

Rules of procedure for the Board of Directors of ISFI (Icelandic State Financial Investments)

1. Composition of the Board of Directors and division of tasks

A three-member Board of Directors is appointed by the Minister of Finance to manage Icelandic State Financial Investments (ISFI). One alternate is also appointed in the same manner. The Minister of Finance appoints the chairman and vice-chairman of the board. An alternate attends board meetings if a member of the board is unable to attend and if the Board of Directors requests it.

The chairman of the board represents the Board of Directors. If the chairman of the board is unable to attend a meeting, the vice-chairman takes his/her place.

2. Calling of board meetings

The chairman convenes meetings of the Board of Director and chairs them. The chairman shall convene a board meeting if a board member or director requests it. A call shall be made by email and sent to the email addresses supplied by the board members. The chairman can delegate the task of calling the board meeting to the Director General or staff member. Documents for the meeting shall generally be sent to the board members at least two days before the meeting.

Endeavours shall be made to determine the Board's regular meetings for one year at a time and a proposal for the annual board meeting schedule shall be submitted no later than at the last regular board meeting of each year.

3. Legitimacy of meetings

The quorum for a meeting of the Board of Directors shall be a majority of its members or alternates. In order for a board's decision to be valid it must be approved by a majority of its members.

4. Minutes of meetings

The chairman of the Board of Directors is responsible for ensuring that minutes are kept of the meetings. The chairman is authorized to designate an ISFI employee to keep the minutes of meetings.

Any Board member or alternate may demand that his/her statement be entered in the minutes.

The minutes should always be written up as swiftly as possible after the meeting and sent to the board members. The draft minutes shall be submitted for approval at the beginning of the following meeting of the Board of Directors. The board members who attend the meeting in addition to the Director General and secretary to the meeting shall sign the minutes.

Minutes may be stored on a computer. The chairman or vice-chairman in his/her absence, as well as the secretary to the meeting, shall initial each page of the minutes.

5. Eligibility

Board members shall neither participate in the handling of items in which they have substantial interests at stake, nor dealings which they are personally or financially connected to. The same applies to issues pertaining to the

board members' possible competitors or parties connected to them. Board members shall inform the board of parties to whom they are connected in the manner referred to in this article. A list of the parties that are connected to board members shall be kept and it shall be updated when changes occur and confirmed annually.

A board member who considers that there may be some ambiguity regarding his/her eligibility shall bring the matter to the board's attention. A board member or the Director General may move that another member be declared ineligible to deal with an item. The Board of Directors shall determine whether the board member should be deemed ineligible. If the board member is deemed ineligible, the member shall not have access to documentation concerning the handling of this item. Furthermore, the member shall withdraw from the meeting while the discussion and a decision on the matter takes place. Board member's eligibility is otherwise determined by the Administrative Procedures Act.

6. Director General

The Board of Directors of the ISFI appoints the Director General. The Director General's terms of employment are determined by a remuneration committee. The Director General shall set the main priorities, tasks and working procedures of the institution. The Director General wields the ISFI's voting rights at the shareholder meetings of financial undertakings which the state owns a stake in. The Board of Directors specifies the responsibilities of the Director General in the Director General's rules of procedure.

The Director General is responsible for the day-to-day management of Icelandic State Financial Investments. Daily operations do not extend to unusual or major arrangements. The Director General may make such arrangements only in accordance with a special authorisation from the Board of Directors, unless it is impossible to await a decision from the Board without inconveniencing ISFI. In such instances the Board shall be advised about the arrangement without delay.

The Director General is responsible for ensuring that operations are in compliance with all applicable laws, regulations or other rules.

The Director General appoints other Icelandic State Financial Investments employees. The Director General shall serve as the spokesperson of ISFI, except in cases of special decisions made by the Board of Directors.

7. Tasks of the Board of Directors

The Board of Directors is responsible for ensuring that ISFI operations are in compliance with all applicable laws, regulations or rules. The Board of Directors shall also monitor ISFI operations. A function of the Board of Directors is to set the priorities for ISFI's activities. The Board of Directors of ISFI is responsible for policy-making in collaboration with the Director General.

The Board of Directors shall approve all major decisions in writing. The signed minutes of Board of Director meetings, in which decisions are recorded, shall be considered as a written approval or rejection. Major decisions apply to i.a. the following arrangements:

- When proposals are submitted to the Ministry of Finance for the additional funding of financial undertakings, in accordance with the role and objectives of ISFI, cf. item g of Article 4 of Act. no. 88/2009 establishing ISFI.
- When ISFI submits proposals to the Minister of Finance as to whether and when specific holdings in financial undertakings should be offered for public sale, cf. item (i) of Article 4 of Act. no. 88/2009 establishing ISFI.

In addition to the above decisions, the Board of Directors shall approve the operating budget for the next working year, which will be prepared and submitted by the Director General. The Board of Directors makes decisions regarding the appointment of members to the boards of financial undertakings which ISFI manages stakes in, based on recommendations from the Selection Committee.

Publication of rules of procedure

These rules will be published on the ISFI website.

Amendments to the rules

Any amendments to these rules require a majority approval from the Board of Directors.

Approved by the Board of Directors on 5 May 2014.

Note: The Icelandic version of these rules is the official version.