



*Rules, Iceland Stock Exchange, Ltd. No. 2
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Rules

on Listing of Securities on the Iceland Stock Exchange, Ltd.

CHAPTER I

Article 1

General provisions

The Iceland Stock Exchange, Ltd. accepts listings of stock shares, co-operative shares, bonds, mutual funds (unit trusts), share certificates, and other securities as approved by the Exchange Board at any given time.

An application must be made to list classes of securities in accordance with these Rules, and Regulation 434/1999 on official registration of securities on the stock exchange, and their Appendices. Upon receipt of an application, the Exchange's Board shall assess whether the issuer and its candidate securities fulfil the requirements set for listing as described below.

Article 2

Securities and their issuer must fulfil minimum legal requirements, as well as requirement of Regulations and Rules applicable to the issuer, its activities and the securities, including those provided for in the Articles of Association.

A listing must, in the assessment of the Exchange Board, serve the interests of the public and the securities market.

Article 3

Transactions with the securities shall be without restriction. The Exchange's Board may grant exceptions to this requirement, provided such restrictions do not hinder transactions in the securities in any manner.

Article 4

As soon as an issuer has decided to apply for a listing of its securities on the Exchange, it must request a meeting with the Exchange staff to organise the work involved in the listing.

CHAPTER II

Article 5

Requirements for listing shares

A company applying for listing for the first time may apply for listing on the Main List or Growth List. If the company fulfils the requirements for listing on the Main List, it may not have its securities listed on the Growth List.

Article 6

All shareholders of the same class of shares shall enjoy the same rights. A class of shares shall refer to homogenous, like-kind shares where the rights of owners and conditions of shares and the Articles are the same in all respects.

Application must be made for listing the entire issued share capital of the class of shares in question. The Exchange Board may grant exceptions to this requirement if there are valid reasons for so doing, provided that the requirements of the second paragraph of Article 9, or the second paragraph of Article 10, concerning the distribution of ownership of a class of shares for which listing is requested, are fulfilled.

Article 7

The composition of the Board of Directors and key management officers, as well as the structure of the information system of the company must, in the assessment of the Exchange Board, be



such as to make it probable that the company will be able to comply with the demands of the Exchange, and give a realistic picture of the company's operations.

The Exchange Board may postpone or reject a listing if it is of the opinion that the company will not be a viable operation.

Article 8

The following requirements must be fulfilled sufficiently in advance of any listing, whether application is made to the Main List or Growth List:

1. the company must have signed an agreement with Iceland Stock Exchange, Ltd. on the listing of shares at the Exchange;
2. a prospectus, in accordance with the provisions of Chapter VII of these Rules and Appendix I of Regulation 434/1999 on public listing of securities in stock exchanges, must be submitted;
3. the annual accounts (consolidated accounts if applicable) must be made accessible to the public and shall be made available by the company without charge;
4. the Articles of Association must be made accessible to the public and shall be made available by the company without charge;
5. a list of insiders shall be provided, in accordance with Exchange Rules on the continuous disclosure requirements of share issuers;
6. shareholders' meetings must be open to the mass media;
7. share capital must be paid up in full.

Article 9

Main list

Size: The estimated market value of a share class for which a listing is sought on the Main List shall be a minimum of ISK 600 million.

Ownership distribution: The distribution of ownership of a share class for which a listing is sought shall be such that at least 25% of the shares and voting rights are owned by general investors. For the purposes of these Rules, 'general investors' shall refer to parties other than the Board of Directors, key management officers and individual shareholders with holdings of 10% or more, as well as parties financially connected with them, such as spouses, cohabiting partners and dependent children, and parent companies or subsidiaries. The holdings of general investors shall be distributed among at least 300 shareholders.

The Exchange Board may grant temporary exceptions to the requirement on distribution of ownership, if there are valid reasons for so doing.

Prior documents: A company for which a listing is sought must be able to provide audited annual accounts for three complete years (3 x 12 months), covering all the principal aspects of operations pursued by the company at the time application for listing is made.

The Exchange Board, in approving a listing, may grant temporary exceptions to the requirement on prior documents, if this is desirable to the securities issuer and the Exchange's Board considers necessary information is otherwise available to investors to form an opinion about advantages and disadvantages relating to the issuer and to the candidate shares for which listing is sought.¹

Article 10

Growth list

Size: The estimated market value of a share class for which a listing is sought on the Growth List shall be a minimum of ISK 80 million, but market value must never be an amount less than 1 million Euro's, based on official guideline exchange rates as listed at any given time.

Ownership distribution: The distribution of ownership of a share class for which a listing is sought shall be such that at least 25% of the shares and voting rights are owned by general investors. For the purposes of these Rules, 'general investors' refers to parties other than the Board of Directors, key management officers and individual shareholders with holdings of 10% or more, as well as parties financially connected with them, such as spouses, cohabiting partners and dependent children, and parent companies or subsidiaries.

¹ Changed March 2001



The Exchange Board may grant temporary exceptions to the requirement on distribution, if there are valid reasons for so doing.

Prior documents: A company for which a listing is sought must be able to provide audited annual accounts for three complete years (3 X12 months), covering all the principal aspects of operations pursued by the company at the time application for listing is made.

The Exchange Board, in approving a listing, may grant temporary exceptions to the requirement on prior documents, if this is desirable to the securities issuer and the Exchange's Board considers necessary information is otherwise available to investors to form an opinion about advantages and disadvantages relating to the issuer and to the candidate shares for which listing is sought.

Article 11

Application for listing of shares on the Main List and Growth List

An application for a listing shall provide a brief description of the company, its activities and the purpose of the listing. Information must also be provided on the following aspects:

1. share capital and its distribution, including the number of shareholders;
2. the shareholdings of the largest shareholders and parties financially connected with them, such as spouses, cohabiting partners and dependent children;
3. information on any issue proposed concurrent to the listing, the amount of such an issue and principal conditions;
4. intermediaries dealing with the Exchange concerning the listing and parties handling the issue, if applicable;
5. a designated contact person in the company for the Exchange;

The application shall be signed by the Board of Directors of the company or its duly empowered representative(s).

Information in an application shall be presented in such fashion as the Exchange deems necessary in individual cases.

Article 12

Supplementary Documentation for application to list on the Main List and Growth List

An application for listing of shares shall, in addition, be accompanied by:

1. a draft prospectus, together with a completed checklist in accordance with an Appendix to Regulation 434/1999 on public listing of securities in stock exchanges;
2. the audited annual accounts of the company for the last three years, in the case of the Main List, and for a minimum of one year, in the case of the Growth List, cf. however the fifth paragraph of Article 10, signed by a certified public accountant;
3. confirmation of the registered share capital of the company from the Registry of Companies of Statistics Iceland;
4. the current Articles of Association for the company;
5. a time plan for the listing which has been prepared in consultation with the Exchange.

The Exchange is also authorised to request submission of additional documents it feels may have bearing on the listing of the shares.

Article 13

Increases in the share capital of a listed company

A listed company shall inform the Exchange of all proposed changes to the financing of the company, as provided for in the Rules for securities issuers on requirements for continuous disclosure .

In the case of an increase in share capital in return for payment, the company must apply for listing of the new share capital in accordance with these Rules and Appendices to Regulation 434/1999, as soon as share transactions commence, or within three months of the issuing of the shares.

In the case of increases to share capital through stock dividends or bonus shares, without payment, the company must notify the Exchange of such decision without delay, in accordance with the Rules for issuers on requirements for continuous disclosure. The Exchange shall list the new shares upon receiving notification of the decision.

Should a listed company make a public issue of shares, efforts shall be made to have the sales period as short as possible and never exceeding one month. Equity funds may, however, with the approval of the Exchange, have a sales period of up to one year.



Article 14

Alterations to legal form or activities

In the case of major alterations to the legal form of a company, or its activities in other respects, with the result that it may be regarded as a new undertaking, the Exchange may decide that the company must apply for listing anew.

Article 15²

Transfer between lists

Should a company listed on the Growth List fulfil the requirements of Article 9 for listing on the Main List, it shall send the Exchange confirmed information to that effect, within six months of the time the company became aware of the fulfilment of the conditions. Shares in the company will then be transferred to the Main List within such period of time as the Exchange may decide.

Should a company listed on the Main List no longer fulfil the requirements of Article 9 for listing on the Main List, this shall be conveyed to the Exchange as soon as the company becomes aware of it. The company must, within six months' time, fulfil once more the requirements of Article 9 and send the Exchange notification upon doing so; failing this, the shares of the company shall be transferred to the Growth List within such period of time as the Exchange shall decide, and provided that the company fulfils the requirements of Article 10 for listing on the Growth List.

CHAPTER III

Article 16

Requirements for listing bonds

Application must be made for listing of all bonds issued in the (appropriate) bond class in question. A bond class refers to homogenous bonds where the rights of owners and conditions pertaining to bonds and the Statutes, are the same in all respects.

Article 17

Size of a bond class

The estimated market value of a bond class must be a minimum of ISK 100 million. The Exchange Board may authorise the listing of smaller bond classes if there is likely to be sufficient market demand and trade in these bonds to enable normal price formation.

Article 18

Application for listing of a bond class

Application for listing of a bond class shall provide general information on:

1. the issuer, its activities and the reasons for application for listing;
2. the bond class for which listing is sought;
3. any public issue, if such is planned concurrent to the listing, the amount of the issue and its conditions;
4. the issuer's intermediary dealing with the Exchange concerning the listing and supervisory party handling the issue.

Article 19

Supplementary Documentation for application to list a bond class

An application for listing of bonds must be accompanied by the following documentation:

1. a draft prospectus, in accordance with the provisions of Chapter VII of these Rules and the Appendix to Regulation 434/1999;
2. a completed application form, in accordance with the Appendix to Regulation 434/1999, providing information on the conditions of the class;
3. a time plan for the listing which has been prepared in consultation with the Exchange;
4. subscription forms, if the bonds have been sold, or will be sold, by subscription.

If no other securities of the issuer are listed on the Exchange when application is made for listing of a bond class, the following shall also be submitted:

1. audited annual accounts for the last two years;

² Issued 1 July 2003



2. current Articles of Association of the issuer, if applicable.

Article 20

The following requirements must be fulfilled sufficiently in advance of any bond listing:

1. the issuer must have signed a listing agreement with the Exchange;
2. a prospectus, in accordance with the provisions of Chapter VII of these Rules and the Appendix to Regulation 434/1999 must be submitted;
3. the annual accounts must be made accessible to the public and shall be made available by the issuer without charge;
4. the Articles of Association must be made accessible to the public and shall be made available by the company without charge.

CHAPTER IV

Article 21

Requirements for listing Unit Trusts (Mutual Funds)

Unit trusts (mutual funds) for which listing is sought must have been granted operating permits by the Minister of Finance on the basis of Chapter II of the Act on Undertakings for Collective Investment in Transferable Securities (UCITS), No. 10, of 5 March 1993, as subsequently amended.

The estimated market value of the fund must be at least ISK 100 million.

Article 22

Application

An application shall be accompanied by a draft prospectus in accordance with the Rules of the Central Bank of Iceland on prospectuses of unit trusts (mutual funds), currently, Rules No. 616, of 22 November 1996, and a time plan which has been prepared in consultation with the Exchange.

Article 23

The following requirements must be fulfilled sufficiently in advance of any listing:

1. the operator must have signed a listing agreement with the Exchange on behalf of the issuer;
2. a prospectus, in accordance with the provisions of Chapter VII of these Rules and the Rules of the Central Bank of Iceland, currently, No. 616 of 22 November 1996, on prospectuses of unit trusts must be submitted;
3. the annual accounts must be made accessible to the public and shall be made available by the operator without charge;
4. the Articles of Association must be made accessible to the public and shall be made available by the operator without charge;

CHAPTER V

Article 24

Other securities

The above Rules, and Regulation 434/1999 and its Appendices shall apply mutatis mutandis to conditions for the listing of other securities, such as convertible bonds, share certificates for holdings, subscription rights, etc., in accordance with the decision of the Exchange at any given time.

The securities may not be listed unless the shares of the company in question are listed on an official or recognised market. The Exchange may grant an exemption from this requirement, if it considers that sufficient information is available about the issuer to enable normal price formation for the securities.

CHAPTER VI

Article 25

Processing of an application

Once the Exchange has received an application and supplementary documentation, as previously specified, it shall check the documentation. The course of such processing shall be in accordance with the time plan which was drawn up in consultation with the Iceland Stock Exchange, Ltd.

The Exchange Board shall approve, dismiss or reject an application in writing as promptly as possible, and never later than two months after the date upon which a complete application was



submitted. The Exchange Board shall provide justification for the basis or conditions of its decision, if an application is not fully accepted.

Article 26

First day of listing

Listing cannot be effected until all the conditions are fulfilled in accordance with the Exchange's Rules and the shares have been issued.

If shares are issued publicly concurrently to an application for listing on the Exchange, the listing cannot be effected until the end of the subscription period at the earliest.

CHAPTER VII

Prospectuses

Article 27³

Contents of prospectuses

A prospectus shall contain all the information necessary for investors to form an opinion of the issuer, its securities and their value. This shall include, among other things, information on the securities themselves and rights pertaining to them, activities of the issuer, the issuer's equity and financial status, risk factors in the operations, future prospects for the issuer's operations, the main senior management officers and special rights they hold with respect to the issuer.

The information provided in the prospectus may vary depending upon the nature of the activity and the status of the issuer. A summary of the minimum information which must be provided is given in an Appendix to Regulation 434/1999 on public listing of securities in stock exchanges. In addition it is required that information on executive remuneration and other information be disclosed in accordance with the appendix to the rules.

If the publication of specific information in a prospectus could be deemed to be detrimental to the issuer or shareholders, the Exchange may grant an exemption from its publication, provided such is not, in the assessment of the Exchange, contrary to the interests of the securities market.

Article 28

Responsibility for a prospectus

The issuer's Board of Directors shall ensure that the prospectus contains all the information necessary to provide a satisfactory picture of the issuer and its securities, in accordance with these rules, Regulation 434/1999 on public listing of securities in stock exchanges, and appendices to them.

The issuer's Board of Directors shall, with accompanying guarantee against claims for compensation, or with other legal guarantee, sign a statement to the effect that the information contained in the prospectus is, according to their best knowledge, in accordance with the facts and that no important details have been omitted which could have an effect on the assessment of the issuer and candidate securities for which listing is sought.

The supervisory party shall, with accompanying guarantee against claims for compensation, or with other legal guarantee, sign a statement to the effect that it has gathered the data which in its estimation was necessary for the prospectus to give a proper picture of the issuer and its securities and that, in its estimation, no details have been omitted which could have an effect on the assessment of the issuer and candidate securities for which listing is sought.

In addition, a statement from the issuer's auditing firm shall be enclosed, to the effect that they have audited the issuer's annual accounts, interim financial reports and/or the premise for the operating forecast, if applicable, which are presented in the prospectus and that the information in the prospectus concerning financial statements is in accordance with those accounts.

Article 29

Publication of prospectuses

Ten copies of the final version of the prospectus, as approved by the Exchange, shall be forwarded to the Iceland Stock Exchange, Ltd. It is permissible to send the Exchange one physical copy of the prospectus along with a electronic/digital copy. Each member of the Exchange shall also be sent at least one copy.

³ Issued 1 July 2003



A prospectus must either be published in its entirety, or attention drawn to its existence and to where it may be obtained by the public without charge, in at least one daily newspaper in general circulation.

The prospectus shall either be published in its entirety or attention drawn to it, as provided for in the second paragraph, no later than four days before the first day of listing, or first day of sale of a public issue, cf. however the authorisation for exemption in the sixth paragraph of this Article. If an issue is to be made concurrent to the listing, such may not commence until the prospectus has been published.

Copies of all documentation, including advertisements, booklets and letters produced by the issuer or other party acting on its behalf due to the listing or public issue, and which describe the issuer and its securities, shall in addition be sent to the Exchange. Such documentation shall always make mention of where the prospectus may be obtained. Apart from this, such documents may not include encouragement of any type or propaganda advocating the purchase of the issuer's securities by the general public.

If a public issue is to be made concurrent to the listing, subscription forms shall always be part of the prospectus itself. It is prohibited to send subscription forms separately or as supplementary prospectus documentation such as described in the fourth paragraph.

If a public issue is to be made concurrent to the listing, the Exchange may, under special circumstances, agree to the publication of a provisional prospectus prior to the commencement of the issue. Such a prospectus may not lack more than inconsequential information, for instance on the price and size of the public issue. Such a prospectus shall also indicate where and when the final prospectus will be published and what additional information it will contain. The final prospectus must, however, be available no later than the morning of the first day of sale.

Article 30

New information

If new information, which could have an effect on the assessment of the issuer or its securities, comes to light in the interval which elapses from the publication of the prospectus until the listing of the securities, an appendix to the prospectus shall be prepared, giving details of the new information. This appendix must be approved by the Exchange.

An appendix to a prospectus shall be made accessible to the public and shall be published in the same manner as described in the first and second paragraphs of Article 29 of these Rules.

Article 31

Language

A prospectus must be in Icelandic.

If there are compelling reasons for so doing, the Exchange may grant an exemption from the first paragraph, wholly or in part, such as for a prospectus as provided for in Article 32 of these Rules.

Article 32

Mutual recognition

The Exchange may recognise a prospectus which has been adopted by competent authorities in the European Economic Area up to three months prior to a request for listing of the securities in question on the Exchange.

The Exchange may decide that a prospectus in accordance with the first paragraph shall include, in addition, specific information on the Icelandic market, such as on taxation matters, financial institutions which handle payment, etc. Special attention must also be drawn to matters concerning the rights of owners of the securities, based on legislation which is not Icelandic, and which are not in accord with Icelandic legislation.

The Exchange may demand that prospectuses in accordance with this Article be translated into Icelandic by a certified translator.

Article 33

Exemption from the publication of a prospectus

The Exchange may, in special instances, grant an exemption from the publication of a prospectus, provided in the estimation of the Exchange, sufficient information on the securities has been published.



CHAPTER VIII

Article 34

Miscellaneous provisions

The issuer shall pay an initial fee when securities are listed and an annual fee while they are listed, as provided for in the currently valid Iceland Stock Exchange, Ltd. tariff.

Article 35

Should the Exchange Board reject an application for listing of a securities class, an applicant may refer such decision to a board of arbitration in accordance with Act No. 53/1989 on Contractual Arbitration. The same shall apply if the Exchange Board decides to remove a securities class from the listings.

Each party shall appoint one member of the board of arbitration. A third member shall be appointed by the presiding judge of the Reykjavík District Court.

The cost of arbitration shall be borne by the parties involved in the proportions decided by the neutral third member of the board.

Parties in the case shall be fully bound by the outcome of the arbitration.

Article 36

Should the situation arise with the issuer that price formation becomes, for some reason, uncertain, such as due to uncertainty concerning the future of the issuer, because specific information is not available and/or a violation of disclosure requirements is involved, the Exchange Board may decide to place a class or classes of securities of the issuer concerned temporarily on the list for investigation.

In special cases the Exchange may, in accordance with a request from an issuer, and provided that the Exchange is in agreement with the grounds for such request, transfer a class or classes of the issuer's securities to the list for investigation.

Article 37

Should the Exchange be of the opinion that an issuer no longer fulfils with these Rules or decisions taken by the Iceland Stock Exchange, Ltd. on their basis, it shall so inform him/her in accordance with Article Six of the contract with the Iceland Stock Exchange, Ltd. and the issuer in question, concerning the listing of securities on the Exchange, and it may further decide to:

1. demand information from the issuer in question;
2. place securities of the issuer concerned temporarily on the list for investigation;
3. publish a public statement concerning the case in question;
4. set conditions for, or suspend, trade in the issuer's securities. Such suspension of trade may be temporary or indefinite;
5. levy fines on the issuer which may amount to up to ten times the annual fee paid by the issuer for the listing of its securities on the Exchange, if the Exchange Board feels violations are major;
6. remove the securities of the issuer from the Exchange's listings, either temporarily or permanently. Securities will only be removed from the listings according to decision of the Exchange Board.

Article 38

If the estate of an issuer is taken into bankruptcy proceedings, its listed securities shall be removed from the Exchange's listings.

Article 39

The issuer's Board of Directors may request that its listed securities be removed from the Exchange listings. The Exchange Board shall approve this request upon receiving a written explanation supporting such a request.

The Exchange Board may, however, postpone removal of the securities from listings for one year from the time that it receives an explanatory statement for such a request, as referred to in the first paragraph. Furthermore, the Exchange Board may decide to publish the statement, wholly or in part.



Article 40

Unless otherwise provided by these Rules, decisions by the Exchange Board shall remain valid in all cases.

Chapter IX

Article 41

Effective dates and miscellany

These Rules, which are adopted with reference to Act No. 34/1998, on Securities Exchanges and Regulated Securities Markets, Regulation 434/1999 on public listing of securities in stock exchanges, and the listing agreement between the Exchange and an issuer of securities, take effect 1 July 1999. Concurrently, expiration occurs on rules on the listing of shares on the Iceland Stock Exchange from 3 December 1997.



Appendix I⁴

Rules on Disclosure Requirements concerning Executive Remuneration upon Listing of Equities on ICEX

Explanatory viewpoints and objective of information disclosure on executive remuneration

Information disclosure on points covered by the committee's proposals has a variety of objectives. In the first place, they are aimed at ensuring as much transparency as possible concerning the financial interests of executives in companies listed on the market or which are to be listed. Secondly, they are to ensure that investors have access to co-ordinated information, which can influence the value of equities in listed companies, on what interests executives have at stake in the company. Thirdly, in order to strengthen the credibility of the Icelandic securities market, the information disclosure requirements must be coherent with those applying on other markets. This is necessary in order that foreign investors will know what the requirements are and that they can trust that rules on information disclosure in Iceland are not materially different nor less strict than in neighbouring countries. Fourthly, ICEX's co-operation with exchanges abroad involves co-ordinating information disclosure on executive remuneration and important connections of executives with the company. Fifthly, it is to the advantage of Icelandic investors for these rules to be harmonised, so that they will know what requirements are set in this respect on other stock exchanges.

These objectives must be borne in mind when interpreting the Rules. The Rules provide for more detailed information disclosure than has been required up to now, both with regard to prospectuses and on-going information disclosure. This must not, however, induce people to search for loopholes in the Rules in order to avoid providing information which it is normal and fair for shareholders to receive. Company executives are responsible for fulfilling the basic requirements set by the Rules and which underlie provisions in legislation on information disclosure of listed companies.

1. The prospectus must specify the following information:

1.1. Salary payments to senior executives

Information on salaries, payments and any type of benefits, in particular to individual Board members and the top executive (CEO or managing director) of the issuer during the previous financial year.

If there have been notable changes to payments and benefits during the current year, these shall be specified separately.

If the issuer is part of a consolidation, information shall be provided on the same payments and benefits to the above-listed parties from companies in the consolidation.

ICEX may decide that the same information shall be provided giving a breakdown for the top executives of specific departments of an issuer or executives of an issuer's subsidiaries.

The same information as prescribed in the first paragraph shall be provided concerning remuneration to individual members of supervisory bodies if such have been appointed.

Explanatory notes

Information shall be provided on the total amounts executives receive from the company or companies in a group, i.e. job-related payments. No requirements are made, however, concerning the specification of minor information which makes no difference for the objectives of the information disclosure. Thus the total value of benefits should be given in accordance with the definitions of the Act on Income and Net Wealth Tax or practices of the taxation authorities as to what should be currently considered as benefits. The term "salary" should also be interpreted in accordance with the broad understanding of the Act on Income and Net Worth Tax. Salary should include, for example, payments to pension funds and any sort of retirement funds. It is also necessary to interpret the term "payment" broadly, if more than one explanation is available in an individual instance. Thus it must be explained whether the

⁴ Issued 1 July 2003



person concerned has been paid with financial instruments issued by the company, cf. for example, specific information on options exercised in accordance with an existing stock option agreement, so that information referred to in Point 1.4 is provided.

The term “financial instrument” is used in the Act on Securities Transactions as a collective term for various types of products on the financial market regardless of their nature and thus includes, for instance, equities, bonds and derivatives. The provision applies primarily to job-related payments. If executives or related parties receive payments from the company or companies in a consolidation as a result of special agreements, e.g. agreements on consultancy work carried out by a company owned by the Board member in question, this should be specifically accounted for in accordance with Point 1.5.

If there is more than one top executive, e.g. two CEOs, information on the remuneration to each of them should be provided separately unless their remuneration is similar. If members of the Board, other than the Chairman, receive the same salary it is sufficient to account for this with a single figure. The salary of the Chairman of the Board should always be given if it differs from that of other Board members.

The requirement is set in the second paragraph that shareholders be informed if there are significant changes to salaries paid or benefits provided to executives from those of the previous financial year. Having regard to the importance of prospectuses for a company’s information disclosure, it would be unnatural to exclude this information from them. On-going information disclosure as a rule only requires that information on salaries paid etc. be given for the current financial year in annual accounts. The intention is that ICEX’s authorisation, in the second-last sentence, to demand a breakdown of information, should be subject to the limitation that ICEX will not demand information on managers of individual departments or subsidiaries which are of little significance for the operations of the company or the consolidation as a whole, as applicable. It is thus assumed that ICEX may not require a breakdown of information on the remuneration to these executives if the department or subsidiary company which they head does not account for more than 10% of own equity or performance of the company or consolidation, as applicable.

Since the requirement in the current rules is for information to be disclosed on remuneration to supervisory bodies, it is not possible to have the demands otherwise in these Rules. Despite the fact that in general such parties are not appointed, this does not mean this cannot happen in the near future, or that the role of such parties will not become more significant in accordance to what is common in larger companies in major markets.

1.2. Remuneration to other executives

Information on total payments and benefits of other executives of issuers is at least to be provided in the form of a total figure for the group, together with the number of executives and clarification of the individuals included in the group.

Explanatory notes

It is proper to publish information on the salaries, payments and benefits to other executives than those covered by Point 1.1, to give shareholders an overview of administrative costs.

1.3. Payments to auditors

Information on total payments to auditors/auditing firms shall be provided as a total figure, making a distinction, however, between payment for auditing, on the one hand, and for other services, on the other.

Explanatory notes

The role of auditors and auditing firms is important for listed companies. In order that their objectivity should not be doubted, and in accordance with demands abroad, it is necessary that information be published on total payments made to them, on the one hand, for auditing and, on the other hand, for other services if such have been provided. Such services include primarily any sort of specialised work performed by an auditor, including consulting services, such as on the merger or separation of companies, work on accounting and taxation apart from that involved in traditional auditing, etc.



1.4. Agreements on stock options etc.

Information on agreements with parties referred to in Point 1.1, according them the right to purchase or sell financial instruments issued by an issuer or company in the consolidation, i.e. stock option agreements, etc.

An account shall be given of the following aspects covered by such agreements:

- a) the type of financial instruments,
- b) as of what time the entitlement is established,
- c) the total number of shares or financial instruments covered by the agreements,
- d) during what period the rights can be exercised,
- e) for what price the right will be exercised (buying price),
- f) what conditions must be fulfilled in order to exercise the right,
- g) the market value of the underlying financial instruments, including an explanation as to how the market value was calculated and the main criteria on which the calculations were based.

Similar information is to be given for all parties referred to in Point 1.2 at least as a total figure for the entire group.

Explanatory notes

The information covered in this Point is of value to investors, since the exercise of major stock options can affect share price formation. At the same time the availability of this information exerts a certain restraint on executives. The information thus encourages more objective management practices within listed companies.

1.5. Extraordinary transactions

Information on the nature and scope of an issuer's extraordinary transactions with the parties referred to in Point 1.1 during the previous and current financial year. This could involve any sort of transactions outside of the normal, such as the purchase or sale of real estate or major liquid assets, financial instruments, etc. Information should also be provided on the amounts of any loans, as well as mortgaging, surety and guarantees which have been provided to the parties referred to in Point 1.1, or related parties, with a breakdown including information on interest, repayment terms and other principal conditions. If such transactions have been conducted previously and are not yet settled, information on these shall also be provided.

Explanatory notes

Concerning the necessity of disclosing information on the nature and scope of extraordinary transactions, reference is made to the explanatory notes in the preceding article. The necessity of information disclosure depends on whether the transactions are unusual with regard to the purpose of the company and position of the executive, rather than on the type or name of the transaction. Scope refers to the financial interests the transactions involve. They may include both bilateral agreements and unilateral measures, e.g. transfer of real estate or liquid assets by the company to an executive or related party without remuneration.

The obligation to disclose information on amounts of loans, mortgaging, guarantees, etc. is not new. The Rules on this point found in Article 43 of the Annual Accounts Act serve as the model here. It should be re-iterated that, just as is provided for in the second paragraph of Article 43 of the Annual Accounts Act, transactions with executives should be regarded in exactly the same manner as those with related parties. The provisions cannot thus be circumvented on the grounds that the transactions have been with related parties, whether they are linked personally to the party concerned or have common interests, i.e. primarily parties with joint finances, who are supported by him or legal entities under his control.

1.6 Other/extraordinary agreements

A description of all extraordinary agreements, if such exist, with parties referred to in Point 1.1, including agreements on payment, employment contracts and severance agreements which may involve substantial expense for the issuer, such as provisions that an employment contract or other long-term agreement may not be terminated, requires unusually lengthy notice of termination or contains provisions for special payments to an executive ceasing employment due to changes in



ownership. Extraordinary agreements on retirement benefits or pension contributions, as well as any sort of extraordinary payments to be made in connection with termination of employment or following such must also be specified.

Explanatory notes

It is necessary to provide investors with information on and enable them to assess extraordinary agreements with executives other than those which can be regarded as business dealings, cf. Point 1.5. This involves primarily salaries or other job-related payments which are made upon termination of employment or afterwards and are not included under Point 1.1. Such agreements may also involve extensive obligations for the company, e.g. because an executive's employment cannot be terminated because his/her contract is for a specific period and has no provision for termination. An "unusually lengthy notice of termination" is taken to mean notice in excess of twelve months.

An obligation to notify extraordinary agreements on retirement terms and pensions means first and foremost that mention must be made of such if the terms significantly exceed what is provided for in general rules for pension contributions and other retirement payments. This provision is intended primarily to ensure transparent reporting of extraordinary agreements on payments and benefits upon and after ceasing employment. It may overlap with the Rules of Point 1.1, which are in part aimed at detailed specification of salaries in a broad sense, including specification of what can be considered as contributions to any type of pension or retirement fund or pension account.

1.7. Shareholdings of executives

The total nominal value of shares issued by the issuer or a company in the consolidation owned by any of the parties referred to in Point 1.1, as well as shares owned by any of the issuer's other key personnel. Calculations of shareholdings shall include both direct and indirect holdings of an issuer's shares as well as holdings of related parties.

In addition, the total nominal value of shareholdings of each individual group listed in Point 1.2 shall be provided.

Explanatory notes

Information to be notified in accordance with this Point is necessary to achieve the objectives of the Rules. A breakdown should be given of information concerning parties covered by Point 1.1 while for other executives the total amount for a group may be indicated. Reference is made to the explanatory notes on Point 1.4 for a definition of the concept of related parties. A direct holding means a holding by the executive concerned personally or by a related party. An indirect holding means a shareholding in a company through a legal entity which is under the control of the executive or related parties.

1.8 Entry into force

These Rules shall apply as of 1 July 2003.

Explanatory notes

These Rules are intended to supplement the current provisions of Appendix I of Regulation No. 434/1999, on listing of securities on a stock exchange, and to supplement the provisions of Act No. 144/1994 on Annual Accounts. Due to their nature, they apply exclusively to issuers of shares listed on ICEX and the ICEX Alternative Market. No previous provisions are replaced, as there are no specific ICEX rules on information disclosure concerning executive remuneration; instead the Rules refer to provisions of the above-mentioned Regulations, provisions of the Annual Accounts Act and good accounting practices.