



# Rules of Procedure for the Board of Directors of Íslandsbanki



This document was approved at a Board meeting held in Kópavogur 30 November 2023 and is signed electronically by the Board of Directors:

Linda Jónsdóttir, Chairman of the Board

Agnar Tómas Möller

Anna Þórðardóttir

Frosti Ólafsson

Haukur Örn Birgisson

Helga Hlín Hákonardóttir

Stefán Pétursson

## Table of contents

1.	General.....	3
2.	Organisation of Board of Directors .....	3
3.	Role of the Board .....	3
4.	Special disclosure and definition of important risk factors .....	5
5.	Suitability and obligations of Board members .....	5
6.	Role of Chairman .....	7
7.	Role of the CEO .....	7
8.	Convening of Board meetings and meeting documents.....	8
9.	Meetings of the Board of Directors .....	8
10.	The Board's minutes .....	9
11.	Specific eligibility.....	10
12.	Related parties' transactions .....	10
13.	The participation of the CEO and Internal Auditor in business operations .....	11
14.	Self- and performance assessment of the Board .....	11
15.	Board sub-committees.....	11
16.	Board members of the Bank's subsidiaries .....	12
	Annex I.....	13

## Version history

Version	Amendments	Amended by	Date	Reviewed or signed off by:	Date
10.0	Tenth version for approval	Dagmar Clausen Þórðardóttir	13.11.2023	Board of Directors	30.11.2023
9.0	Ninth version for approval	Dagmar Clausen Þórðardóttir/Margrét Berg Sverrisdóttir	3.1.2022	Board of Directors	5.5.2022
8.0	Eighth version for approval	Dagmar Clausen Þórðardóttir	22.09.2020	Board of Directors	30.09.2020
7.0	Seventh version for approval	Dagmar Clausen Þórðardóttir	30.10.2019	Board of Directors	19.11.2019
6.0	Sixth version for approval	Dagmar Clausen Þórðardóttir	20.08.2018	Board of Directors	22.08.2018
5.0	Fifth version for approval	Tómas Sigurðsson / Dagmar Clausen Þórðardóttir	30.12.2016	Board of Directors	12.01.2017
4.0	Fourth version for approval	Tómas Sigurðsson / Dagmar Clausen Þórðardóttir	2.11.2016	Board of Directors	08.11.2016
3.0	Third version for approval	Tómas Sigurðsson / Anna Þóra Þrastardóttir	5.11.2015	Board of Directors	11.11.2015
2.0	Second version for approval	Tómas Sigurðsson / Dagmar Clausen Þórðardóttir	27.08.2013	Board of Directors	27.08.2013
1.0	First version for approval	Tómas Sigurðsson / Árni Huldar Sveinbjörnsson	27.06.2012	Board of Directors	27.06.2012



## 1. General

- 1.1. These Rules are adopted in accordance with Article 70 of the Act on Public Limited Companies No. 2/1995, Article 54 of the Act on Financial Undertakings No. 161/2002 and Article 4.7 of the Banks' Articles of Association.
- 1.2. The Board of Directors alone is authorised to amend these Rules of Procedure and they shall be reviewed no less frequently than once per annum. The Board of Directors shall submit a copy of these Rules to the Financial Supervisory Authority of the Central Bank of Iceland within two weeks of their approval or amendment.
- 1.3. The Rules of Procedure of the Board of Directors are available in an English translation. In case of any inconsistency the Icelandic version shall apply.

## 2. Organisation of Board of Directors

- 2.1. The Board is elected for a term of one year in accordance with the Bank's Articles of Association.
- 2.2. The Chairman of the Board is elected at the shareholders meeting, in accordance with the Bank's Articles of Association. The Board shall elect the Vice-Chairman of the Board. The Chairman of the Board shall manage the election of the Vice-Chairman. Election to the position of Vice-Chairman shall be decided by a simple majority. In the event of a split vote the Chairman shall have the deciding vote. The Chairman of the Board shall represent the Board of Directors of the Bank in external communications; the Vice-Chairman shall assume this duty in the Chairman's absence.
- 2.3. When a Director ceases to qualify as a member of the Board of Directors he/she shall recuse him-/herself and be replaced by an alternate. The alternate shall serve until the next AGM at which time elections to the Board are held.
- 2.4. Should a Director decide to resign from his/her position on the Board he/she shall notify the Board in writing thereof. If a dispute within the Board is the reason it shall be specified in the resignation.
- 2.5. The Board shall assess, no less than once per annum, whether a Board member is at any given time independent of the Bank and major shareholders of the Bank and shall report the results in the Bank's Corporate Governance Statement.<sup>1</sup> Directors shall notify the Board as soon as possible of any changes in their circumstances which may influence their independence.

## 3. Role of the Board

- 3.1. The Board of Directors is the supreme authority over the Bank's affairs subject to shareholders' meetings according to Act on Public Limited Companies No. 2/1995 and the Bank's Articles of Association. The Board shall contribute to the Bank's prosperity and long-term success and oversee its overall operations in addition to supervision of the CEO of the Bank.
- 3.2. The Board is responsible for the Bank's operations and policy, including its risk policy, and instructs the CEO on its implementation and execution.
- 3.3. The Board monitors that the Bank's organisation and activities are at all times in accordance with the relevant law, regulations, good governance and business practices and rules set by the Board.
- 3.4. The Board shall ensure that the Bank's governance and organisational structure is conducive to efficient and prudent management of the Bank. The Board is also responsible for appropriate segregation of duties and the prevention of conflicts of interests, giving due regard to the integrity of the market and the interest of its clients.
- 3.5. The Board shall set and maintain a clear internal governance structure and internal control framework appropriate to the Bank's infrastructure, operations and risk factors.
- 3.6. The Board is responsible for actions of the Bank which are extraordinary or of major importance. Therefore, the Bank has outlined a range of decisions that the Bank may resort to under certain circumstances and established the correct process for making them, including identifying measures that are generally considered extraordinary or of major importance and hence under the control of the Board.

---

<sup>1</sup> See further Chapter 2.3 of [Corporate Governance Guidelines, 6th Edition, published by the Iceland Chamber of Commerce, SA Business Iceland and Nasdaq Iceland](#).



- 3.7. The Board generally does not participate in individual business decisions, unless their volume is considerable in relation to the Bank's Balance Sheet, or if otherwise stated in rules set by the Board.
- 3.8. The Board's role regarding strategy and management:
  - 3.8.1. The Board shall take the lead, together with the CEO, in strategic planning, formation of the Bank's business plan, and the setting of goals and risk parameters for the Bank, for short and long term.
  - 3.8.2. The Board aims at ensuring a sustainable business model that takes into account all risk factors, including environmental, social and governance, and approves a sustainability policy for the Bank.
  - 3.8.3. The CEO's proposal for the annual budget is submitted to the Board for approval and the Board assess the Bank's performance quarterly. The Board and the CEO approve the Bank's financial statements for each quarter.
  - 3.8.4. The Board is responsible for the hire and dismissal of the Bank's CEO and decides his/her remuneration.
  - 3.8.5. The Board evaluates the performance and suitability of the CEO at least once a year.
  - 3.8.6. The Board approves the alternate CEO, upon proposal from the CEO.
  - 3.8.7. The Board defines which of the Bank's employees are considered key function holders, at each point in time, according to the Act on Financial Undertakings.
  - 3.8.8. The Board approves the Internal Audit plan.
- 3.9. The Board's role regarding risk management and supervision of the Bank's operations:
  - 3.9.1. The Board confirms the hire, dismissal and mandate of the Head of Compliance, who reports directly to the CEO, upon proposal from the CEO.
  - 3.9.2. The Board confirms the hire and dismissal of the Head of Risk Management, who reports directly to the CEO, upon proposal of the CEO.
  - 3.9.3. The Board appoints the Chief Audit Executive, who reports directly to the Board, and decides his/her remuneration and mandate.
  - 3.9.4. The Board shall ensure that the Head of Risk Management, Chief Audit Executive and Head of Compliance are able to act independently and have direct access to the Board.
  - 3.9.5. The Board makes a proposal for the remuneration policy for the Bank's AGM each year, supervises and reports on the performance of the remuneration policy at the Bank's AGM.
  - 3.9.6. The Board shall oversee and monitor that the Bank's strategy is implemented consistently, reviewed frequently and the relevant changes made to remedy any shortfalls identified.
  - 3.9.7. The Board, and CEO, shall regularly evaluate the amounts, types and distribution of both internal capital and regulatory capital to adequately cover the risks of the institution and ensure that appropriate contingency and recovery plans are in place in accordance with the Act on Financial Undertakings.
  - 3.9.8. The Board approves the Bank's targets for the liquidity management of the Bank and oversees their implementation.
  - 3.9.9. The Board monitors accounting and financial management, and ensures that Internal Audit, Compliance and Risk Management are effective at all times.
  - 3.9.10. The Board shall oversee the implementation of arrangements aimed at ensuring the integrity of the accounting and financial reporting systems, including financial and operational controls and efficient and prudent risk management.
  - 3.9.11. The Board shall effectively monitor the handling of recommendations of supervisory bodies, risk management and internal and external auditors.
  - 3.9.12. The Board shall ensure appropriate surveillance and regular assessment of the effects of the Bank's risk culture on its financial stability, risk profile and corporate governance.
  - 3.9.13. The Board shall approve the Bank's risk policy, risk appetite statement and procedure for risk



management and ensure that internal procedures and framework for risk management are revised at least annually.

3.9.14. The Board shall devote adequate time to discuss the major risks facing the Bank. The Board shall ensure that adequate time and resources are spent on effective risk management and risk assessment to ensure that the Bank has an overview of major risk factors.

3.9.15. The Board shall, when applicable, monitor the evaluation of the Bank's assets, the use of internal models and the use of estimates from credit rating agencies.

3.9.16. The Board shall at least once a year define the risk factors that the Bank is facing, including their nature and scope. Board shall also define responses to the risks involved.

#### **4. Special disclosure and definition of important risk factors**

4.1. The Board shall at each point in time receive the information appropriate regarding its role and responsibilities, regarding the overall activity, financial and risk situation of the Bank, taking into account the economic environment of the Bank, and decisions having a major impact on the Bank's business.

4.2. The following information regarding the finances, structure and operations of the Bank shall inter alia be submitted to the Board:

4.2.1. A report on the Bank's operations shall be submitted and presented regularly.

4.2.2. A reviewed six month financial statement for the Bank shall be presented to the Board no later than two months after the end of the reporting period. The Bank's audited financial statement shall be completed by the end of February each year. Representatives of the Bank's external auditing firm shall be invited to attend the presentation of the Bank's audited or reviewed financial statements.

4.2.3. Information on the operation of individual divisions of the Bank, as defined in the Bank's organisational chart at each point in time, to ensure that the operations of each income generating division are reviewed at least once a year.

4.2.4. The Bank's Internal Auditor and Compliance Officer shall give a written report of their respective activities to the Board at least twice a year.

4.2.5. A budget for the Bank's forthcoming operating year shall be submitted to the Board in the last quarter of each fiscal year.

4.3. Board members shall be entitled to any information regarding the Bank's operations that they consider necessary in the performance of their duties, with the exception that Board members shall not have access to information pertaining to the interests of the Bank's individual customers. The Board shall, however, receive general statements on lending and defaults in accordance with the Board's rules on such disclosure.

4.4. Board members' inquiries regarding individual transactions or customers shall be made at Board meetings. Individual Board members are prohibited from contacting the Bank's employees for the purpose of obtaining information, unless the Board or the CEO decides otherwise. Responses to inquiries shall be made known to every Board member and entered in the minutes.

4.5. Information shall generally be submitted to the Board in writing, unless otherwise agreed by the Board. Information to which the Board may request access shall be submitted or presented to the Board as soon as possible after a request for information is made. In other respect, the Board decides on the interpretation of disclosure.

#### **5. Suitability and obligations of Board members**

5.1. Board members shall acquaint themselves with laws and regulations relevant to the operation of the Bank and have a good understanding of their duties and responsibilities as members of the Board. Board members shall, collectively as well as individually, have sufficient knowledge, experience and skills to perform their duties in due manner throughout their term of office and undertake appropriate training for that purpose.

5.2. Board members shall know and understand the Bank's structure and organisation and ensure that



they follow the approved business policy and risk profile of the Bank.

- 5.3. Board members shall be of good repute and act with honesty, integrity and professionalism and mind their suitability in other respects in accordance with the Bank's policy on the suitability of the board of directors, CEO and key function holders.
- 5.4. Board members shall devote sufficient time for Board duties and perform them diligently. Moreover, Board members shall foster a good working atmosphere within the Board.
- 5.5. Each year the Board shall define its key projects for the upcoming year, objectives and policy and set out a work schedule.
- 5.6. In order to be able to carry out its duties in a diligent manner the Board may purchase advisory services from independent experts, at the Bank's expense, when it considers it necessary. The Board shall ensure experts are independent of the Bank and senior management.
- 5.7. The Board of Directors shall discharge its duties in a manner that ensures the Bank's competitive independence from other commercial state-owned banks in accordance with the provisions of the settlement between Icelandic State Financial Investments, the Ministry for Finance and Economic Affairs, Landsbankinn hf. and Íslandsbanki hf., and the Icelandic Competition Authority No. 9/2016.
- 5.8. Board members shall ensure equal treatment of its shareholders, protection of their interests and that disclosure to shareholders, as well as other stakeholders, is appropriate and in accordance with the applicable law.
- 5.9. Board members shall analyse and prevent conflicts of interests, in accordance with the Bank's Conflict of Interest Policy, in relation to themselves and report to the Board and Compliance Officer any relations, former or ongoing, personal, political or professional, which are likely to cause conflicts of interest in the performance of their duties on the Board.<sup>2</sup> In case of conflicts of interests, whether in relation to a single member of the Board or the Board as a whole, it shall be reported by the Board member himself or the secretary of the Board to the Board and the Compliance Officer, discussed within the Board and entered into minutes what actions should be taken. Reports shall be sent via email to [regluvordur@islandsbanki.is](mailto:regluvordur@islandsbanki.is).
- 5.10. Board members are not required to conduct their transactions with financial instruments exclusively with the Bank. Board members shall conduct their business in a manner that is in no way suspicious or likely to have negative impact on the credibility and reputation of the Board members and/or the Bank. If Board members seek the Bank's service in trading of financial instruments, their business shall be handled in the same manner as other customers.
- 5.11. Any trading in financial instruments of an issuer having financial interests in Iceland which has its shares listed on a regulated market, irrespective of whether it is in Iceland or outside Iceland, by members of the Board and parties related to them shall be reported immediately to Compliance. Reports shall be sent via email to [verdbrefakaup@islandsbanki.is](mailto:verdbrefakaup@islandsbanki.is).  
The aforementioned reporting requirement does not apply to trading in financial instruments of Board members under asset management or in UCITS or investment funds that meet the relevant legal requirements, provided that the Board member concerned does not participate in the management of the relevant fund.
- 5.12. Board members are prohibited from speaking to the media or publicly discussing the Bank's affairs unless approved by the Board.
- 5.13. Board members are bound by an obligation of confidentiality with regard to any information they acquire during the execution of their duties and which concern the business or private affairs of the Bank's customers, unless they are obligated by law to disclose information. The obligation of confidentiality remains after employment ceases. In addition, Board members are required to keep the confidentiality of the Bank's affairs, employee interests and other matters they become aware of in the course of their duties as Board members and must be kept confidential pursuant to the law or according to the nature of the matter, and show caution in the preservation, copying, electronic registration and destruction of such information.

---

<sup>2</sup> Including parties considered related to them, according to the definition in the rules of the Central Bank on credit provided by a financial undertaking to related parties nr. 247/2017



## 6. Role of the Chairman of the Board

- 6.1. The Chairman of the Board is responsible for the Board carrying out its role effectively and in an organised manner as well as acting as its facilitator and guide.
- 6.2. The Chairman of the Board shall not take on other tasks for the Bank than what is a normal part of his/her duties as Chairman.
- 6.3. The main tasks of the Chairman of the Board are the following:
  - 6.3.1. Promoting that the practices of the Board are in compliance with the relevant laws, rules and good corporate governance, ensure that the Board's work facilities are satisfactory and encourage positive moral within the Board;
  - 6.3.2. Organising the agenda for the meetings of the Board in partnership with the CEO, and Vice-Chairman of the Board, and make sure it is sent out on time. The Chairman shall grant the request of a Board member to put a specific matter on the agenda provided that the request is received in a timely manner;
  - 6.3.3. Make sure that statutory duties and strategic projects of the Board are given priority;
  - 6.3.4. Managing Board meetings and allow ample time for discussions and decision making, in particular for larger and more complicated issues;
  - 6.3.5. Promoting active involvement of all Board members in discussion and decision making;
  - 6.3.6. Ensuring that decisions of the Board are taken on a solid and informed basis and encourage open and critical discussion in the decision making processes;
  - 6.3.7. Fostering good communications between the CEO and, where applicable, other Managing Directors of the Bank, and the Bank's Board of Directors;
  - 6.3.8. Ensuring that Directors receive the necessary information and guidance in the procedures of the Board and the Banks affairs, in accordance with Annex I of these Rules;
  - 6.3.9. Taking initiative in the forming of the Board's Rules of Procedure and making sure that they are reviewed annually;
  - 6.3.10. Ensuring that the Board performs an annual assessment of the Bank's internal governance;
  - 6.3.11. Ensuring that the Board regularly receives appropriate, detailed and clear information and data on the Bank's operations.
  - 6.3.12. Ensuring that the Board performs an annual assessment of its work and that of its sub-committees;
  - 6.3.13. Informing the Bank's CEO on the results of the Board's assessment of his/her performance and consulting with him/her on possible improvements;
  - 6.3.14. Following the progress of the implementation of Board decisions within the Bank and confirming their implementation to the Board; and
  - 6.3.15. To submit a proposal for an annual work schedule for the Board meetings for a period of one year at a time.

## 7. Role of the CEO

- 7.1. The CEO is responsible for the day-to-day operations of the Bank pursuant to set policies and resolutions of the Board. Day-to-day operations do not extend to unusual actions or actions of major significance.
- 7.2. The CEO has decision-making power regarding aspects of the Bank's operations in accordance with the Bank's strategy, policies, risk appetite and limits set out by the Board of Directors.
- 7.3. The CEO shall ensure that the Bank's operations are in compliance with the Banks policy, the applicable law, the Bank's Articles of Associations and the Board's decisions, at all times.
- 7.4. If a decision of the Board could significantly affect the value of financial instruments issued by the Bank which have been admitted to trading on a regulated market, the CEO shall inform the Bank's



Disclosure Committee without delay.

- 7.5. The CEO shall establish an Executive Committee and other senior management committees to make or advise on key management decisions regarding the operations of the Bank. The CEO appoints the members of the Executive Committee and members of other senior management committees of the Bank and informs the Board of Directors about the composition of senior management committees at each point in time. The CEO hires staff members of the Bank.
- 7.6. The CEO shall make annual succession plans for key function holders and present to the Board of Directors along with assessments of the performance of individual key function holders. Key function holders of the Bank shall not be present when their performance is being evaluated.
- 7.7. The CEO shall inform the Board of Directors on regular Board meetings about the main factors of the Bank's activities and strategy and report on the implementation of the Board's decisions.
- 7.8. The CEO shall propose a business plan and financial plan for each fiscal year and supervise the implementation and effectiveness of the Board Policy in the Bank's operations.
- 7.9. The CEO shall ensure that observations and comments from internal or external supervisory authorities, risk management and internal and external auditors of the Bank are given the appropriate attention of the Board and senior management and that a harmonised, efficient and documented procedure for remedial actions is followed.
- 7.10. The CEO shall implement a corporate and risk culture within the Bank and ensure that all staff members have knowledge and understanding of their role concerning the managing of risk the Bank is faced with and how they are managed.

## **8. Convening of Board meetings and meeting documents**

- 8.1. The Chairman of the Board, or the CEO acting on the Chairman's behalf, shall convene the Board meetings. Meetings of the Board shall generally be called with three days' notice. The Chairman of the Board may convene meetings of the Board with a shorter notice if she/he deems that necessary. If a Board member or the CEO requests that a meeting should be convened, the meeting shall be held as soon as practicable.
- 8.2. If a principal member of the Board gives notice of her/his absence, the CEO's office shall summon an alternate member if necessary to constitute a quorum.
- 8.3. The Board meeting agenda together with the relevant material shall generally be sent to members at least three working days before the scheduled meeting. Meeting material is typically circulated to members of the Board electronically, e.g. through a web portal. In the circulation of meeting material due regard shall be given to the list of related parties of the Bank and whether any of the members of the Board or guests attending the relevant meeting are ineligible for taking part in the handling of a particular agenda item. In cases where a member of the Board, or a guest attending the relevant meeting of the Board is considered to be ineligible, the secretary of the Board shall ensure that the person does not receive meeting materials regarding that particular item.
- 8.4. Documents containing information on the business of customers of the Bank shall generally not be circulated to Board members outside the Bank, it shall however be permitted when deemed necessary and in order to expedite the resolution in individual cases. The CEO and/or Chairman of the Board can require Directors to return the documents of a meeting concerning individual matters.

## **9. Meetings of the Board of Directors**

- 9.1. A board meeting has a quorum if a majority of the Directors attend. Major decision, however, may not be taken without all Directors having had the opportunity to discuss the matter if at all possible.
- 9.2. Regular Board meetings are generally held on a monthly basis, more often if the Board of Directors deems it necessary.
- 9.3. Meetings shall generally be held at the Bank's headquarters unless the Chairman of the Board decides otherwise. Meetings may, however, be held by means of teleconference equipment; such meetings shall be subject to the general provisions of these Rules of Procedure unless otherwise specifically stated herein.
- 9.4. The Chairman of the Board, and the Vice-Chairman in the Chairman's absence, shall preside over



meetings. If both the Chairman and Vice-Chairman are absent, the senior member shall preside over meetings.

- 9.5. External auditors are entitled to attend a meeting of the Board when discussing the financial statements certified by them where they can express their opinion as to whether the accounts and the report of the Board of Directors contain the necessary and statutory information.
- 9.6. The CEO attends Board meetings with the right to speak and submit motions. However, the CEO shall withdraw from a meeting during discussions on personal matters concerning the CEO or where the CEO is ineligible from considering the issue concerned, in accordance with the applicable rules on the specific eligibility of Board members.
- 9.7. The Board shall decide whether and when other employees of the Bank may attend Board meetings. The Chairman may decide to invite external parties to attend Board meetings.
- 9.8. A decision of the Board of Directors is deemed to be approved if approved by majority of the Board members. In the event of a tie, the Chairman shall have the deciding vote.
- 9.9. Issues shall not be presented for decision at Board meetings unless Board members have received the documents relevant to the matter or sufficient information on the matter prior to the meeting and have had time to familiarise themselves with its substance.
- 9.10. Issues shall generally be presented for decision by the Board in writing. If issues are submitted before a Board meeting for presentation, such presentation may be oral.

## **10. The Board's meeting minutes**

- 10.1. The Board shall appoint a secretary to record the Board's meeting minutes.
- 10.2. Anyone entitled to attend Board meetings has the right to ask to have her/his comments and dissenting opinion in connection with proceedings and the handling of individual matters recorded in the minutes, if he/she clearly expresses their views thereto in the meeting.
- 10.3. The information recorded in the minutes of the Board shall at least include the name of the Bank and national identification number, place of the meeting, date of the meeting and the date of other meetings taking place in the same sequence, agenda of the meeting, starting time and end of the meeting, number of Board meeting, name of the meeting chairman and the secretary of the meeting, name of attendees and page number out of total number of pages in the relevant Board minutes. Additionally, the names and titles of employees of the Bank and outside parties attending meetings, specifying when they join the meeting and when they leave, shall be included. Material made available before the meeting, whether any documents were handed out at the meeting and what material was shown at the meeting, shall be noted at the beginning of the Board's minutes and the documents circulated to Directors shall be included in the Board's minutes. A summary and the outcome of each agenda item i.e., decisions taken, matters postponed or rejected, inquiries or, if applicable, the person(s) required to follow up on the relevant decision, along with information on follow-up in decisions from previous meetings of the Board, if applicable, shall also be included.
- 10.4. A special note shall be made in the minutes where a Board member has withdrawn from the meeting as a result of ineligibility to address a particular matter, stating the reason for ineligibility, and where the Board member has not received material or information relating to such a matter, cf. Article 11 of these Rules of Procedure.
- 10.5. Responses to Board members' inquiries concerning individual transactions or customers, cf. Article 4.4, shall be entered in the minutes.
- 10.6. Attending Board members shall confirm the minutes with their signatures, along with those of the CEO and the secretary. Non-attending Board members shall confirm that they have been shown the minutes and are aware of their substance with their signatures. Minutes of meeting of the Board may be confirmed electronically.
- 10.7. Minutes shall always be circulated to Board members and any alternates in attendance at the meeting in question. Minutes may be circulated to alternates after approval but shall not contain confidential information such as information on customers.
- 10.8. Draft minutes shall, in general, be circulated to members of the Board's review within five working days following a meeting.



- 10.9. The Board's work shall in general take place at Board meetings. In the event of communication between Board members and/or between Board members and the CEO, the Banks senior management or external auditor, outside the boardroom on matters regarding decisions taken by the Board or the grounds for such decisions, this shall be disclosed at the next Board meeting and recorded in the minutes of the Board.

## **11. Specific eligibility**

- 11.1. Members of the Board shall be considered ineligible to take part in the handling of any issues concerning their own business or the business of companies in which they own a direct or indirect share, which they represent, of which they are members of the Board or in which they have a significant interest in other respects, unless the business is considered normal private transactions subject to general terms. The same applies to dealings with parties personally or financially connected to Board members. Board members shall be considered ineligible to participate in deliberations on issues relating to the business of their competitors or related parties. Board members shall not act as agents of other parties towards the Bank.
- 11.2. When Board members are ineligible from addressing a particular matter, they shall withdraw from a meeting and be denied access to materials and information concerning the matter.
- 11.3. The CEO or individual Board members may insist on a Board member not participating in discussions on a matter and not be provided with material concerning the matter on the grounds of ineligibility. The majority of the Board shall decide whether Board member is ineligible.
- 11.4. If there is a dispute about the specific eligibility of a Board member with regard to participation in the handling of affairs, the Compliance Officer, in co-operation with the Chairman of the Board, shall gather information about the specific eligibility of the Board member and give the respective Board member the opportunity to provide further information and comments. Thereafter, the Board of Directors rules on the specific eligibility of the Board member. In case of dispute regarding the specific eligibility of the Chairman of the Board, the Vice-Chairman shall take his place.
- 11.5. When Board members take a seat on the Bank's Board of Directors, they shall inform the Board of the parties that are related to them in the manner described in Article 5.9. and paragraph 2 Article 12.3 of these Rules and subsequently inform the Board of changes thereto. An up-to-date list of related parties shall be available for reference at Board meetings.

## **12. Related parties' transactions**

- 12.1. The Bank shall be permitted to handle individual transactions in accordance with applicable law and the Bank's procedures- and credit rules, including securities transactions, without special authorisation from the Board, provided that the transaction meets the following conditions:
- 12.1.1. In the case of transaction where the party in question has undergone general terms for a particular type of transaction.
- 12.1.2. The terms of the transaction are consistent with the general terms in the field in question, and there are no special terms.
- 12.1.3. The transaction is handled in the same way as any other comparable transaction between unrelated parties.
- 12.1.4. The transaction is handled in accordance with the applicable law and Central Bank rules on credit provided by a financial undertaking to directors, managing directors, key function holders or a party of qualifying holding, or parties with close links to such persons.
- 12.2. Even where individual transactions meet the above conditions, the CEO or committees appointed by the CEO, shall have the authority to refer the relevant transactions to the Board if deemed necessary.
- 12.3. Transactions of Board members, the CEO, key function holders, which are not subject to Article 12.1, shall be presented to the Board for approval or rejection. In deciding on such transactions, the Board shall consider the Bank's risk due to such transactions and whether the transaction is considered fair and reasonable from the perspective of the Bank and its shareholders. Decisions on such transactions shall be recorded in the minutes of the Board.

Spouses, children and parents of Board members, the CEO or key function holders or companies in



which Board members, the CEO or key function holders or their respective spouses, children and parents own a qualifying holding, serve as members of the board, CEO or as a manager reporting directly to the CEO, or can by reason of any other circumstances have significant influence over, such companies shall also be subject to this provision.

- 12.4. The Board shall annually review the Internal Auditor's report on transactions of and credit to related parties<sup>3</sup> with regards to, among other things, terms, renegotiation and balances. The Board entrusts the Internal Audit with the supervision of the aforementioned and immediate reporting to the Board of any remarkable deviation from the provisions of this Article 12 .

On an annual basis, the Board shall entrust the Bank's external auditors with the task of reviewing credit to related parties and performing a comparison with comparable business transactions of other customers and providing a reasoned report, i.a. concerning terms, renegotiations and balances. The report of the external auditor should include information on the identities of the parties used for comparison in each case. The external auditor's report shall be submitted to the Central Bank no later than 1 April each year for the preceding fiscal year.

### **13. The participation of the CEO and Internal Auditor in business operations**

- 13.1. Unless expressly authorised by the Board, the CEO and the Internal Auditor shall not sit on the boards of other companies or participate in business operations in other respects. In taking such a decision, the Board must examine the reasons for such participation by the CEO and the Internal Auditor and the effect of their participation on Íslandsbanki. A holding in an undertaking is deemed to be participation in business operations, except in the case of an unsubstantial holding which confers no direct influence on the management of the undertaking.

### **14. Self- and performance assessment of the Board**

- 14.1. The Board shall, at least once a year, perform self- and performance assessment of the Board and its sub-committees. The Board shall assess its work, procedures and practices, for the Board collectively and for individual Board members, Board sub-committees required and the Bank's progress.
- 14.2. The Boards self-assessment shall include, among other things, an assessment of the composition of the Board, whether the Board of Directors, as well as individual directors in each case, possess the sufficient knowledge, experience and ability to perform their duties appropriately.
- 14.3. The performance assessment process shall, inter alia, take the following into account:
- 14.3.1. Whether the Board rules of procedure have been complied with in all respects.
  - 14.3.2. Board Meeting Schedule for the preceding operating year is reviewed and an assessment is made whether the issues set out in the schedule have received appropriate discussion.
  - 14.3.3. Status taken of the specific priorities set by the Board regarding risk management and internal control within the Bank.
- 14.4. The Boards self- and performance assessment shall be the basis of the Board's training agenda aimed at deepening the knowledge and competence of the Board in the aspects that such assessment indicates that may improve. For this purpose, the Board may use external expert assistance, as the Board considers necessary at any given time.
- 14.5. The self- and performance assessment results shall be used to improve the work of the Board. For this purpose, the Board may use external expert assistance, as the Board considers necessary at any given time.

### **15. Board sub-committees**

- 15.1. The Board shall establish and maintain the appropriate structure of sub-committees in order to support the development, implementation and monitoring of the Board's tasks which are considered important or require increased expertise or attention. The Board shall elect sub-committee members and appoint chairmen. The Board shall, when appointing members and the Chairmen of the committees, take into account which expertise, skills and experience in the relevant sub-committee

---

<sup>3</sup> According to the definition in the rules of the Central Bank on credit provided by a financial undertaking to related parties nr. 247/2017.



requires.

- 15.2. The appointment of sub-committees does not free the Board of Directors from responsibility. The power of decision on matters that the sub-committees cover rests with the Board at all times. The provisions on specific eligibility of members of the Board shall apply as well for the Committee members. Majority of Committee members shall be independent from the Bank.
- 15.3. When appointing sub-committees the Board shall provide the sub-committee in question with a mandate of appointment, defining its functions and goals, and other rules for the committee. Mandates of appointment shall be published on the Bank 's internal and external webpage.
- 15.4. The Board shall appoint chairman for each committee. The role of the chairman of the Board's sub-committees is to ensure that the committees carry out their role effectively and in an organised manner as well as acting as its facilitator and guide. The chairman of a sub-committee is also responsible for:
  - 15.4.1. Planning and managing the sub-committee's meetings in consultation with the secretary of the sub-committee.
  - 15.4.2. Following the sub-committee's mandate of appointment.
  - 15.4.3. Give update to the Board regarding matters discussed in the sub-committee's meetings.
  - 15.4.4. Developing the operation and effectiveness of the sub-committee.
  - 15.4.5. Evaluate the work of the committee and work of each individual committee member each year.
- 15.5. Sub-committees of the Board shall ensure that Directors receive regular and specific information on the main functions of the committees and at least once a year report to the Board on their work. All Directors shall have access to the minutes of sub-committees.
- 15.6. The sub-committees are three:
  - 15.6.1. Board Audit Committee.
  - 15.6.2. Board Risk Management Committee.
  - 15.6.3. Board Corporate Governance and Human Resource Committee.

## **16. Board members of the Bank's subsidiaries**

- 16.1. If 5% or more of the Bank's equity resides within a certain subsidiary or associate company, the Board shall decide on the appointment of a Board member on behalf of the Bank, and the CEO shall handle the necessary arrangements. In other cases, the CEO shall decide who shall sit on the boards of the Bank's subsidiary and associate companies. Appointments shall be based on professional evaluations.
- 16.2. The CEO shall annually present the Board with a list of board memberships on behalf of the Bank.
- 16.3. In appointing directors to the boards of the Bank's main subsidiaries, the Board of Directors shall seek to attain the aspects found in Bank's policy on subsidiaries and attain gender balance in accordance with equal rights legislation and the Bank's Gender Equality Policy, with an eye to the qualifications of candidates.
- 16.4. Board members shall only assume board membership for the Bank's subsidiary or associate companies if a special decision on such membership has been made by the Board; when making such a decision the Board shall assess the impact of board membership on the Board member's supervisory duty and the need for the Board member to take a seat on the board.

## **Annex I**

### **Guidance and training of Directors**

Directors shall receive the necessary information and guidance in the Board's operations, i.e. their statutory duties and responsibilities and the affairs of the Bank in order to know and understand the Banks structure, including the banks policy, risk profile, goals and operations.

New Directors are to be provided with information on the following in respect of the Bank:

- The Bank's operations;
- Products and services;
- Bank's policy making and business plan;
- Risk management and risk appetite statement and risk approach;
- Operations of sub-committees;
- Scope of the CEO's tasks and responsibilities;
- Articles of association of the Bank;
- Rules of procedure for the Board of Directors;
- The Boards work schedule;
- Policies of the Bank;
- Last years minutes of the Board;
- Financial information;
- Organisational structure;
- An overview of the law and regulations that concerns the Banks activities;
- An overview of settlements concluded by the Bank with the Icelandic Competition Authority and other cooperation with the Banks competitors which the Bank maintains in accordance with Article 15 of the Competition Act;
- The Bank's Recovery Plan;
- The last annual accounts, interim financial statements and annual report; and
- Reports and letters from internal and external auditors.

Board members may request meetings with the CEO, the Chairman of the Board and the Internal Auditor, and receive answers to the questions they may have in connection with their work on the Board of Directors.

Board members shall receive instruction on how to use and access the web portal of the Board.

Board members may request assistance from the Bank's Compliance Officer for the assessment of suitability of managing directors and board members of financial undertakings.