

PCD – Rules on key employees and assessment of qualifications

Document purpose

The purpose of these rules is to ensure that key employees of Borgun and its subsidiaries (the company) fulfil at all times appropriate qualifications and that the framework and/or their employment is in accordance with appropriate law that apply to the operation of the company. The objective is to define the requirements of the company's key employees. Key employees must meet stronger requirements than other personnel and therefore it is important to set rules on the minimum requirements specific key employees must meet to minimize operational and reputational risk.

The rules are set in accordance with Law on Financial Undertakings no. 161/2002, FSA guidelines on key employees no 3/2010, guidelines of the European Banking Authority (EBA) on Internal Governance and common guidelines of EBA and the European Securities and Markets Authority (ESMA) on assessment of qualification of Board members, CEO and key employees of Financial undertakings.

Scope

Covers key employees of Borgun.

Procedure

Borgun must ensure at all times that key employees fulfil the qualifications as required by law. Borgun emphasizes that all employees must have the necessary competence, knowledge and expertise to perform the tasks assigned to them and the service that the company provides.

Key employees of Borgun

A key employee is defined as a natural person in a management position, other than CEO, who is authorized to make decisions that can affect the future development and performance of the company, cf. paragraph 7, Article 1 a. of the Financial Undertakings Act.

The Board of Borgun defines at any given time which employees are considered key employees. Borgun's CEO is responsible for employment and dismissal of key employees. However, the Board shall confirm employment and dismissal of Compliance Officer and CRO. The CEO informs the Internal Auditor, Compliance Officer and Legal division on changes of key employees.

The Board of Borgun considers the following employees to be key employees:

- CFO
- Head of Legal
- Head of Internal Audit
- Compliance Officer
- CRO

In case of doubt the Board decides if an employee is considered a key employee or not and which topics the evaluation shall be based on.

More employees of Borgun, than defined in this procedure and are therefore not covered by these rules, play a key role in the future development of the company and Borgun has strict qualification requirements for their positions.

Special Rules on Key Employees

Besides these rules, the following special rules apply to key employees.

PCD – Rules on key employees and assessment of qualifications

- Limit on financial facility to key employees and third parties in close connection to them, cf. FSA rules no 247/2017.
- Rules on business of employees with Borgun
- Limits connected to employment termination agreements, cf. Article 57 b. of the Financial Undertakings Act.
- The number of key employees shall be reported in the Annual Financial Statement, as well as information on the total salary and benefits paid to them, cf. Paragraph 3, Article 87 of the Financial Undertakings Act.

Qualifications requirements

A key employee is required to qualify for the following objective requirements, cf. Article 52 of the Financial Undertakings Act, both when he/she takes on his/her job and while serving as a key employee of the company. Key employees shall always fulfil the following qualifications:

- a) The person shall be legally competent, have a good reputation and have the necessary qualifications, knowledge and expertise to carry out the tasks that are assigned to him/her.
- b) The person must not have been legally declared insolvent within the last 5 years.
- c) The person must not have been found guilty of criminal actions connected with business activities according to General Penal Code.
- d) The person must not within the last 10 years, have been found guilty for violating the Competition Act, Public Limited Companies Act, Private limited liability Companies Act, Accounting Act, Act on Annual Accounts, the Bankruptcy Act etc. and articles of Act on payment of public tax, as well as specific Acts on entities who are subject to official supervision of financial operations or have behaved in such a manner that it raises doubts about his good business conduct or moral standards.
- e) The person shall be financially independent. He/she shall also be financially independent in that sense that he/she does not provide advice or have other contractual relationship or connection with the company beyond his/her employment relationship as a key employee, which could jeopardize his/her confidentiality obligation to the company and his/her obligation to protect Borgun's interests.

If there is any doubt of him/her fulfilling the above qualifications an employee shall not be considered qualified to hold a position as a key employee and shall not be authorized to make decisions which can affect the future development and performance of the company.

An employee shall also fulfil the following subjective qualifications, cf. Article 52 of the Financial Undertakings Act, when he/she accepts position, and while employed, as a key employee of the Company:

- a) The person concerned shall have the necessary expertise and experience to be able to occupy his position competently.
- b) Expertise and experience shall be evaluated with reference to internal qualifications assessment, CV and performance in a job interview.

PCD – Rules on key employees and assessment of qualifications

- c) The person concerned must not have shown a conduct that gives reason to doubt his/her ability to stand for stable and sound operation of the company or potentially misuse his position or harm the company.
- d) Key employees shall also have good reputation, conduct their work honourably and with integrity and in a professional manner.

In addition to the above requirements the qualification requirements of Board members and CEOs, which are outlined in the special Laws that covers key employees, shall be taken into consideration, both objective and subjective requirements.

Qualification Assessment

Assessment of qualifications of a key employee shall take place prior to them being hired for the position of a key employee, regardless of him/her being a current employee in another position in the company or newly hired.

A key employee is obligated to disclose all information that the company finds necessary to assess his/her qualifications.

When assessing whether an applicant of a key employee position fulfils the qualification requirements according to these rules, both subjective and objective assessment must be made. If qualifications of an applicant of a key employee position has prior been assessed, by the company or the FSA, then that may be considered.

As a minimum the following assessment on qualifications shall be done:

- An applicant to a position of key employee shall submit a CV, that shows education and job experience as well as recommendations.
- The applicant shall be interviewed.
- Recommending parties shall be contacted.
- An applicant to a position of key employee shall submit personal certificate of his/her criminal record (i. sakarvottorð) and his/her credit rating information (i. lánshæfisupplýsingar).

A key employee shall share with the company all information that can be related to his qualification as a key employee and also inform the Board of the company, CEO and Human Resources Manager about all personal changes that could affect his qualification as a key employee of the company.

Other provisions

Human Resource Manager keeps a record of key employees as well as the documentation gathered for the qualification assessment of key employees and CEO, including Company's internal assessment on the qualifications of the person concerned.

If a key employee is transferred to another key position, the CEO shall decide in consultation with Compliance Officer and Human Resource Manager if/how assessment of qualifications shall be carried out.

Key employees shall attend relevant courses held by Human Resource Manager and Compliance Officer, who can outsource the courses as well as the qualification assessment.

PCD – Rules on key employees and assessment of qualifications

If a key employee has a legal standing of a suspect in a criminal case, then he is sent on leave and he is obliged to inform the CEO and the Human Resources Manager about all new information and documentation on the development of the investigation as soon as it is accessible to him/herself. Key employees are not permitted to participate in other business activities unless they are permitted to do so by the CEO, cf. Borgun's rules on ethical and professional standards.

Entry into force and publication

These rules take effect upon the approval of the Board and shall be published on Borgun's website.

Approved on Borgun's Board Meeting November 26, 2020