

## Rules of Procedure for the Board of Borgun hf.

### 1. Scope

- 1.1. These Rules of Procedure have been adopted in accordance with Article 18, Paragraph 2 of the Company's Articles of Association, cf. Article 70, Paragraph 5 of Act No. 2/1995, on Public Limited-liability Companies, Article 54, Paragraph 4 of Act No. 161/2002, on Financial Undertakings, and the provisions of guideline No. 1/2010 from the Financial Supervisory Authority of Iceland (FME). The Rules are also based on the Corporate Governance Guidelines published by the Iceland Chamber of Commerce in 2015. The Rules concern the execution of the work of the Board of Borgun hf. ("the Company") where not specified by law and the provisions of the Company's Articles of Association and resolutions of shareholders' meetings.

### 2. Role and Objectives

- 2.1. The role of the Board of Directors, according to subparagraph 2 of Article 17 of the Company's Articles of Association, is to manage all the affairs of the Company between shareholders' meetings and to protect the interests of the Company against all third parties. The object of the Company is defined in its Articles of Association.

### 3. Division of Duties Within the Board

- 3.1. At the first meeting after the election of the Board, the Board elects a Chairman, Vice-Chairman and Secretary. The Board may appoint a Secretary from outside the ranks of the Board.
- 3.2. The Board member with most seniority on the Board will chair the first Board meeting until a Chairman has been elected. If no Board member has served on the Board before, the oldest member will chair the first meeting.
- 3.3. The Chairman, Vice-Chairman and Secretary are elected by majority vote. In the event of an equal number of votes, the tie shall be broken by casting of lots.
- 3.4. In other aspects, the Board divides duties as necessary. In special cases, the Board of Directors may assign specific matters for review and preparation for submission at a Board meeting to one or more individual Board members. The division of duties does not entail that the Board is exempt from its statutory role.
- 3.5. New members on the Board of Directors must be provided with an introductory meeting where they are informed of the Company's activities, the main legislation governing the Company's operations, the Company's Articles of Association, its internal rules and Board procedures.
- 3.6. If a Director decides to resign during the term, the Director must submit a notification thereof to the Board without undue delay, along with an explanation of his/her decision to resign. The Director must also notify the Registrar of Companies of the resignation. If a shareholders' meeting is not convened due to the Board member's resignation, the

Board will decide which alternate will replace the Director until the next Annual General Meeting, and enter its decision in the minutes.

## **4. Role and Responsibilities of the Chairman of the Board**

- 4.1. The Chairman of the Board of Directors is responsible for ensuring that the Board discharges its duties in an effective and organised manner.
- 4.2. The main responsibilities of the Chairman of the Board are to:
  - a) Help ensure that the procedures of the Board are in conformity with legislation, regulations and good corporate governance and that the Board is provided with the best possible working conditions.
  - b) Ensure that new Directors receive necessary information and guidance in the procedures of the Board and the Company's affairs.
  - c) Ensure that the Board regularly updates its knowledge of the Company and its operations, in addition to ensuring that the Board generally receives, in the course of its work, detailed and explicit information and data in order to be able to perform its work.
  - d) Ensure that Directors get proper guidance regarding the main issues involving corporate governance, e.g. regarding their statutory duties and responsibilities, or ensure that Directors attend courses of that type.
  - e) Organise the preparation of a plan of operation for the Board and ensure that the tasks of the Board, e.g. according to the operational plan, are reviewed as appropriate and if necessary.
  - f) Take the initiative in ensuring that activities are in accordance with the Board's Rules of Procedure, its plan of operation and good governance, as well as the regular review thereof.
  - g) Organise the agenda for the meetings of the Board and call meetings in consultation with the CEO and Secretary of the Board. The Chairman of the Board chairs Board meetings and shall ensure that meetings allow ample time for discussions and decision-making, in particular for larger and more complicated issues.
  - h) Promote active participation of all Board members in discussions and decision-making.
  - i) Follow progress in the execution of Board decisions within the Company and confirm their implementation to the Board.
  - j) Ensure that the Board makes an annual assessment of its work and that of the sub-committees.
  - k) Act as a liaison between the Board and the Company's shareholders and other stakeholders, communicate with them and present their views to the Board.
  - l) Act as a liaison between the Board and the Company's employees.
  - m) Be the Board's spokesperson, e.g. in the media and in communications with supervisory bodies.
- 4.3. Pursuant to the provisions of the Act on Limited Liability Companies and the Act on Financial Enterprises, the Chairman of the Board may not take on any work or projects for the Company other than those considered a natural part of his/her duties as Chairman of the Board, with the exception of specific projects that the Board has entrusted to them.
- 4.4. The Vice Chairman takes over the duties of Chairman in the Chairman's absence.

## 5. Role and Responsibilities of the Board

- 5.1. The Board of Directors acts in the interests of the Company and, as appropriate, the interests of shareholders, employees, customers and other stakeholders. In other respects, the Company's Board is also guided by the Company's social responsibility.
- 5.2. Directors must study the laws, regulations and recommendations that apply to the Company's activities and operation, and understand their responsibilities as members of the Board of Directors.
- 5.3. Directors must study in detail the provisions of competition laws and the restrictions on disclosure between competitors. Directors should refrain from discussing the business of individual financial undertakings served by the Company and not place any restrictions on the ability of Company executives to compete in the market.
- 5.4. In their work, Directors shall:
  - 1) Have sufficient time to execute their duties with diligence.
  - 2) Understand the objectives and projects of the Company and have an understanding of how they should organise their Board-membership responsibilities in order to contribute to the achievement of these objectives.
  - 3) Call for and study all documents and data that they deem necessary in order to have a full understanding of the Company's activities and operation.
  - 4) Promote good morale and cooperation within the Board.
  - 5) Make independent decisions in each individual instance.
  - 6) Observe confidentiality and obligation of professional secrecy towards the Company in communications with shareholders and others.
  - 7) Always ensure the equal treatment of shareholders when making decisions and disclosing information.
  - 8) Not make decisions that clearly favour particular shareholders or others in an unfair manner at the expense of the Company or other shareholders.
  - 9) Prevent their affairs, whether personal or business-related, from leading to a direct or indirect conflict of interests between themselves and the Company.
- 5.5. The Board is responsible for ensuring adequate supervision of accounts and that the funds of the Company are handled according to the applicable laws and regulations.
- 5.6. The Board is responsible for ensuring that governance and organisational structure is conducive to efficient and prudent management of the Company, appropriate segregation of duties, and the prevention of conflicts of interests.
- 5.7. The Board is responsible for policy development and setting goals for the Company in line with its object according to the Company's Articles of Association and decisions of shareholders' meetings. The Board monitors the CEO's compliance with the Company's policy.
- 5.8. The Board approves an annual operating plan and budget for the Company, based in part on policy formulation according to Article 5.7.
- 5.9. The internal auditor, whether an employee of the Company or an independent third party, is appointed by the Board of Directors. The Board assesses the suitability of internal auditors and prepares their Formal Statement of Duties, where their position,

role, responsibilities and powers are defined. The Formal Statement of Duties must be reviewed at least once every three years.

- 5.10. The Board ensures that active risk management and efficient processes and working practices are in place, and that sufficient funds are provided for risk management and risk assessment within the Company. The risk appetite must be defined, the risk policy determined and risk levels set for different types of risk and risk management. The Board sets the company's objectives in liquidity management, and monitors their implementation.
- 5.11. The Board ensures that there is an active control system and internal controls in place to make sure that the Company is managed in a secure and prudent manner and in accordance with the size, nature and scope of the Company's operations, as well as providing appropriate overview of activities.
- 5.12. The Board determines the treatment of the Company's voting rights in subsidiaries and affiliated companies, including the presence of Company Board members on their boards, if appropriate.
- 5.13. The Board makes an annual assessment of its work, procedures and practices and the efficiency of sub-committees, or arranges for such a performance assessment to be carried out with the assistance of outside parties, as appropriate. Such a self-assessment/performance assessment includes the Board's evaluation of strengths and weaknesses in its work and procedures and factors that might be improved.
- 5.14. The Board and CEO shall alert the Financial Supervisory Authority without delay should they acquire knowledge of issues of decisive importance for the Company's continuing activities.

## **6. Appointment of CEO**

- 6.1. The CEO is appointed on the basis of a written employment contract that includes stipulations in his/her wages and other employment terms. The Chairman of the Board of Directors, under the authority of the Board, prepares an employment contract to be submitted for approval by the Board.
- 6.2. The CEO's job description is prepared upon his/her appointment. It shall include provisions on decisions that are considered unusual or major and other decisions that require the Board's approval, as well as the regular and incidental provision of information to the Board. The CEO's job description is part of his/her employment contract.
- 6.3. The CEO may suggest his/her deputy to the Board. Suggestion shall be recorded in the Board's minutes.
- 6.4. The CEO is responsible for the day-to-day operation of the Company and for ensuring that it conforms to applicable laws and regulations, the Company's Articles of Association and the policy and instructions of the Board. Daily operations do not extend to unusual or major arrangements, cf. Article 6.2. The CEO's power of attorney and authorisations are further described in his/her employment contract, the job description, the Board's risk appetite, signature rules and the Company's policy at each

time. The CEO must always perform his/her duties in a manner that best serves the Company's interests.

- 6.5. The Company's Board of Directors establishes rules on the CEO's participation in business activities. Provisions to that effect shall be included in the CEO's employment contract.
- 6.6. The CEO controls the Company's votes, without special authorisation from the Board, at the shareholders' meetings of all companies in which the Company may own a share, cf. however Article 5.12 on subsidiaries and affiliated companies. The CEO may assign this power of attorney to specific Company employees or others entrusted to attend on behalf of the Company. The Board may decide to revoke the CEO's power of attorney and allocate it in another way.

## **7. Arrangement of Board Meetings**

- 7.1. The Board prepares a schedule of meetings for all regular meetings during its operating year, detailing the dates of meetings and scheduling the Board's main tasks, as appropriate. The schedule of meetings is intended to ensure that employees and other parties that the board has to meet with are given sufficient time on the agenda of Board meetings. If possible, deviations from the approved plan of operation should be explained when the agenda is sent to the Board.
- 7.2. The following matters are generally on the agenda at regular Board meetings:
  - 1) The minutes of the previous meeting.
  - 2) The CEO's priorities of the company's operations.
  - 3) An overview of the Company's standing as compared to the operating plan and budget.
  - 4) Policies and documents that the Board is responsible for or needs to study, cf. Annex 1, which is considered part of these Rules of Procedure. Policies and documents shall be addressed at regular Board meetings in accordance with the Board's plan of operation, cf. the provisions of Article 7.1.
  - 5) Other matters according to the Board's schedule of meetings cf. the provisions of Article 7.1.
- 7.3. The Chairman shall call a meeting if a Board member, the CEO or others who may, due to their role, have an urgent matter to bring before the Board, in which case the meeting shall be called within a week and with at least 3 days' notice if possible. A meeting may be called at shorter notice if the meeting's agenda is urgent.
- 7.4. In the event that the Chairman is of the opinion that it is not possible, due to special circumstances, to wait for a Board meeting to be held, the Chairman may decide to hold a teleconferencing/remote meeting with the Board or present the case to the Board members in writing or by telephone. Decisions taken at a teleconferencing/remote meeting shall be recorded in the minutes as if it were a regular Board meeting. Decisions made in writing are to be submitted to the next meeting for confirmation
- 7.5. Should a director be absent for a meeting the Chairman shall decide whether and which alternate shall be summoned or if the meeting shall be delayed.

- 7.6. Meetings can be held at the Company's offices or elsewhere if the Chairman decides. Directors may participate in Board meetings by telephone or online, in which case the fact must be noted in the minutes.
- 7.7. The meeting's agenda shall be announced with sufficient notice to Directors for them to have time to submit their requests to add items to the agenda. Directors shall submit requests for items to be added to a Board meeting agenda to the Chairman or CEO.
- 7.8. Written copies of documents for the meeting as regards individual items on the agenda must be sent to Directors with sufficient notice for Directors to have time to familiarize themselves with the content of each document before the meeting, or made accessible by electronic means, unless the Chairman decides otherwise in individual cases.
- 7.9. Matters submitted for a decision shall generally be submitted to the Board in writing. Issues brought before the Board for introductory purposes may be presented verbally.
- 7.10. Questions shall generally not be submitted to a vote at Board meetings unless the Directors have received documentation on the matter or satisfactory information thereupon prior to the meeting and had time to familiarise themselves with the matter.
- 7.11. The Board shall seek the advice of outside experts when necessary to enable the Board to make independent and informed decisions. Individual Directors may also seek the advice of an external specialist if they deem it necessary, but this should be discussed by the Board in advance.
- 7.12. A Director may request a postponement of a vote, in which case the item is deferred to the next regular meeting, unless such postponement is contrary to the vital interests of the Company.
- 7.13. The CEO attends Board meetings and has the right to debate and to submit proposals there, unless the Board of Directors decides otherwise in individual instances.
- 7.14. At least one Board meeting shall be held annually without employees present, featuring a review of the performance assessment of the CEO and his/her job description.
- 7.15. The Board may summon other Company employees to a meeting to take part in specific matters under discussion, in which case the time of their arrival and departure must be recorded in the minutes of the meeting. The Company's auditor must be summoned to a Board meeting if at least one Director requests his/her presence.
- 7.16. Alternate Board members may attend board meetings and have access to all board documents. Alternate board members do not have voting power at board meetings unless they are called to a meeting in Director's absence.

## **8. Quorum and Mandate**

- 8.1. The presence of the majority of the Board of Directors constitutes a quorum, provided that the meeting was called according to the provisions of Article 7.

- 8.2. Important decisions may not be taken unless all Board members have had the opportunity, if possible, to discuss the matter, e.g. if the decision pertains to amending a prior approval of the Board or is unusual for the Company's activities, or if the decisions constitutes a material deviation from an approved policy or operating plan.
- 8.3. A simple majority of votes will decide issues at a Board meeting, unless otherwise proscribed by law or by the Company's Articles of Association. Proposals are rejected if votes are even.
- 8.4. A decision that falls outside the scope of the Board's functions, as it is unusual for the Company's activities according to its object and/or its financial significance, is to be submitted to a shareholders' meeting in accordance with the provisions of law.

## **9. Specific Eligibility and Independence of Directors to Make Decisions**

- 9.1. The specific eligibility of Directors due to their participation in the handling of a matter relating to the preparation of an agreement, legal action or other decisions that may concern the Director or a party connected with him/her is according to the general eligibility rules of the Act Respecting Public Limited Companies No. 2/1995, these Rules of Procedure and the provisions of Article 55 of Act No. 161/2002 on Financial undertaking, and the Company's rules on measures against conflicts of interest.
- 9.2. Directors and the CEO must disclose their interests and those of their spouses upon their appointment and if there are any changes to their circumstances during their term. Directors are responsible for disclosing their interests for individual items on the agenda of Board meetings. Interests refers to information regarding Directors, the CEO and spouses, as appropriate, pertaining to:
  - a) The Director's employer
  - b) The employer of the Director's spouse, if the spouse is a key employee.
  - c) Other commissions of trust, e.g. membership on Boards of other companies.
  - d) Shares in the Company and companies within the same group.
  - e) A stock option agreement with the Company or others relating to shares in the Company and companies within the same group.
  - f) Shares in other companies amounting to 10% or more.
  - g) Shares in other companies in which the Director has a significant interest, other than those mentioned in item f.
  - h) The main competitors of companies in which the person in question owns a share of 10% or more.
  - i) Shared interests with the Company's main business partners.
  - j) Shared interests with the Company's main competitors.
  - k) Shared interest with shareholders who own a share of 10% or more in the Company or companies within the same group.
- 9.3. The Secretary of the Board manages and updates the list of shared interests of Directors, according to Article 9.2. The list is accessible to other Directors, members of sub-committees, the compliance officer and internal and external auditors.
- 9.4. When the agenda of a Board meeting has been prepared, the Board Secretary shall examine the eligibility of Board members and/or the CEO to participate in agenda items. In case of doubt as to the eligibility of a Board member concerned, the Board Secretary must notify the Chairman of the circumstances of the Board member and/or CEO.

Furthermore, Board members and the CEO must always voluntarily disclose such circumstances, and others that may cause their ineligibility, as soon as they become aware of them.

- 9.5. If a dispute arises regarding the specific eligibility of a Board member to participate in proceedings, the Board Secretary, in consultation with the Chairman, shall obtain information on the specific eligibility of the Board member in question and give him/her an opportunity to provide further information and comments. The Board will then make a decision on the Board member's specific eligibility and inform the Director in question of its conclusion.
- 9.6. Documents pertaining to the matter in question are not sent to Board members who are not deemed eligible to participate in the proceedings and the Board member must recuse himself/herself from the meeting while the Board discusses the matter. The Board assesses whether and when the Board member can be granted access to the relevant data and the Board's decision, depending on whether or not the circumstances causing a conflict of interest are still present.
- 9.7. The CEO must submit to the Board for approval (or rejection) all agreements on loans, liabilities, call option or similar agreements between a Board member and/or the CEO and the Company and agreements between the Company and third parties if the Board member and/or CEO have material interests in such agreements.
- 9.8. The Board assesses whether its members are independent of the Company and/or its major shareholders according to the Icelandic Chamber of Commerce's Guidelines on Corporate Governance. The Board of Directors also evaluates the independence of Board candidates before the Company's Annual General Meeting, and makes its conclusions accessible to shareholders.

Directors must always ensure that they fulfil the conditions for general eligibility for Board membership. Board member must inform the Board of all incidents that Board member suspects that may cast doubt on his/her general eligibility. The Board member shall submit a reasoned argument for or against his/her eligibility in such incidents. The Board assesses whether to inform shareholders of the incidents so the shareholders' meeting can react if shareholders believe there is reason to take a position on the Board member's general eligibility.

## 10. Minutes

- 10.1. The secretary of the Board records minutes of activities and decisions at Board meetings.
- 10.2. The following information shall be recorded in the minutes of the Board:
  - a) The date and location of the meeting.
  - b) Name and national identification number of the Company.
  - c) Number of Board meeting.
  - d) Who attends the meeting and who chairs it.
  - e) The agenda of the meeting.



- f) Whether individual items are presented for information, discussion or decision.
  - g) The documentation for each item on the agenda.
  - h) What documentation was distributed before the meeting and what documentation was distributed during the meeting.
  - i) If a member of the Board, the CEO or another person leaves the meeting during a discussion or decision-making of an agenda item: the time of recusal, the reason for ineligibility, if applicable, and whether the relevant party had access to documentation related to the discussion or decision-making.
  - j) A brief report on the discussions at the meeting and the decisions taken and, as appropriate, the main grounds for making, implementing and following up on a decision.
  - k) Who recorded the minutes.
- 10.3. Board members and the CEO are entitled to have their dissenting opinion entered in the minutes.
- 10.4. The Secretary's draft minutes must be made available to Board members and the CEO within four working days from the Board meeting, and they must be given an opportunity to comment on the draft. Comments must be submitted before the next Board meeting. In the event of a dispute regarding comments or additions to the Secretary's minutes, such amendments shall be recorded as a special booking by the relevant Board member.
- 10.5. As a rule, the minutes shall be approved at the Board's next regular meeting and signed . Electronic signatures are as valid as handwritten signatures. The minutes are considered a full record of what transpired at a Board meeting. Board members who were absent at the Board meeting to which the minutes pertain must confirm with their signature that they have familiarised themselves with the minutes.
- 10.6. If it is necessary to obtain the signatures of Directors to confirm decisions taken by the Board in accordance with these Rules, the signatures may be obtained from each member individually, and this shall be recorded in the minutes of the next Board meeting.
- 10.7. The Secretary is responsible for storing minutes and attached documentation in a secure manner.

## **11. Provision of Information to the Board**

- 11.1. All members of the Board of Directors have equal right to information about the company and shall be provided with access to all information provided to the Board or individual Directors, whether the data concerns Board meetings or individual inquiries from Board members.
- 11.2. Between Board meetings, members of the Board of Directors may send inquiries on individual matters relating to the Company's activities and operation to the Company's CEO. Inquiries to the CEO shall be made by e-mail with a copy (cc) to other members of the Board. Answers to inquiries shall be presented to the whole Board at the same time. Board members may not gather information by contacting employees directly.

- 11.3. Communications between the Chairman and CEO regarding preparations for Board meetings and matters that otherwise fall under the scope of the Chairman's responsibilities according to Article 4 are exempt from the provisions of 11.1 and 11.2.
- 11.4. At Board meetings, the CEO describes the activities of the Company since the previous Board meeting, in accordance with the CEO's job description and the Board's applicable decision on the periodic provision of information to the Board.
- 11.5. Information on issues pertaining to individual shareholders or customers is not to be provided at Board meetings unless such information is of obvious importance to the Company's Board of Directors.

## **12. Board Secretary**

- 12.1. The Secretary of the Board is responsible for ensuring that the Company's website contains information on corporate governance according to the Icelandic Chamber of Commerce's Guidelines on Corporate Governance.
- 12.2. The Secretary is responsible for informing supervisory bodies of any changes to the Board and the Board's Rules of Procedure, as required by law.

## **13. Sub-committees of the Board**

- 13.1. No later than at the second regular Board meeting subsequent to the Annual General Meeting, the Board shall appoint a three-member Audit Committee, a three-member Risk Committee and a three-member Governance and Remuneration Committee. The composition, role and governance of sub-committees are governed by the relevant committee's Rules of Procedure, which are subject to the Board's approval. The committees establish a schedule of meetings at the start of the operating year and present it to the Board. At the end of the operating year, and more frequently if necessary, the sub-committees shall submit a report on its activities to the Board. Written documentation submitted at Committee meetings must be accessible to all members of the Board.
- 13.2. In other respects, the Board's Rules of Procedure apply to the work of the sub-committees as appropriate, e.g. regarding specific eligibility and obligation of confidentiality.

## **14. Obligation of Confidentiality**

- 14.1. Members of the Board of Directors are bound by an obligation of confidentiality regarding the affairs of the company, customers, the situation of employees and other information of which they may become aware in the course of their duties as Directors and fall under the obligation of confidentiality as set forth in the Company's Articles of Association, in legislation or according to the nature of the matter, unless the Board decides to make the matter public or the matter becomes public as a result of the provisions of the Act on Public Limited Companies, the Act on Financial Undertakings or the Company's Articles of Association. This confidentiality shall remain in effect even after termination of employment.

- 14.2. Documentation containing information on the affairs of individual customers shall not be transferred outside the Company's offices unless strictly necessary. Such documentation shall only be distributed to Board members in a secure manner prior to Board meetings.
- 14.3. The dissemination and storing of meeting documents must comply with the Company's data security requirements at each time. Directors must store all documents that they receive as members of the Board in a secure manner.
- 14.4. Members of the Board of Directors, other than the Chairman, may not communicate with the media or the public on the Company's affairs except with the Chairman's prior approval. They should also exercise caution in discussing any non-confidential matters relating to the Company, e.g. by refraining from discussing such matters on social media.

## **15. Storing and Handling of the Rules of Procedure**

- 15.1. The Board Secretary shall retain the original copy of these Rules of Procedure, as amended (if applicable), in a secure manner along with the Company's minutes and their accompanying documents.
- 15.2. Members of the Board at the time of the adoption of these Rules of Procedure shall sign the original copy. If the Board approves amendments to the Rules of Procedure, the members of the Board shall sign the original copy of the Rules thus amended. New Directors shall acquaint themselves with the Rules and sign the original document as confirmation thereof. Electronic signatures are as valid as handwritten signatures.
- 15.3. Members of the Board of Directors, the CEO and the Company's auditors shall be provided with a copy of the Company's Rules of Procedures and Articles of Association as applicable from time to time.

Thus adopted at a meeting of the Board of Directors of Borgun on 21 October 2020