Nordnet

Policy for Identification and Management of Conflicts of Interest

Company:	Nordnet AB (publ) & Nordnet Bank AB
Approved by:	Board of Directors
Applicable for:	Nordnet AB (publ) and Nordnet Bank AB
Date of approval:	2026-01-19 (replaces 2024-11-25)
Document owner:	Chief Compliance Officer
Revised:	Annually or more often if required
Confidentiality class:	Open

Contents

1 Introduction

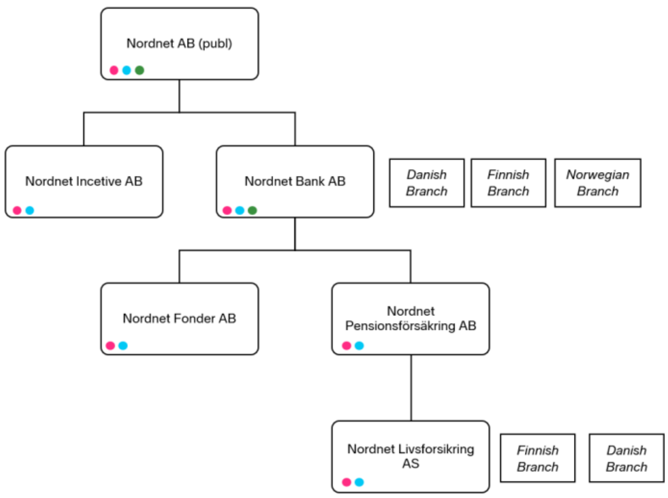
1.1 Background

The Nordnet group provides a range of financial services and products to a variety of end-customers. The Nordnet group consists, inter alia, of a consolidated situation consisting of Nordnet AB (publ) ("Nordnet AB") and Nordnet Bank AB ("Nordnet Bank"), of which Nordnet AB is the responsible company. The entire Nordnet group also forms an insurance group under the Solvency 2 regime (Solvency group) where Nordnet AB is the responsible company.

As conflicts of interest ("COI") may arise in the ordinary course of business, the board of director has adopted this policy to establish the roles and responsibilities for the identification and management of COI. Similar polices are also adopted by the subsidiaries.

This policy also contains examples of significant COI which may affect parts of the group (see *Appendix 1*).

The requirements in this policy shall be interpreted so that the responsibilities of the board of directors and the CEO also refer to the responsibilities of the respective management bodies in the subsidiaries of the group.



Pink: financial conglomerate, blue: insurance group, green: consolidated situation

1.2 Scope

This policy applies to the board of directors and to all Employees.

1.3 Regulatory basis

This policy has been established in accordance with:

- Lagen (2004:297) om bank- och finansieringsrörelse (LBF)
- Lagen (2007:528) om värdepappersmarknaden (LVM)
- Commission Delegated Regulation (EU) 2017/565 (MiFID II Delegated Regulation)

- Lag (2018:1219) om försäkringsdistribution
- Försäkringsrörelselag (2010:2043)
- Commission Delegated Regulation (EU) 2017/6229
- Commission Delegated Regulation (EU) 2015/35
- Commission Delegated Regulation (EU) 2017/6229
- Finansinspektionens föreskrifter (FFFS 2017:2) om värdepappersrörelse
- Finansinspektionens föreskrifter (FFFS 2014:1) och allmänna råd om styrning, riskhantering och kontroll i kreditinstitut)
- EBA Guidelines on internal governance under Directive 2013/36/EU (EBA Guidelines)

2 Definitions

Conflicts of Interest (COI)	A situation or circumstance which, with regard to Nordnet's products and services, may pose a significant risk that the interests of one or more customers or other stakeholders will be adversely affected
Closely related person	As defined in the *Policy for Personal Account Dealings*
Employee	Employees, consultants, tied agents, or contractors participating in the distribution of insurance-based investment products
Group entities	Nordnet Bank AB, Nordnet Pensionsförsäkring AB, Nordnet Livsforsikring AS, Nordnet Fonder AB
Nordnet	Consolidated situation, consisting of Nordnet AB and Nordnet Bank
Solvency group	All companies within the Nordnet group

3 Categories of COI

3.1 Individual vs. institutional

An individual COI is defined as a conflict concerning an individual Employee or board member's private interests or professional/personal relationships, such as, for example, secondary employment.

An institutional COI is a conflict which arises in connection with Nordnet's business activities. These can arise with regards to e.g. financial services, customers, roles, functions, business areas, legal entities etc.

3.2 Persisting vs. one-off

Nordnet shall differentiate between COI that persist and COI that occur unexpectedly due to e.g. a single event, such as a transaction or the selection of a service provider. The latter form may usually be managed with one-off measures.

4 Identifying COI

Nordnet shall have in place effective controls to identify COI. Each Employee is responsible for identifying COI as a part of their daily work and reporting them to their immediate manager.

Nordnet shall maintain a register to document all identified COI. The register shall be kept up-to-date and be reviewed at least annually.

For further details, please refer to the *Conflicts of Interest Instruction.*

5 Managing COI

5.1 Materiality

Nordnet shall assess each COI for materiality purposes before any preventative or mitigating measures are applied. The materiality of a COI is dependent on the risk of detriment which the COI poses to Nordnet or to Nordnet's customers.

If a COI is assessed as material, the COI must be mitigated and Nordnet shall apply managing measures.

5.2 Managing measures

Nordnet shall apply effective management measures for all material COI, i.e. preventive or mitigating actions. These should be clearly defined and implemented.

Nordnet shall first assess whether the COI can be fully prevented. If not possible, Nordnet shall apply managing measures to decrease the materiality of the risk.

If it is not possible to assign any managing measures to a material COI, Nordnet shall avoid it entirely. This applies to, for example, situations where people participate in decisions in which one has a vested interest or in other situations where the applicable regulations present impediments.

Nordnet's measures to manage and/or mitigate COI shall be documented and shall include, among other things:

- An appropriate segregation of duties, e.g. entrusting conflicting activities within the processing of transactions or when providing services to different persons, or entrusting supervisory and reporting responsibilities for conflicting activities to different persons;

- Establishing information barriers, e.g. through the physical separation of certain business lines or units, and hierarchical and organizational separation of different operations and areas of operation

- Establishing a clear organization with clear distribution of responsibilities and mandates

- Ensuring a high level of knowledge among employees and board members regarding the procedures and processes applicable in handling COI,

- Maintaining sound remuneration structures,

- Ensuring confidentiality regarding information about customers or other circumstances, and

- Maintaining independent control functions

In the performance of services on behalf of customers, Nordnet shall, in particular, inform the customer of the nature of any remaining potential or actual COI or its source before Nordnet undertakes to perform the service.

5.3 Acceptance

Nordnet may only accept COI without managing measures if they are non-material.

6 General process

Nordnet must always pay attention to COI that may arise in order to prevent damage to Nordnet or its customers. All COI, potential or actual, shall be documented, assessed, and mitigated, or fully prevented according to the process established by Nordnet's compliance function.

It is the responsibility of Nordnet, closely related parties to Nordnet, all Employees as well as all board members to identify any such COI and manage them in accordance with the procedures set forth in this policy and in the *COI Instruction.*

At least the following situations, which could entail actual or potential COI, shall be considered:

- Economic interests (e.g. shares, other ownership rights and memberships, financial holdings and other economic interests in commercial customers, intellectual property rights, loans granted by the institution to a company owned by staff, membership in a body or ownership of a body or entity with conflicting interests);
- Personal or professional relationships with the owners of qualifying holdings in the institution;
- Personal or professional relationships with staff of the institution or entities included within the scope of prudential consolidation (e.g. family relationships);
- Other employment and previous employment within the recent past (e.g. five years);
- Personal or professional relationships with relevant external stakeholders (e.g. being associated with material suppliers, consultancies or other service providers); and
- Political influence or political relationships.

COI may arise between any of the following groups:

- Business areas/product areas/functions/entities
- Shareholders and persons linked to Nordnet by means of control

- Board members and their Closely Related Persons
- Employees and their Closely Related Persons
- Subsidiaries
- Customers
- Vendors, suppliers, tied agents, business partners

For further details on the process, please refer to the *Conflicts of Interest Instruction*.

6.1 Specifically on relationship between the legal entities

Nordnet provides services internally to other companies within the Nordnet group, such as services related to legal, HR, finance, security, corporate communications, and marketing.

When a function performs services for different companies with different customer collectives, the outsourced operations must always be preceded by careful consideration and adhere to the applicable processes procedures, including Nordnet's *Outsourcing Policy*, to prevent COI from arising between, for example, different customers, customer groups, or companies within the group. Assignment agreements should, for example, always be accompanied by detailed assignment descriptions and an SLA to clarify the scope of the assignment and how it is to be followed up.

6.2 Specifically on products and services

Nordnet offers its customers various investment and ancillary services. Since the combination of these services can give rise to COI between Nordnet and its customers, Nordnet has ensured that these areas of operations are distinguished organizationally to prevent COI.

Products manufactured or distributed by Nordnet must undergo Nordnet's product governance process in accordance with the *Policy for Securities Operations* and underlying instructions, during which potential COI associated with new products are to be identified and handled.

Nordnet's new product approval process (NPAP) also includes requirements on identifying potential COI in the development of new or updated products, services, etc. For further details, please refer to the *New Product Approval Policy*.

6.3 Specifically on stock market launches

Nordnet does not conduct traditional corporate finance activities in the sense that it would act as adviser to issuers in connection with stock market launches (IPOs). However, Nordnet acts as an issuing agent and therefore processes subscription forms, etc. on behalf of issuers. Nordnet also conducts investment activities by marketing IPOs to its investment customers.

Nordnet does not usually participate in decisions on the allocation of shares/subscription rights in an issue and does not participate in the valuation of an issue, reducing the risk of COI.

Nordnet shall also ensure that remuneration paid by the issuer to Nordnet does not contravene the requirements in LVM or other regulations. In addition, Employees working with IPOs are covered by special regulations regarding their trading in accordance with Nordnet's *Policy for Personal Account Dealings.*

6.4 Specifically on proprietary products

Nordnet does not generally provide its own products and usually distributes third party products instead. Where Nordnet does provide products manufactured by Nordnet or products marketed under Nordnets name (proprietary products), Nordnet shall pay particular attention to potential or actual COI that could arise as a result of Nordnet providing such proprietary products.

Nordnet shall, among other measures, prevent such COI by not providing investment advice regarding its proprietary products or investing in those products in connection with investment advisory or portfolio management services.

In addition, Nordnet shall never provide investment advice, make recommendations, or invest in its proprietary products unless that investment advice or those recommendations or investments can be justified based on objective criteria and do not otherwise counteract the customers' interests.

6.5 Specifically on dual employment

Nordnet has Employees with dual employment in Nordnet and in other companies within the group. There may also be cases where Employees/managers hold dual roles in multiple companies within the group, which means that Employee may have responsibility for a particular area in one company as well as for a particular area in another company within the group at the same time.

Above imposes strict demands on how potential COI are managed, particularly where it is conceivable that those who have dual employment in multiple companies within the group or with dual roles may wish to prioritize a certain operation or area over another. To manage these COI, Nordnet shall always ensure that a robust order of priority is established for Employees with joint employment to avoid the operations of one company being prioritized over the operations of another company within the group. Furthermore, dual roles shall be avoided as far as possible.

Where Employees/managers hold dual roles, they shall not make decisions regarding their roles in other companies within the group. Should that situation arise, decisions of that nature should instead be referred to the immediate manager of the person concerned.

6.6 Specifically on remuneration

Nordnet shall design its remuneration system so that COI does not arise between its Employees, Nordnet, and Nordnet's customers. The remuneration system may not be designed in such a way that it causes COI or incentives that could cause employees to favor their own interests or Nordnet's interests at the expense of the customers.

To counteract such possible COI, remuneration levels shall be based on qualitative criteria, such as compliance, fair treatment of customers and the quality of the services provided to customers. For further details, please refer to the *Remuneration Policy*.

6.7 Specifically on Employees’ own trading

All Employees must comply with Nordnet’s internal rules regarding their own trading as further explained in the *Policy for Personal Account Dealings*.

7 Roles and responsibilities

7.1 Employees

All Employees shall report all identified individual COIs, or changes thereof, to their immediate manager in accordance with set procedures

All Employees shall report any identified institutional COI in accordance with this *COI Policy* and the *COI instruction.*

Employees shall be observant of circumstances and situations that may constitute, or give rise to, COI and shall act in accordance with relevant established processes and procedures.

7.2 Board of directors

The board of directors is accountable for establishing, approving, and overseeing the implementation and maintenance of effective policies to identify, assess, manage and mitigate or prevent actual and potential COI at both individual and institutional level.

The board of directors shall have a clear understanding of the group’s respective governance arrangements. They shall have a clear understanding of their roles and responsibilities, their entities’ structure, and any actual or potential COI that may arise therefrom.

Actual or potential COI at board level which could adversely influence the performance of their duties and responsibilities, shall be adequately communicated and assessed, mitigated, or prevented, and documented.

A board member shall specifically:

- Report other assignments or services to the chairman of the board and avoid assignments that could cause COI.
- continuously inform the chairman of the board of any circumstances that could or have entailed a COI for the individual board member, and
- refrain from participating in decisions or deciding on matters where the objectivity of the board member could be brought into question.

For further details on the Management Body’s management of COI, refer to the *Styrelsens arbetsordning*.

If the CEO is prevented from making decisions due to a COI, those decisions shall be referred to the chairman of the board to be forwarded to the board in accordance with Nordnets *VD-instruktion*.

8 COI in the context of loans and other transactions

Nordnet shall not grant loans or enter into other transactions (e.g. factoring, leasing, property transactions etc.) on terms which are not commercially determined or that favor any of the following:

1. A board member,
2. An Employee in a leading position who, alone or together with another, may decide on credit matters that should otherwise be determined by the board of directors,
3. An Employee in a leading position within Nordnet,
4. A shareholder other than the central government with a holding corresponding to at least 3 percent of Nordnet's entire capital,
5. Spouse or cohabitant of someone referred to under 1–4, or
6. Legal entity in which a person referred to under 1–5 holds a significant financial interest as a shareholder or member.

The board of directors shall address matters relating to services affected by the above and shall maintain a list of data regarding agreements that have been reached and that are covered by the above requirements.

For further details, please refer to Nordnet's *Credit Policy* as well as Nordnet's Related Party Transactions policy,

9 Disclosure to customers

Nordnet shall take all reasonable steps to identify, prevent and manage COI that may arise in Nordnet's operations.

If the managing measures undertaken by Nordnet are insufficient to prevent the interests of customers or other stakeholders from being adversely affected, Nordnet shall disclose the nature or source of these COIs to before undertaking to provide a product or service.

The disclosure must be made in a written format on a durable medium and shall include a detailed description of COI arising in providing the service or product and considering whether the customer is a professional or non-professional customer. The description shall explain in detail the general nature and sources of COI, as well as the risks to the client caused by those COIs and the measures taken to mitigate those risks, enabling the customer to make a well-founded decision regarding the service or product.

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10 Training

All employees are covered by this policy and shall receive training on issues including ethics and COI.

Nordnet shall hold an annual workshop on COIs in its operations. This workshop should discuss and assess potential and real COI that could arise, or have arisen, within Nordnet. The compliance function is responsible for ensuring that such an annual workshop is held.

11 Reporting

A COI identified by an employee shall be reported, without undue delay, to the employee's immediate manager. If uncertain of whether a situation may represent a COI, the compliance function shall always be consulted for advice.

On a regular basis and at least once annually, the compliance function shall, by means of an updated list in accordance with Appendix 1 to this policy, report to the board of directors on significant COI that may demand measures by the board.

12 Disclosure obligation

12.1 Internal disclosure obligation

Any Employee discovering a deviation from this policy shall inform the compliance function without undue delay. Board members shall inform the chairman of the Board.

12.2 External disclosure obligation

If Nordnet's systems and processes to identify and manage COI are, with reasonable certainty, insufficient to the extent that there is a risk that customers' interests are harmed, Nordnet shall, where applicable, inform the customer of the general nature or source of those COI in good time before an agreement is reached.