

Corporate Governance Guidelines of the Board of Auður Capital hf.



Effective date 14 April, 2011

These Guidelines are to serve as a framework for the corporate governance practices of Auður Capital hf. (the Company) and its Board of Directors (the Board) and are designed to assist the Board in carrying out its responsibilities effectively.

CHAPTER I

GENERAL PROVISIONS

Article 1

Scope

Auður Capital hf. is a public limited-liability company (Icel. *hlutafélag*) incorporated in Iceland and licensed to operate as a securities company (Icel. *verðbréfafyrirtæki*). These Corporate Governance Guidelines are based on Icelandic legislation governing such companies.

The Board of Directors must maintain the highest standards set for ethical operations, emphasising professional expertise and accountability in all its work, whether this concerns Company employees or client relationships.

All directors shall receive copies of the Corporate Governance Guidelines, the Company's Articles of Association and other rules concerning its operations, as appropriate, when taking their seat initially as a director of Auður Capital hf.

These Corporate Governance Guidelines have been approved by the Board.

Article 2

Purpose

Corporate Governance Guidelines are intended to outline the role and responsibilities of directors, to prevent conflicts of interest and ensure impartiality and equal treatment in the handling and execution of client transactions.

Both the Board and the CEO shall take great care to respect the interests of their clients and to treat all clients' affairs with complete confidentiality. In all their decisions and actions they shall strive to enhance the Company's credibility and reputation, while always ensuring that its

transactions comply with the appropriate laws and regulations and optimal ethical standards.

CHAPTER II

THE BOARD OF DIRECTORS

Article 3

Chairman of the Board

The Board shall elect a Chairman at its first meeting and divide responsibility for other tasks among the directors.

The role of the Chairman of the Board of directors is primarily to chair the meetings of the board of directors, have an open line of communication between the directors about the affairs of the company, be responsible for calling board meetings and creating the agenda for such meetings. The Chairman of the board of directors of Auður Capital as a financial services company is not permitted to undertake other responsibilities for the company, except those that are deemed to be an appropriate part of his/her role as a Chairman, with the exception of undertaking special assignments which the Board of Directors may choose to delegate to the Chairman on its behalf.

Article 4

Provisions regarding alternate directors

The Board consists of five directors and five alternates elected at each annual general meeting (AGM).

If a director is unable to attend a meeting, he/she must inform the Chairman in advance. The Chairman shall contact an alternate in such case.

Alternate directors are ranked in a certain order (i.e. alternate no. 1, alternate no. 2 etc.) and when a director cannot attend a meeting the first alternate is summoned first, then the second etc.

Article 5

Rules of procedure for Board meetings

The Chairman shall chair Board meetings. He/She is responsible for drafting the agenda for each meeting.

The Chairman is responsible for minutes and corporate record keeping. The Board may appoint a secretary to take the minutes and be responsible for the corporate records. The secretary may be a company employee who is not a director.

Article 6

Number and frequency of Board meetings

The Chairman is responsible for calling Board meetings. Meetings shall be held regularly and at least 6 times each year.

Ideally, all directors should be present in person at as many meetings as possible, but participation by telephone by some or all directors is also acceptable.

The Board may also act by written consent. In such cases, the Chairman will distribute a proposal to the directors and request to receive their written response. Such response may be provided electronically, i.e. by e-mail or fax.

Unscheduled meetings may be called by the Chairman should urgent Company business so require. One or more directors wishing to call a meeting should submit such a request to the Chairman, who shall endeavour to call a meeting as soon as possible.

The CEO shall attend meetings of the Board of Directors, but may be excused or withdraw from meetings dealing with his/her personal affairs.

Article 7

Quorum

At least three of the five directors must attend a meeting of the Board to constitute a quorum. Issues are decided by a simple majority. In the event of a tie, the Chairman shall cast the deciding vote.

As a general rule, if a director is unable to attend then an alternate must be called in (see Article 4). However, should exceptional circumstances require that a meeting be called at short notice to deal with urgent business and alternates are unavailable, then three directors constitute a quorum and may take binding decisions on behalf of the Company.

Article 8

Minutes of meetings

Decisions taken at Board meetings shall be recorded in the minutes kept by the secretary.

CHAPTER III

SUPERVISORY RESPONSIBILITY OF THE BOARD

Article 9

Role of the Board

The role of the Board is to formulate policy, supervise operations and make material decisions for the Company. Together with its CEO, the Board represents the Company on all issues, oversees its administration and ensures its effective and proper operation. The Board is responsible for ensuring appropriate supervision of the Company's accounts and financial dealings.

The Board deals with matters entrusted to it by legislation, regulations and FME guidelines, the Company's Articles of Association and other matters referred to the Board by the CEO.

The Board appoints the Company's CEO and grants authority to sign on behalf of the Company.

Article 10

Directors' access to information

In order to fulfil its administrative and supervisory functions, the Board shall have access to all documentation on the Company and its operations. Directors may not, however, remove records or copies of such records from Company premises.

Access by directors to information on individual clients shall be as provided for in these Guidelines and elsewhere, having regard, in particular, to their eligibility in each instance.

Article 11

Directors of subsidiaries and affiliated companies

Should a Company director be elected to the Board of a subsidiary or an affiliated Company, the Board shall examine the matter to ensure that the director will be able to fulfil his/her supervisory role properly. The Board shall decide whether the action is necessary or appropriate, whether any conflicts of interest are involved and whether it could influence the supervisory role of the director in question.

CHAPTER IV

QUALIFICATIONS AND ELIGIBILITY

Article 12

Qualifications and eligibility of directors and the CEO

Both the directors and CEO must have the requisite experience and expertise to carry out their duties adequately. Directors shall be selected for their integrity and character, sound and independent judgment, breadth of experience, insight, knowledge and business acumen.

Both the directors and the CEO must be legally competent. They may not have been the object of bankruptcy proceedings nor convicted of a criminal offence related to business operations or in violation of laws governing financial undertakings, public limited-liability companies, private limited-liability companies, accounting, annual financial statements, bankruptcy, taxation or specific legislation applicable to officially regulated financial activities.

The CEO of Auður Capital must comply with the eligibility criteria of the Icelandic Financial Services Authority, Iceland (FME) for CEO's of financial services companies.

Article 13

Directors' responsibilities

Board directors are expected to:

- a) devote sufficient time, energy and attention to assure diligent performance of their duties;

- b) attend meetings of the Board, its Committees on which they serve and AGMs;
- c) review materials distributed in advance of the meetings; and
- d) make themselves available for periodic updates and briefings with management via telephone or one-on-one meetings.

Each director is expected to be sufficiently familiar with the business of the Company and its industry to be able to participate actively and effectively in the work of the Board and each Committee on which he/she serves. Directors owe a duty of loyalty to the Company that dictates that the interests of the Company take precedence over any individual interests.

Directors in Auður Capital as a financial services company need to fulfill the eligibility criteria of Article 52 of the financial services undertaking Act No. 161/2002, as amended by Act No. 75/2010.

Article 14

Eligibility of directors to deal with specific matters

Directors shall not participate in decisions on specific transactions nor have access to information concerning such, unless the size of the transaction or transactions in relation to the size of the Company makes this appropriate.

A director shall not participate in handling matters:

- a) that concern his/her own personal affairs or those of a company in which he/ she has a direct or indirect qualifying interest, or where he/she serves as director or otherwise represents the company, e.g. in a management position, or in which he/she has significant interests at stake;
- b) concerning the affairs of his/her partner (in marriage, co-habitation or registered partnership) or other party to whom he/she is connected personally or financially, or a company in which such parties have a direct or indirect qualifying interest, serve as directors or otherwise represent the company, e.g. in a management position, or in which they have significant interests at stake (related parties);
- c) concerning transactions with parties whose activities are in direct competition with the above parties;
- d) in any other circumstances that might reasonably cast doubt on the directors' independence and impartiality.

Upon taking their seat on the Board, directors are expected to provide information on parties with whom they have vested interests according to the above and on any changes in such relationships while they serve as directors. A written record of such shall be kept and be available at Board meetings and be taken into account when calling Board meetings.

Directors who are ineligible to handle a specific matter shall not participate in its preparation, treatment or resolution. Directors who are ineligible to handle a specific matter shall recuse themselves when the matter is dealt with.

A director who knows of any reason which could result in his/her ineligibility must inform the Chairman of such without delay. The Board shall decide whether any directors are deemed ineligible in specific cases. The directors concerned shall not participate in such decision. If the Board decides that a director is ineligible, he/she may not be present when the matter in question is dealt with.

The CEO or Chairman may request that a director leave a meeting before a matter is presented and the relevant documentation provided, if they consider the director ineligible to deal with the case. Such a decision on ineligibility must be taken by the Board before the matter is dealt

with.

If directors are deemed ineligible to participate in decisions on specific matters the Chairman shall also ensure the director in question does not have access to information concerning the matter.

All instances involving directors' ineligibility shall be recorded in the minutes of meetings.

Article 15

Related parties

The following are considered related parties of Auður Capital hf.:

- a) directors and alternates, the Company's CEO and senior management and key staff members. Immediate family members, such as spouses and children, of these parties are also treated as related parties;
- b) directors and alternates, the CEO and senior management and key staff members and the immediate family of the Company's subsidiaries and affiliated companies;
- c) shareholders who directly or indirectly hold over 5% of Company shares or are among its 10 largest shareholders;
- d) companies in which the individuals referred to in paragraphs a) and b), as well as shareholders who directly or indirectly hold over 5% of the Company's share capital, hold at least 10% of share capital, are employed by or are directors.

All Company transactions with related parties, as defined above, must be conducted in as transparent a manner as possible. The Company shall maintain procedures to ensure such transactions meet the highest business and ethical standards, precluding any suspicion of misuse or improper business practice.

Transactions with related parties subject to special rules include, for example, granting of loans and guarantees, and other exposures towards related parties, such as underwriting offerings and forward contracts. Rules on related parties also apply to the treatment of or alterations to existing obligations.

The Board shall entrust its internal auditor with regular scrutiny of transactions with related parties, including the terms, renegotiation and the status of such transactions.

The Board shall also instruct its external auditor to review transactions with related parties, compare them with same type of transactions with other clients and give a reasoned opinion on the terms and conditions of renegotiation or status of the transactions in question. In his report, the external auditor shall indicate the party used for comparison. The auditor's report shall be sent to FME in accordance with FME Guidelines No. 1/2010.

CHAPTER V

TREATMENT OF CLIENT INFORMATION

Article 16

Information on individual clients

Where the Board and directors are granted access to information on specific transactions such

information shall only be provided at Board meetings. Queries from directors about specific transactions must be addressed to the Chairman or the CEO either in advance of or at a Board meeting. Responses to such specific information request shall be delivered to all directors and recorded in the minutes. Directors may not request information directly from Company employees.

The Board shall ensure that Company rules specifically prohibit employees from providing directors with information on Company clients. Should an employee receive such request from a director he/she is to inform the CEO.

Article 17

Confidentiality

Directors, the CEO, the auditor, employees and other persons entrusted with tasks on the Company's behalf must treat as confidential all information they may receive in the course of their duties relating to clients' business or affairs, except when obliged by law to provide information. The obligation of confidentiality shall remain even after employment ceases.

In addition to those listed in the previous paragraph, any person acquiring information as referred to above, whether by accident or indirectly as shared information, is subject to the same obligations of confidentiality. The party providing the information shall point out the confidentiality of the material to the recipient.

CHAPTER VI

BUSINESS TRANSACTIONS WITH DIRECTORS OR RELATED PARTIES

Article 18

Business transactions

If the parties specified in Article 15 are conducting business with the Company all general Company rules shall apply and these parties shall enjoy the same terms of business as other clients with similar financial and business status.

Requests for transactions by directors or companies they represent shall be submitted to the Board or the Chairman for acceptance or rejection unless the business transaction falls within the normal scope of Company business.

Directors may not discuss their business or that of related parties with Company staff, unless this is personal business and falls within the normal scope of Company business. If there is a pressing need for direct communication between directors about matters of personal concern, e.g. for information purposes or for presentation to a third party, this must be done through the CEO or after consultation with him/her.

For the purpose of these Guidelines, the expression "falls within the normal scope of Company business" used above could include, for example, instructions regarding the purchase or sale of securities, requests for information on the shareholdings or transactions of the party in question and other such personal business where there is no visible danger that a director could abuse his/her position.

The CEO shall at least quarterly submit to the Board for information purposes a report on business with related parties. A semi-annual report on such business shall be delivered to FME in accordance with its regulatory requirements.

CHAPTER VII

ENTRY INTO FORCE

Article 19

Entry into force and dissemination of the Guidelines

These Guidelines shall enter into force once the FME has approved them.

The Guidelines shall be made available to all Company management and employees, the Board of Directors and alternates.

Reykjavík, 25 November, 2010

Approved by the Board of Directors of Auður Capital hf.

Halla Tómasdóttir

Guðbjörg Edda Eggertsdóttir

Kristín Edwald

David Adams

Vilhjálmur Þorsteinsson

Submitted to the FME on 8 December, 2010

Approval by the Financial Surveillance Authority of Iceland: 14 April, 2011