



MINISTRY OF FINANCE  
AND ECONOMIC AFFAIRS

# THE ICELANDIC STATE'S OWNERSHIP STRATEGY FOR FINANCIAL SERVICES

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## Contents

Introduction	3
1 State objectives in ownership of financial undertakings	5
1.1 The state's objectives as owner	5
1.2 Objectives concerning sale and long-term ownership	6
1.3 Objectives concerning individual companies	8
2 Administrative arrangements for ownership	9
2.1 The Icelandic parliament Althingi	9
2.2 Ministry of Finance and Economic Affairs	9
2.3 Icelandic State Financial Investments	10
2.4 Selection committee for Boards of Directors of financial undertakings	11
2.5 Boards of Governors and Boards of Directors	12
2.6 Central Bank of Iceland	12
2.7 Financial Supervisory Authority	12
3 Core principles of the ownership strategy	13
4 Governance, requirements and performance benchmarks	14
4.1 Management and organisation	14
4.2 Corporate governance	14
4.3 Policy formulation and future vision	15
4.4 Company operations	16
4.5 Working practices and procedures	16
4.6 Information disclosure, performance measurement and relationship with owner's representatives	16

## INTRODUCTION

The State's Ownership Strategy for Financial Undertakings covers those financial undertakings administered by Icelandic State Financial Investments (Icel. *Bankasýsla ríkisins*). It has been adopted by virtue of a provision in Art. 44 of Act No. 123/2015, on Public Finances, and a provision in Art. 1 of Act No. 88/2009, on Icelandic State Financial Investments. When the state adopted an Ownership Strategy for Financial Undertakings in 2009, this was the government's first ownership strategy for companies owned by the state.

In 2012 a general State Ownership Strategy was published, intended to apply generally to limited liability companies and partnerships owned by the State. The essence of both these strategies implies that state-owned companies are to be operated professionally and transparently, to ensure public confidence regarding their direction and activities. The state's role as owner is based on recognised guidelines on good corporate governance, especially the OECD Guidelines on Corporate Governance of State-owned Enterprises<sup>1</sup>, as well as general criteria regarding the role and obligations of owners. Emphasis is placed on regular communication and information disclosure between the owner and the enterprise on its operations and policy formulation, which must, however, be based on a clear division of responsibility between the owner, the Board of Directors and the management. It is appropriate to view these strategies in context, but in those instances where discrepancies may arise between them the provisions of this Ownership Strategy for Financial Undertakings shall apply to those enterprises administered by Icelandic State Financial Investments.

The State's Ownership Strategy for Financial Undertakings provides for its regular revision and updating to take into consideration developments on financial markets and in the state's ownership. Since the adoption of the first ownership strategy, material changes have been made to the legal framework of financial undertakings, supervision of their operations and guidelines on corporate governance. Major changes have also occurred in their operating and economic environment.

Extensive changes occurred in the Treasury's involvement in commercial banks and savings banks following the financial system collapse in the autumn of 2008, with further changes occurring to the state's holdings in financial market enterprises since that time. Mention could be made, for instance, of the considerable reduction in the number of savings banks owned by the state, with their acquisition or takeover by other financial undertakings, and the acquisition by the Icelandic state of all share capital in Íslandsbanki. This has created, at least provisionally, a situation where practically all the share capital in two of the country's three largest banks, Landsbankinn hf. and Íslandsbanki hf., is owned by the state. Due to this an accord was reached with the Icelandic Competition Authority to encourage active financial

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<sup>1</sup> More specifically: OECD Guidelines on Corporate Governance of State-owned Enterprises and the Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, NASDAQ Iceland and the Confederation of Icelandic Employers.

market competition and ensure that financial undertakings owned by the state would be operated as independent competitors.

Financial undertakings also have a special status in the national economy, performing an important systemic role as one of the basic pillars of the society. This makes it extremely important that ownership of financial undertakings is in capable hands and in recent years the legislator has set stringent requirements concerning the eligibility of parties holding controlling interests in such enterprises.

In view of the above-mentioned developments, a decision was taken to review the ownership strategy. The strategy takes into consideration the special position of financial undertakings compared to other state-owned enterprises, both with regard to the administrative arrangements for ownership by the state and the state's objectives and future vision for its ownership. The strategy is also based on benchmarks set out in the previously mentioned general state ownership strategy.

The State Ownership Strategy for Financial Undertakings is divided into four chapters:

1. State objectives in ownership of financial undertakings
2. Administrative arrangements for ownership by the state, i.e. responsibility of each party and their relationship
3. Principles adopted by the state as owner
4. Requirements and benchmarks for operations of financial undertakings in which the state has a holding

It is important that the current State Ownership Strategy for Financial Undertakings be accessible to the public and presented to the individual undertakings, their Boards of Directors and management. The same applies to other stakeholders, both in the public administration itself and in parliament, as well as private sector stakeholders. Knowledge of the state's ownership strategy is conducive to fostering stability and confidence in the financial system and those companies which it covers.

# 1 STATE OBJECTIVES IN OWNERSHIP OF FINANCIAL UNDERTAKINGS

It is important that the objectives of the state's ownership strategy are known, clear and foreseeable. This section lists the state's principal objectives, firstly, as owner of holdings in financial undertakings and, secondly, in the sale of holdings and longer-term ownership of specific enterprises in the future. The state does not aim to hold a majority in financial undertakings in the private sector in the longer term. It is therefore important that administration of these holdings is done professionally, soundly and on market principles, in part to maximise their sales value and dividends to taxpayers, as they comprise valuable public assets.

## 1.1 The state's objectives as owner

### a. That the administration of ownership and activities of financial undertakings contribute to a sound and credible financial market.

- Icelandic State Financial Investments, together with the Boards of Directors and others involved in the activities of financial undertakings on behalf of the state, shall comply with recognised guidelines on corporate governance and endeavour to lead the way in good governance, business ethics and social responsibility.
- Care shall be taken to ensure equal treatment of customers, which in this context means ensuring non-discrimination and similar handling of comparable cases.
- In the sale of assets emphasis shall be placed on transparency, objectivity, equity and cost-efficiency, as well as considerations of competition.
- Procedures and methods adopted by financial undertakings for their activities and decision making shall be written, transparent and accessible to all. Procedures shall, among other things, cover investments, granting of credit, sale of assets and enforcement of claims.

### b. Promoting competition in the financial market

- The exercise of the state's holding in financial undertakings shall aim at boosting and strengthening competition in the financial market, for instance, by promoting active and effective competition among financial undertakings owned by the state.
- This means complying with provisions of the accord between the Ministry of Finance and Economic Affairs, Icelandic State Financial Investments, Landsbankinn hf. and Íslandsbanki hf. and the Icelandic Competition Authority, cf. the Authority's Decision No. 9/2016, for instance, on the autonomy of financial undertakings, independence of directors and procedures regarding information disclosure.

- It must be assured that processes and access controls are in place preventing confidential information, which is made known to owners' representatives, from finding its way to other financial undertakings. Icelandic State Financial Investments shall adopt special procedural rules in this regard and publish them on their website.
- An independent selection committee, appointed by the Board of Icelandic State Financial Investments as provided for by law, shall make appointments to the Boards of Directors on behalf of the State, having regard especially to competition perspectives.

**c. To maximise the long-term value for the state, having regard for risk.**

- It must be ensured that those financial undertakings in which the state holds a stake return an acceptable dividend to shareholders, having regard for market circumstances.
- Profitability shall be based on cautious, long-term considerations and not short-term gain.
- The activities of financial undertakings should be based on a focused strategy and cost-efficient operations providing returns to customers and the society over the long term.

**1.2 Objectives concerning sale and long-term ownership**

**a. That acceptable conditions must exist before a holding is sold.**

- The state's holdings in Icelandic financial undertakings have been regarded as a temporary arrangement, although there could be reasons to continue to keep some of them in state ownership.
- Under certain circumstances it may be appropriate to sell a company in part on the market to set in motion active price formation without creating an oversupply of shares. The objective of such sale would be to obtain a higher overall value in the longer term.
- The state's holdings in financial undertakings will not be sold until circumstances on the financial market, including the legal and regulatory framework, are favourable and desirable, potential buyers exist and the undertaking concerned is ready for sale. In making this assessment consideration shall be given, for instance, to the following aspects before a final decision on sale is taken:
  - that the capital structure and operations of the financial undertaking concerned are in a suitable balance;
  - that the separation of risk from various business lines is acceptable; and

- the market's capacity to acquire the holding, for instance, given the supply of shares of other large enterprises, not least financial undertakings.

**b. To safeguard the state's long-term interests, having regard for risk.**

- Every effort shall be made to maximise the long-term value of the state's holdings in financial undertakings, taking into consideration the profitability of their operations (including return on equity and assets), dividends, the selling price of shares and other factors of significance.
- Regard shall be given to the state's primary objective of reducing Treasury debt and thereby creating additional leeway for provision of public services and investment by the state in the future. Regular and acceptable dividends from and/or sale of shares in financial undertakings are key factors in achieving this objective.
- The state's position and risk of owning a majority in Icelandic financial undertakings must be regularly assessed, e.g. with regard to the risk of financial setbacks.

**c. To encourage sound long-term ownership**

- Sale of the state's holdings in financial undertakings shall be aimed at promoting and strengthening financial market competition.
- Even though a major portion of the financial system is currently owned by the state, the aim is to have diverse, sound and broadly distributed ownership of Icelandic financial undertakings in the future.
- Broadly distributed ownership refers to a shareholder group which is diverse and financial undertakings that are publicly listed on an equity market.
- Sound ownership in this context refers to shareholders with holdings of over 10%, or qualifying holdings, being considered eligible to exercise such holdings by the competent supervisory bodies. It is not acceptable for shareholders, singly or in concert with others, to be able to use their influence in a manner which is detrimental to the interests of the financial undertaking concerned or other shareholders. This is especially significant in the case of systemically important financial undertakings.
- When financial undertakings are listed on an equity market efforts shall be made to repeal all special legislation concerning enterprises in majority state ownership, even though the state continues to hold a majority in such undertakings. The state's ownership strategy, however, will continue to apply to companies where the state holds a majority, and directors nominated by the state shall be guided by the principles laid down there.
- In light of the above-mentioned objectives, and with a view to achieving still more broadly distributed ownership and a more realistic valuation, it may be advisable to list the shares of financial undertakings in part or in full both in Iceland and abroad. Sale to a foreign financial undertaking with broadly

distributed ownership could satisfy the requirement for such, in addition to which partial or total foreign ownership can encourage more active and more extensive competition and offer opportunities for lowering financing costs to the benefit of the customers of the financial undertaking in question.

### 1.3 Objectives concerning individual companies

The state has holdings in four financial undertakings: the commercial banks Landsbankinn hf., Íslandsbanki hf. and Arion Bank hf. and the savings bank Sparisjóður Austurlands hf. The state's plans for each of these companies are as follows:

#### a. Landsbankinn hf.

- The intention is to have the state hold a sizeable stake, of 34-40%, in the bank for the long term to contribute to financial system stability and ensure its necessary infrastructure.
- The remainder of the state's holding in the bank will be sold in coming years when favourable and desirable circumstances prevail.
- The intention is to list the bank on an equity market.

#### b. Íslandsbanki hf.

- The Treasury acquired all shares in Íslandsbanki as part of Glitnir's stability contribution upon the settlement of its estate.
- The state's ownership of Íslandsbanki is based on Act No. 60/2015, on a Stability Tax, and therefore dividends and the selling price of the bank must be used to pay down Treasury debt.
- The intention is to sell the state's entire holding in Íslandsbanki when favourable and desirable circumstances prevail.

#### c. Arion Bank hf.

- The intention is to sell the state's entire holding when favourable and desirable circumstances prevail.
- As the state is a minority shareholder, the sale will likely take place in tandem with sale by the majority owner or the bank's listing on an equity market.

#### d. Sparisjóður Austurlands hf.

- The intention is to sell the state's 49.5% holding as soon as possible, as long-term ownership of the savings bank is not the state's objective.

## 2 ADMINISTRATIVE ARRANGEMENTS FOR OWNERSHIP

The Ministry of Finance and Economic Affairs is responsible for representing and acting on behalf of the state regarding its assets, companies and rights, acquiring and disposing of these, unless otherwise provided for by law.

Following the financial crisis of 2008 a decision was taken to set up a public agency, Icelandic State Financial Investments, with the principal role of exercising the state's ownership of financial undertakings which it had taken over or established as a result of the crisis. This agency is under the administration of the Minister of Finance and Economic Affairs.

The following section discusses the administrative arrangements for ownership together with the tasks of all the main parties involved in exercising and selling holdings in financial undertakings.

### 2.1 The Icelandic parliament *Althingi*

Each year Althingi decides in its budget for the following year whether authorisation is to be given to sell state holdings in financial undertakings as provided for by law. Such authorisation or, as the case may be, special legislation on the sale of individual holdings serves as a basis for the Treasury to be able to sell holdings in such companies.

The parliamentary Budget Committee and Economic and Trade Committee are involved at the initial stage in the sale of holdings in financial undertakings, as the committees are by law expected to give their opinion on a report from the Minister of Finance and Economic Affairs on any proposed sales process.

Althingi supervises generally how the government is performing its ownership role and can in this connection request information.

### 2.2 Ministry of Finance and Economic Affairs

The Ministry of Finance and Economic Affairs acts on behalf of the state regarding its holdings in financial undertakings and is responsible for their sale, although Icelandic State Financial Investments in other respects administers these holdings.

The Ministry adopts a specific ownership strategy for financial undertakings owned by the state and is responsible for such. The ownership strategy sets out the emphases on which the state bases administration of the holdings by Icelandic State Financial Investments and for the operation, management and practices of individual financial undertakings by their Boards of Directors and management. The ownership strategy also contains the general and specific aims of the state regarding the operation, future ownership and disposition of its holdings in these undertakings.

As the Ministry of Finance and Economic Affairs is also responsible for financial market matters and regulation in various related areas the Ministry must keep the state's role as

owner of financial undertakings clearly separated from its other tasks in connection with financial markets, policy formulation, legislation and supervision.

If Icelandic State Financial Investments makes a proposal for the sale of holdings in a financial undertaking and such proposal is approved by the Minister, the latter shall prepare a special report on the proposed sales process and submit it to the relevant parliamentary committees. The report shall include information on the primary objectives in selling the holding, what sales procedure will be followed and how this will be arranged in other respects.

The committees are in accordance with law granted a suitable time limit for commenting on the contents of the report, after which the Minister shall take an independent decision as to whether to initiate a sales process for the holding. The Minister may amend individual aspects of the proposed sales process, for instance, to take into consideration comments on the report from the Budget Committee or Economic and Trade Committee.

Once bids for the holding have been received, together with a grounded assessment by Icelandic State Financial Investments of these, the Minister shall take a decision as to whether a bid shall be accepted or rejected, and shall sign the purchase contract.

### **2.3 Icelandic State Financial Investments**

The purpose and objectives of this agency are laid down in Act No. 88/2009, on Icelandic State Financial Investments. Its purpose is to exercise the state's holdings in financial undertakings in accordance with legislation, good business and corporate governance practice, and the state's current ownership strategy. The final authority in Icelandic State Financial Investments rests with a three-person Board of Directors appointed by the Minister, to which all major decisions are to be referred. The Director General of Icelandic State Financial Investments is appointed by the Board of Directors and is responsible to it for the agency's activities and operations.

Icelandic State Financial Investments shall emphasise the development of a strong domestic financial market and its continuing vitality, encourage active and appropriate competition in this market and ensure transparency in all decision-making with regard to the state's involvement in financial activities and effective information disclosure to the public.

The agency's principal task is to handle relations between the state and financial undertakings in which it holds stakes in connection with its ownership role. These should, in the main, take place through the Boards of Directors of the financial undertakings. Due to arm's length considerations in legislation, these parties are not expected to communicate directly with the Ministry of Finance and Economic Affairs or the Minister in connection with decisions regarding the state's ownership or operations of the companies. This shall not, however, prevent financial undertakings from informing the Ministry or the Minister on strategic matters.

Icelandic State Financial Investments exercises the Treasury's vote at shareholders' meetings of the companies and nominates directors on the owner's behalf. It is responsible for enforcing this ownership strategy towards financial undertakings owned by the state and shall monitor compliance with it in order to achieve its objectives. In carrying out such enforcement

Icelandic State Financial Investments can receive general suggestions from customers but does not deal with cases concerning individual customers of financial undertakings.

The agency shall, on behalf of the owner, conclude agreements with state-owned financial undertakings for specific and general objectives in their operations, in addition to carrying out other specified statutory task in connection with the administration of the state's holdings in financial undertakings.

Icelandic State Financial Investments takes the initiative in the sale of state holdings in financial undertakings, cf. Act No. 155/2012, on the Sales Process for the State's Holdings in Financial Undertakings. It is expected to evaluate the circumstances and prepare and draft a proposal to the Minister on the sale of individual financial undertakings. In this connection Icelandic State Financial Investments shall define the tasks of the financial undertaking concerned and arrangements for information disclosure and the parties' collaboration. In preparation for sale, special consideration shall be given to the principles laid down in Art. 3 of the Act on a sales process.

Should the Minister, acting on a proposal from Icelandic State Financial Investments, decide to commence a sales process for a financial undertaking or part of it the agency shall handle the sales process of the holding on behalf of the state as decided by the Minister. Icelandic State Financial Investments shall prepare the sale, seek bids for the holding, assess the bids, supervise the negotiations with outside consultants and potential buyers and see to drafting of agreements. It is important that outside consultants satisfy suitable eligibility/qualification requirements, including regarding relevant experience of directing sales and/or listing processes for state holdings in similar financial undertakings in Europe.

Icelandic State Financial Investments shall regularly inform the Minister of the progress of the sales process for financial undertakings. Once bids for a holding are available Icelandic State Financial Investments shall deliver to the Minister a grounded assessment of the bids received.

Icelandic State Financial Investments shall report to the Minister of Finance and Economic Affairs on the situation of financial undertakings having regard to the objectives and emphases set out in statutes and this ownership strategy.

Act No. 88/2009, on Icelandic State Financial Investments, provides for the agency to conclude its activities within five years of its establishment, following which it shall be abolished. The agency has not, however, completed its tasks and it is assumed that a bill would be presented to parliament on its abolition should large financial undertakings in majority state ownership be sold or listed on an equity market.

#### **2.4 Selection committee for Boards of Directors of financial undertakings**

The Board of Directors of Icelandic State Financial Investments shall appoint a three-person selection committee to appoint two or three persons for each position of director of a financial undertaking to be filled. The Board of Icelandic State Financial Investments shall take a decision on the selection of individual directors based on the selection committee's nominations. The selection committee's criteria and qualification requirements, as well as

procedures laid down by Icelandic State Financial Investments for its work, shall be commensurate with the task, publicly available and accessible on the agency's website.

## **2.5 Boards of Governors and Boards of Directors**

Financial undertakings are operated on commercial premises, on the responsibility of their Boards of Directors/Governors and managers, like other companies. References to the Board of Directors of financial undertakings in this ownership strategy includes both Boards of Governors and Boards of Directors. The role of Boards of Directors of financial undertakings is to direct the progress of the undertakings in accordance with the statutes, rules, Articles of Association and guidelines which govern their activities, including agreements on specific and general objectives in their operations which they have concluded with Icelandic State Financial Investments.

Persons elected to the Boards of financial undertakings to represent the state's holding shall following the criteria and objectives laid out in this ownership strategy. The same applies to the management of those financial undertakings majority owned by the state.

## **2.6 Central Bank of Iceland**

In planning the sale of a financial undertaking the Minister must by law seek the opinion of the Central Bank of Iceland on equal treatment of bidders, the probable impact of the sale on the foreign exchange market, foreign reserves and liquid assets in circulation.

## **2.7 Financial Supervisory Authority**

The Financial Supervisory Authority is an independent supervisory institution responsible for financial market supervision. The Financial Supervisory Authority operates in accordance with the Act on Official Supervision of Financial Activities and among other things is to ensure that the activities of financial undertakings comply with currently applicable acts, regulations and rules. The Financial Supervisory Authority's responsibilities include assessing whether a party intending to acquire or increase a qualifying holding is eligible to own the holding, having regard to the sound and prudent operation of the financial undertaking. A qualifying holding under current legislation is 10% of more of share capital/voting rights.

### 3 CORE PRINCIPLES OF THE OWNERSHIP STRATEGY

Financial undertakings owned by the state must comply with those Acts and Regulations which apply to its activities.

The Boards of Directors of these companies are, just as Boards of Directors of other companies are, responsible for the company's operations and activities.

In view of their public ownership, it is important that the companies' emphases in their governance and activities support and work to achieve the owner's objectives in ownership. To accomplish this the owner's involvement in formulating policy and objectives for the company must be clear and unequivocal, however, without restricting the normal authority of the Board of Directors or reducing the responsibility of the Board for the company's operations. A clear strategy of the owner concerning the company defines plainly the Board's role and responsibility towards the owner.

To achieve the required balance between the owner's objectives in the company's operations, general perspectives of the Board and managers regarding its operations, and the specific considerations arising from public ownership of the company certain core principles are set out here which the company's owner has decided shall serve as guidelines for its operations and tasks. The rules are intended, firstly to provide a framework for exercising ownership of the company; secondly, to prescribe the owner's routes of communication with the company; thirdly, to provide guidance to the company's directors and managers in their work on behalf of the company; and, fourthly, to make the owner's principles regarding the company's management and corporate governance accessible to the public.

Those core principles laid down here by the owner are based on views of good and successful operation of publicly owned companies. The rules are further developed and explained in the section on governance, requirements and performance benchmarks.

#### **Core principles of the ownership strategy**

1. Care shall be taken to ensure equal treatment in relations between owners and between the owner and the company.
2. The scope of responsibility and separation of governance between the owner and the company, and between the Board of Directors and management, shall be clearly defined.
3. Those managing the company shall follow well-conceived and open governance practice.
4. The company's Board of Directors shall work independently and bear responsibility for its activities and operations towards the owner.
5. The company shall operate in accordance with the ownership strategy and performance benchmarks of the owner.
6. The company shall pursue those social objectives aimed at by the owner in its ownership.
7. The company's Board of Directors shall be comprised of qualified individuals possessing good educational qualifications and practical experience suited to the sector in question.
8. The company shall adopt a moderate but competitive remuneration policy.
9. The company shall aim at increasing competition and reducing oligopoly through its activities.
10. The company shall ensure objectivity and equal treatment in procurement and disposition of assets and other financial measures taken.

## 4 GOVERNANCE, REQUIREMENTS AND PERFORMANCE BENCHMARKS

This section lays down more detailed requirements and benchmarks set by the owner for the activities, based on the core principles of the ownership strategy. The requirements and benchmarks apply to the following aspects: management and organisation, governance, policy formulation and future vision, company operations, procedures and working practices, information disclosure and relations with the owner.

### 4.1 Management and organisation

- a. The role of management and the Board of Directors is to safeguard the company's interests in every respect and ensure the implementation of this ownership strategy.
- b. Icelandic State Financial Investments shall make every effort to select on behalf of the owner directors with varied educational background and extensive and practical knowledge and experience of operations suitable for the company in question, to ensure the Board consists of a professional and diverse team of directors.
- c. In selecting directors regard must be had for considerations of gender equality and to ensure that the work of directors and managers does not create conflicts of interest with their other work.
- d. The company's Board of Directors shall work independently, in accordance with acts and rules applying to financial undertakings and bear the responsibility for the company's activities and operations towards its owner.
- e. The company's Board of Directors takes the lead in formulating its policy and setting objectives for the company in accordance with this ownership strategy.
- f. The company's Board of Directors has an independent duty to monitor and supervise its operations and activities on behalf of the owner.
- g. The company's Board of Directors shall have an overview of its activities and provide appropriate control of its management.
- h. The CEO is appointed by the Board and responsible to it for the company's activities.

### 4.2 Corporate governance

- a. Issues affecting the company shall be raised at a shareholders' meeting, which is the formal venue for Icelandic State Financial Investments to involve itself in the company's affairs on behalf of the owner.
- b. Icelandic State Financial Investments implements decisions, which it has taken on behalf of the owner, at shareholders' meetings.
- c. The Board of Directors and employees of Icelandic State Financial Investments shall neither be involved in the day-to-day operations of the undertakings nor influence their decisions except through the normal channels of communication

arising from the legal form of each undertaking or as agreed in accords between the companies and Icelandic State Financial Investments, cf. the provision in Art. 4 of the Act on Icelandic State Financial Investments.

- d. The company shall ensure equal treatment of all its shareholders.
- e. The limits of responsibility between Icelandic State Financial Investments, on behalf of the owner, and the company's Board of Directors shall be clear and all communications, information disclosure and supervision shall be based on the provisions of this ownership strategy and generally recognised rules on the activities of independent companies.
- f. In its work the company's Board of Directors shall follow recognised guidelines on corporate governance, including guidelines of the Financial Supervisory Authority on internal governance of financial undertakings, and as appropriate the Basel Committee on Banking Supervision Guidance on Corporate Governance for Banks.
- g. The company's Board of Directors shall adopt written protocols providing in detail for the role and work of the Board of Directors, division of duties among directors and the Board's relationship with company management. There must be a clear demarcation between the Board of Directors and management of financial undertakings, ensuring that the distinction between their respective authority and responsibility is clear.
- h. The company's Board of Directors and management shall make every effort to work in accordance with the criteria, values and business ethics generally expected to apply to publicly owned companies.
- i. Transactions between the owner and the company or between the company and other state-owned companies shall be transparent and on market terms.
- j. Larger financial undertakings owned by the state shall, in accordance with this ownership strategy, establish the necessary work processes to follow standards, rules and guidelines comparable to those required of enterprises listed on NASDAQ Iceland.

#### **4.3 Policy formulation and future vision**

- a. The company's Board of Directors shall have a clear vision for its future and objectives for its operations. In addition to those objectives and emphases set out in this ownership strategy, the company shall adopt clear and ambitious targets for its operations.
- b. The company shall adopt an information policy based on the principle of making public information which need not specifically be kept secret due to material interests of the company or its customers.
- c. The company shall set out a detailed policy on environmental issues, sustainable development and corporate social responsibility and make this public.
- d. The company's Board of Directors shall adopt a human resources policy in consultation with its employees.
- e. The company's Board of Directors shall adopt a remuneration policy for the company to be approved at an AGM.

- f. The company shall publicly disseminate its future vision, strategy and performance on its website or by other means.

#### **4.4 Company operations**

- a. Investments made and financial risk taken in the company's operations shall be managed with a view to making its operations financially stable in the short and long term.
- b. In its budgets the company shall aim at acceptable profitability commensurate with the risk in its operations and the objectives laid out in this ownership strategy.
- c. The company shall make every effort to adopt new products and innovations and ensure continuous development in its activities to maintain its competitiveness.

#### **4.5 Working practices and procedures**

- a. Care shall be taken to ensure transparency and non-discrimination in the company's management and activities.
- b. Its operations shall be characterised by well-conceived and open management practices.
- c. Both managers and employees shall be hired based on their qualifications following a transparent, objective and pre-determined hiring process.
- d. Decisions taken concerning the company's general operations shall wherever possible aim at increasing competition and reducing oligopoly in the society.
- e. Special attention shall be given to work procedures for procurement of goods and services, taking care to ensure cost-efficiency, non-discrimination and transparency.
- f. Care shall be taken to ensure non-discrimination, objectivity, cost-efficiency and transparency in the sale or disposal of the company's assets. As a general principle such assets are to be sold in an open sales process from which no derogations may be made without unequivocal grounds for so doing. Competition aspects shall also be considered. The Board of Directors shall set procedural rules for the sale of assets and make them public and accessible.

#### **4.6 Information disclosure, performance measurement and relationship with owner's representatives**

- a. Icelandic State Financial Investments shall, on behalf of the owner, conclude agreements with financial undertakings on specific and general targets, cf. the provision of Art. 4 of Act No. 88/2009.
- b. Dividends paid by state-owned financial undertakings are part of state revenues. It is important to take this into consideration in the budgets of state-owned financial undertakings and in agreements between the companies and Icelandic State Financial Investments concerning the companies' dividend policy.
- c. Icelandic State Financial Investments shall, on behalf of the owner, meet regularly with company representatives to go over the company's performance and how successfully it has achieved the objectives for its operations.

- d. Any major changes in its activities proposed by the company must be presented to Icelandic State Financial Investments on behalf of the owner.
- e. If there is seen to be specific cause for so doing, notice shall be given of other upcoming company matters deemed appropriate that the owner be informed of even if no decision is called for on its part.
- f. The company shall take care not to discriminate between owners in its information disclosure.
- g. The company shall publish financial data as provided for by the Act on Financial Undertakings and comply with standards, rules and guidelines comparable to those required of enterprises listed on NASDAQ Iceland.
- h. If the Board of Directors of a financial undertaking or individual directors decide they cannot comply with the provisions of this ownership strategy, Icelandic State Financial Investments must be informed thereof without delay. This shall also be done if the Board of Directors becomes aware that this strategy has not been followed in the company's operations, in which case information on what the response to this will be must furthermore be provided.