

## **Eimskipafélag Íslands hf.**

### **Rules of Procedure for the Audit Committee**

#### **Introduction**

These Rules of Procedure are formulated in accordance with Chapter IX A of Act No. 3/2006 on annual accounts and with reference to Article 2.4 of the Rules of Procedure for the Board of Directors of Eimskipafélag Íslands hf. (hereinafter referred to as the "Company"). The Audit Committee (hereinafter referred to as the "Committee") is assigned to be consultant to the Board of Directors in supervising the preparation of annual accounts and work processes within the Company and thus endeavor to secure the quality of the Company's financial information. The principal duties of the Committee are to review all financial information and procedures regarding information disclosure from day-to-day managers and the Company's independent auditors and to ensure the independence of the Company's independent auditors. The Committee shall verify that the information that the Board receives regarding the operations, standing and future prospects of the Company are reliable and give the clearest possible perspective of the Company at any given time.

#### **Article 1**

##### COMMITTEE APPOINTMENT

Every year the Board of Directors of the Company shall, no later than one month after the last annual meeting, vote for three members to sit on the Company's Audit Committee. The Board of Directors may appoint a person who is not a Board member to sit on the Audit Committee. Their qualification is determined by law. Committee members shall possess knowledge and experience which will be useful in their work and at least one member shall have detailed expertise in the field of accounting or auditing.

The Board of Directors shall appoint the Committee chair.

#### **Article 2**

##### PERMISSION TO GATHER INFORMATION

The Audit Committee has permission to gather necessary information within the Company to be able to fulfill its duties according to these Rules of Procedure. The Committee can ask for assistance and data from the Company's employees and independent auditors as needed. The Audit Committee also has permission to get counsel from outside the company if it is considered necessary, to be able to fulfill its duties. The Company pays the associated cost.

#### **Article 3**

##### THE FUNCTIONS OF THE AUDIT COMMITTEE

The Committee shall endeavor to ensure the quality of annual accounts, interim financial reports and the Company's other financial information and the independence of its independent auditors.

The Committee shall review financial information and the setup for dissemination of information from the management, internal auditing and independent auditors.

The Committee shall discuss and resolve any disagreements between management and the independent auditors, as well as discussing reports from the independent auditors.

Every year the Committee shall initiate a common meeting with the Board of Directors, the Committee and the independent auditors, where the day-to-day management of the Company is not present.

The Committee shall meet with company employees and the independent auditors as necessary.

The Committee shall at least once a year hand in a written record about its work to the Board of Directors.

The Committee shall also report to the Board of Directors on the auditor's written report according to Article 108 d of Act No. 3/2006.

**Article 4**

MAIN TASKS

The main tasks of the Audit Committee are as follows:

1. Monitoring working processes in the preparation of financial statements.
2. Monitoring the organization and effectiveness of the Company's internal controls and risk management.
3. Monitoring and checking the auditing of the Company's annual accounts and consolidated accounts.
4. Assessing the independence of independent auditors or auditing firm and monitoring any other work performed by the independent auditors or auditing firm. The Committee shall in its assessment take into consideration the items specified in section 2.3 in the 5th edition of the Corporate Governance Guidelines.
5. Presenting proposals to the Board regarding the selection of independent auditors or auditing firm.

**Article 5**

MEETINGS

The Committee shall hold meetings when the chairman decides or when other members request, though never less than four times a year. The independent auditor or the internal auditor can request a meeting if they consider it necessary. The chairman of the committee shall submit a meeting schedule at the end of the year with the scheduled meetings for the following year and their agenda. The committee decides who else can attend their meetings. At least once a year the committee shall meet with the internal and independent auditors without the executive officers of the company. A meeting is lawful if at least two Committee members attend. Participation via teleconferencing equipment is a lawful participation.

**Article 6**

RECORD OF MINUTES

The Committee's secretary shall file the record of minutes, in accordance with Article 6.1 in the Board of Director's Rules of Procedure as appropriate. The Committee's members have the right to get their comments included in the minutes.

## **Article 7**

### OTHER

The Board of Directors can request the assistance of the Committee in special tasks concerning the Company.

These rules of procedure are established and approved by the Board of Directors of Eimskipafélag Ísland hf. in a Board Meeting on 23 February 2017.

The Audit Committee shall review and assess the adequacy of the Rules of Procedure annually and send proposed changes to the Board of Directors for approval. The Board of Directors alone can change these rules.

23 February 2017

Board of Directors