall be submitted to the board of directors of The company for approval or denial except as otherwise provided in the rules of conduct of the board, cf. paragraph 2 of Article 55 of Act No. 161/2002. The same applies to parties closely related to board members in the understanding of the Act on financial undertakings (currently as defined in Point 1 of paragraph 1 of Act No. 161/2002).

44.2. Agreements made by The company with the chief executive officer regarding loans, guarantees, options or similar dealings are subject to the approval of the board of directors. Any decision to such effect shall be recorded in the minutes of the board and notified specifically to the Financial Supervisory Authority. The same applies to parties closely related to the chief executive officer in the understanding of the Act on financial undertakings (currently as defined in Point 1 of paragraph 1 of Act No. 161/2002).

44.3. The chief executive officer and key employees, as defined in item 8, paragraph 1 of article 1. a. in Act no 161/2002, shall not enjoy special terms in excess of terms offered to other customers in similar trades, cf. Section 41.3.

44.4. Credit to board members, the chief executive officer or key employees shall be granted only against sound guarantees as provided in Article 5 of the Rules of the Financial Supervisory Authority No. 162/2011. The amount of credit to board members, the chief executive officer or key employees shall not exceed 1% of The company's capital base or ISK 100,000,000, whichever is lower.

44.5. Business transactions of The company with the board of directors, chief executive officer and key employees are subject to the Rules of the Financial Supervisory Authority No. 162/2011.

#### **45. Business transactions with day-to-day employees other than the chief executive officer and key employees**

45.1. If The company engages in business other than trading in financial instruments with day-to-day employees or their closely related persons such business shall, to the extent possible, be subject to the same rules as business with regular customers in similar business transactions, cf. Section 41.3.

## **IX. SERVICE ON THE BOARD OF DIRECTORS AND OTHER FUNCTIONS OF DAY-TO-DAY EMPLOYEES OUTSIDE THE COMPANY**

### **46. Service on boards of directors, external work or other participation in business activities**

- 46.1. Day-to-day employees of The company are not permitted to serve on the boards of directors of business enterprises or accept wages or any other consideration from other parties or participate in business activities in any other manner except with the permission of the CEO. In the case of the CEO the permission of the board of directors of The company is required. A shareholding in a company, regardless of corporate form, constitutes participation in an enterprise, except in the case of an insignificant holding which does not entail direct influence on the management of The company.
- 46.2. Participation by day-to-day employees in business activities shall be permitted only if the participation is considered to be compatible with the work of the employee for The company, and day-to-day employees shall provide any information on the prospective business activity that the chief executive officer and, as applicable, the board of directors consider necessary to assess whether the participation in a business activity should be permitted.
- 46.3. On taking up employment a day-to-day employee shall provide information regarding any service on any board of directors, extra work or other participation in business activities and, as appropriate, request permission pursuant to the first paragraph.
- 46.4. On granting permission pursuant to the first paragraph account shall be taken, among other things, of whether the participation is compatible with the work of the day-to-day employee or whether there is a risk that the participation will disrupt his/her work or prejudice the credibility of The company.

### **47. Service on boards of directors of subsidiaries or associated companies**

- 47.1. Day-to-day employees are permitted to work for and serve on the boards of subsidiaries and associated companies as decided by the board of directors of The company. Any such decision shall take account of the possibility of conflict of interests.

### **48. Withdrawal and end of service on a board of directors or participation in business activities**

- 48.1. If the chief executive officer sees reason to do so any permission granted for participation may be withdrawn. The day-to-day employee in question is required to respond to the withdrawal in an appropriate manner in line with its substance. In the case of the chief executive officer the decision on withdrawal shall be made by the board of directors.

### **49. Records of service on boards of directors**

- 49.1. The chief executive officer, or the board of directors in the case of the chief executive officer, shall notify the compliance officer of any permission granted or withdrawn for service on a board of directors or participation in business activities. The compliance officer shall also be informed of any termination of service on a board of directors by other means than a withdrawal.
- 49.2. The compliance officer shall maintain a record of permission granted for service on boards of directors and other participation in business activities. The name of the employee shall be recorded, his/her ID number and the nature of the business of The company in question. In addition, the role of the employee with The company in question, any specific conditions for the

permission (if applicable) and the date of the permission shall be noted. Also, information shall be recorded of the withdrawal or end of service on a board of directors or participation in other business activity.

- 49.3. The annual report of the compliance officer shall include an account of the employees who are permitted to serve on an external board of directors or participate in a business activity and the nature of the activity.

## **X. COMPLIANCE**

### **50. Appointment and position of compliance officer**

- 50.1. The board of directors of The company is responsible for the good order of The company's compliance and shall regularly assess and review the effectiveness of the compliance policy, arrangements and procedures.
- 50.2. The compliance officer shall normally be appointed by the board of directors of The company for a term of at least 12 months. The board shall also appoint a deputy compliance officer. The Financial Supervisory Authority shall be notified of the appointment and termination of employment of the compliance officer and deputy compliance officer.
- 50.3. The board of directors shall issue terms of reference for the compliance officer or, as appropriate, enter into a contract on outsourcing the compliance officer's functions. The terms of reference (or contract, as applicable) shall be reviewed following the appearance of the annual report of the compliance officer and re-issued with any necessary changes, e.g. in light of the risk factors noted in the compliance officer's report.
- 50.4. The position of the compliance officer in The company's organisation chart shall secure his/her independence from the divisions in The company falling under his/her surveillance
- 50.5. The work of the compliance officer shall be subject to the surveillance of The company's internal auditor.

### **51. Role of the compliance officer**

- 51.1. The compliance officer shall ensure that The company establishes and maintains appropriate procedures to analyse the risk of deficiencies in its business activities and minimise such risk. The tasks of the compliance officer include:
- 51.1.1. supervising the implementation of these Rules and other procedural rules of The company, as provided in such rules;
  - 51.1.2. assessing the measures of The company to minimise the risk of deficiencies in its business activities;
  - 51.1.3. reviewing, on a regular basis, whether information intended for customers is in compliance with the provisions of law;
  - 51.1.4. maintaining a register of transactions entered into by employees and board members in accordance with these Rules;
  - 51.1.5. maintaining a record of day-to-day employees working across boundaries of segregated divisions;



- 51.1.6. presenting these Rules and other applicable procedural rules to new employees, in addition to obtaining their written confirmation that they have read the rules;
- 51.1.7. supervising the training and presentation within The company regarding the rules on compliance that apply to The company's activities;
- 51.1.8. maintaining records of the service by day-to-day employees on boards of directors and their participation in business activities;
- 51.1.9. receiving complaints from customers and directing them into the proper channels in accordance with The company's procedures and monitoring their process;
- 51.1.10. receiving information from employees of suspicions of possible violations of the Act on securities transactions or procedural rules;
- 51.1.11. oversee client classifications.
- 51.1.12. maintain a correspondence log.
- 51.1.13. any other tasks specifically assigned to the compliance officer by The company's board of directors.

## **52. Access to Information**

- 52.1. The compliance officer shall have access to all information relating to the business activities of The company that he/she regards as necessary for his/her work. Employees of The company and service providers are required to supply to the compliance officer as promptly as possible any information he/she may request. Also, employees and service providers are required to assist the compliance officer in obtaining any necessary information on request.
- 52.2. The compliance officer shall have access to any meetings within The company if he/she sees reason to attend for the purposes of his/her work and may request meetings for the purpose of discussing specific matters.
- 52.3. The chief executive officer of The company is required to ensure that the compliance officer receives timely information on those aspects of The company's business that he/she is required to supervise, especially on the occurrence of any changes.
- 52.4. If the compliance officer believes that his/her access to information is impeded he/she shall, as applicable, inform the board of directors and internal auditor.

## **53. Reporting by the compliance officer**

- 53.1. The compliance officer shall annually submit to the board of directors a written report on his/her work and the enforcement of these Rules and other rules that the compliance officer is required to supervise.
- 53.2. The report of the compliance officer shall, at a minimum, address the following matters:
  - 53.2.1. The situation and framework of compliance;
  - 53.2.2. Training of day-to-day employees;

- 53.2.3. Independent investigations conducted by the compliance officer;
  - 53.2.4. Trading in financial instruments by persons who are under obligation to report and instances where proposed trading was prohibited;
  - 53.2.5. Deviations, complaints or other occasions for comment and/or exercise of the compliance officer's disciplinary powers;
  - 53.2.6. Communications with the Financial Supervisory Authority and stock exchange;
  - 53.2.7. Any other matters that are subject to reporting according to law or administrative orders;
  - 53.2.8. Comments and recommendations for corrective action;
  - 53.2.9. Identification of risk factors in the work of The company regarding compliance.
- 53.3. The compliance officer shall provide an account of his/her report at a meeting of the board of directors and the board shall adopt a position regarding the comments and risk factors identified in the report. The position adopted by the board of directors shall be noted in the minutes and/or included in the terms of reference of the compliance officer as amended pursuant to the report.
- 53.4. Where there is reason to do so, the compliance officer may send to the supervisors of individual operating units a report containing the discussion and comments of the compliance officer regarding the work of the unit. Also, the compliance officer may arrange meetings with the parties in question together with the chief executive officer to present to them the pertinent matters in his/her annual report to the board of directors of The company. The compliance officer shall maintain a record of such meetings.
- 54. Powers of the compliance officer and enforcement**
- 54.1. The compliance officer may require corrective actions or comment on the working procedures of individual employees as necessary regarding deficiencies in the enforcement of law or The company's Rules of procedure.
- 54.2. The compliance officer may require corrective actions from operating units within The company in the event of any deficiencies in the activities of the units in question.
- 54.3. The compliance officer may also require the updating, renewal or restating of the appropriateness of customers through amended procedural rules if the compliance officer is of the opinion that any law is being violated.
- 54.4. The compliance officer may stop the disclosure of certain information to customers if he/she believes it to be false, misleading or inconsistent with The company's procedural rules.
- 54.5. The compliance officer may stop the offering of products intended for customers if he/she believes them or their offering to customers to be inconsistent with the law or procedural rules.
- 54.6. The compliance officer may intervene in individual trades on the grounds of risk of conflict of interests, e.g. by stopping a trade.
- 54.7. The compliance officer shall follow up his/her comments to ensure that The company takes the necessary corrective action. He/she is authorised to request that a competent party inform him/her of the corrective action taken.
- 54.8. The compliance officer shall maintain records of measures pursuant to this provision.

## **55. Responses to possible violations of the law, these Rules or other procedural rules**

- 55.1. The compliance officer shall, whenever he/she sees reason to do so, inform the chief executive officer or board of directors of any matters that he/she considers necessary for those parties to be aware of.
- 55.2. If the compliance officer has any suspicion of serious violations of the law or the Rules of procedure of The company he/she shall notify the chief executive officer. If the matter concerns the chief executive officer the compliance officer shall inform the chairman of the board of directors of his/her suspicion. The compliance officer shall maintain a record of such notifications.
- 55.3. The chief executive officer or board of directors, as applicable, shall decide on the process of comments made by the compliance officer pursuant to paragraphs 1 and 2. If no response is made to the requirements of the compliance officer for corrective actions following a serious violation he/she shall notify the Financial Supervisory Authority.

## **XI. PROVISION OF INFORMATION AND PENALTIES**

### **56. Presentation of the substance of the Rules**

- 56.1. The compliance officer shall ensure that the employees of The company are informed of their duties pursuant to these Rules and that they receive a copy of the Rules. The compliance officer shall obtain confirmation of the above, either in writing or by e-mail.

### **57. Provision of information by employees**

- 57.1. Employees are required to provide the chief executive officer or compliance officer with any necessary information relating to the observance of these Rules. The chief executive officer shall provide such information to the board of directors or compliance officer.
- 57.2. A day-to-day employee shall, on commencement of employment (and subsequently on request), inform the compliance officer of his/her holdings, and those of closely related parties, in financial instruments, as applicable on a form supplied by the compliance officer.

### **58. Reporting requirements of employees**

- 58.1. Violations of law or these Rules, whether by customers or employees of The company, shall be reported to the compliance officer and chief executive officer of The company, or the chairman of the board of directors where a matter relates to the chief executive officer.

### **59. Specific duty to report to the Financial Supervisory Authority**

- 59.1. The company is always required to report to the Financial Supervisory Authority any suspicion of market abuse or insider fraud. In the event of any suspicion by employees of such violations they shall notify the compliance officer and chief executive officer, who are responsible for notifying the authorities if the suspicion is not cleared up. Information on such notifications and their fate shall be recorded. Employees shall be aware of the importance of confidentiality regarding such suspicions and the compliance officer shall remind them of this importance.

## **60. Penalties for violations of the law or rules**

- 60.1. Violations of the law or these Rules may be subject to reprimands or dismissal and any criminal conduct may be reported to the authorities. In the event of serious or repeated violations of law or these Rules the compliance officer shall notify the Financial Supervisory Authority.
- 60.2. The company is permitted to reverse any trades that violate these rules. If such a trade is not reversed the employee in question is required to return any profit made from a trade that violates these Rules; such profit shall accrue to The company.

## **XII. ENTRY INTO EFFECT AND PUBLICATION**

- 61. These rules are taken into effect with the signature of the board and shall be published on The company's website.**

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

The Board of Directors of Icelandic Investors Ltd.