

2018 Transparency Report
Deloitte ehf.

Aspire with assurance

30 January 2019

Audit & Assurance



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Deloitte ehf. leadership message¹

Deloitte's purpose is to make an impact that matters, for our clients, talents and for our society. That declaration entails a commitment to service clients with quality and distinction, to inspire our people to deliver value and to contribute to society by building confidence and trust and upholding integrity.

In order to fulfill our purpose we are firmly committed to ensuring quality and instilling trust. At Deloitte, quality is a never-ending quest to do today's work better and to deliver more in each engagement. We continually seek to raise the standards of quality to create genuine value for all stakeholders.

Audit is about much more than just the numbers. It is about attesting to accomplishments and challenges, and helping to assure strong foundations for future aspirations. Deloitte illuminates the what, how, and why of change so you are always ready to act ahead.

The impact of our work thus extends far beyond the audit itself. Attesting that financial statements give a true and fair view in all material respects – delivering added insight on the conduct and performance of an enterprise – this gives investors the confidence to make critical decisions.

It helps assure stakeholders that businesses are aspiring to high standards that contribute to a strong, sound economy. And, it shows clients where they stand today, so that they can build on a foundation of strength for the future.

When it comes to innovation, we make a concerted and continuous investment in developing technologies, fresh approaches and new, disruptive perspectives to reshape audit.

At Deloitte, we bring assurance to aspiration by delivering a true and valid picture of the world today and by mapping the direction of change as it happens.

Sigurður Páll Hauksson, CEO and partner

Deloitte ehf.²



¹ Throughout this report, the terms "Deloitte, we, us, and our" refer to one or more of one or more of Deloitte Touche Tohmatsu Limited, its network of member firms, and their related entities. For more information about the Deloitte network, please see p. 3 or <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/about-deloitte.html>.

² This report sets out the practices and processes that are currently employed by Deloitte ehf., in accordance with Law on State Authorized Auditors no. 79/2008 on specific requirements regarding statutory audit of public-interest entities.



Deloitte network

Deloitte Iceland: legal structure and ownership

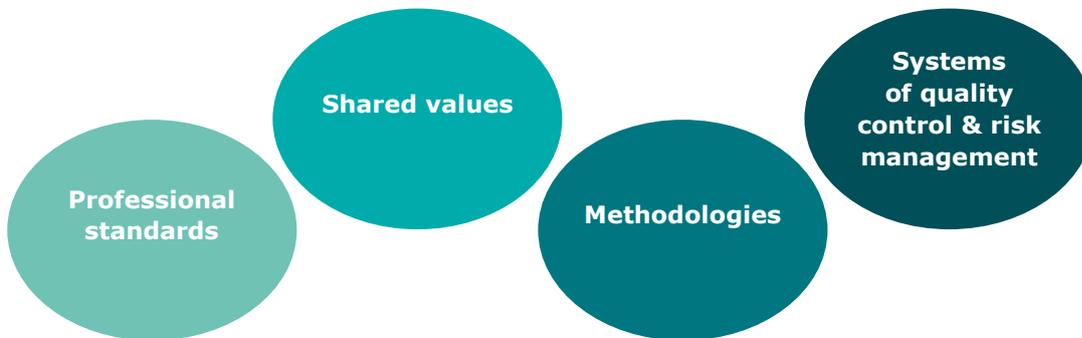
Deloitte ehf. is connected to the Deloitte network through Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited. Deloitte ehf. is referred to throughout this report as "Deloitte Iceland", and Deloitte NWE LLP is referred to throughout this report as "Deloitte NWE". Deloitte NWE is a registered audit firm within the EEA and holds practice rights to provide professional services using the "Deloitte" name which it extends to Deloitte entities within its territory (comprised of 9 countries), including Iceland. Deloitte Iceland is authorized to serve as an auditor for clients in Iceland.³

In June 2016, Deloitte Iceland entered into a closer cooperation with the other Nordic countries through the establishment of a new member firm, Deloitte Nordic, and in June 2017, an agreement was made with Deloitte NWE that Deloitte NWE was the new member firm of Deloitte Global in which Deloitte ehf. is the Icelandic part. As of today, Deloitte NWE consists of the former member firms in UK, Switzerland, Ireland, Belgium, Holland, Norway, Sweden, Finland, Iceland and Denmark. The firms mentioned will still operate as separate independent legal entities and provide services in their respective countries in accordance with professional standards. Deloitte NWE is registered in UK and Ireland through the Institute of Chartered Accountants in England and Wales, but do not provide services to clients.

Network description

The Deloitte network

The Deloitte network is a globally connected network of member firms and their affiliates operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.



Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)⁴

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee. DTTL serves a coordinating role for its member firms and their affiliates by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across the Deloitte network. DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities.

For more information about the Deloitte network, please see: [About Deloitte](#).

³ Cf. Law on State Authorized Auditors no. 79/2008

⁴ With the exception of this paragraph, "Deloitte Global" is the preferred term to reference Deloitte Touche Tohmatsu Limited.

Deloitte Iceland: governance – leadership in action

- The Board is responsible for the promotion and protection of partner interests, oversight of management and development of strategy.
- The CEO is responsible for managing the day-to-day operations and implementation of the firm's policies and strategic direction.
- The Executive Committee is responsible for assisting the CEO in managing the firm, implementing policies and operating functions.
- The Risk & Reputational Leader is responsible for the effectiveness of the firm's internal control and risk management.

Deloitte Iceland operates as a corporation owned by a partnership, D&T sf., with 32 partners, established under Iceland law, with registered office at Smaratorg 3, 201 Kopavogur and registration number 521098-2449, and Deloitte NWE, a limited liability partnership, established under UK law, with registered office at 2 New Street Square, London EC4A 3BZ and registration number OC417204.

Deloitte Iceland Board of Directors and Audit & Assurance leaders are responsible for the governance and oversight of the Audit & Assurance practice.

The following are the members of the Deloitte Iceland Board of Directors who were elected by Annual General Meeting for the period of 2017-2018 and the members of the and Executive Committee who were elected by the Board:

Deloitte Iceland – Board of Directors

Halldor Arason, chairman

Anna Birgitta Geirfinnsdottir, board member

Pall Gretar Steingrímsson, board member

Reserve board member: Sif Einarisdóttir

Deloitte Iceland – Executive Committee

Sigurður Pall Hauksson, CEO

Palina Arnadóttir, Risk & Reputational Leader

Thorsteinn Petur Guðjonsson, Audit & Assurance Leader

Jonas Gestur Jonasson, Business Process Solution Leader

Björn Ingi Víctorsson, Risk Advisory Leader

Lovisa Anna Finnbjörnsdóttir, Financial Advisory Leader

Bjarni Thor Bjarnason, Tax & Legal Leader

Thorsteinn Petur Guðjonsson, Audit & Assurance Business Leader, is appointed by the Deloitte Iceland CEO. Thorsteinn Petur Guðjonsson and senior management develop and implement the strategy for the Audit & Assurance practice, including related policies and procedures. In all of their activities, Deloitte Iceland senior leaders are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. Deloitte Iceland strategy is developed in alignment with the overall strategic direction established for the Deloitte network.

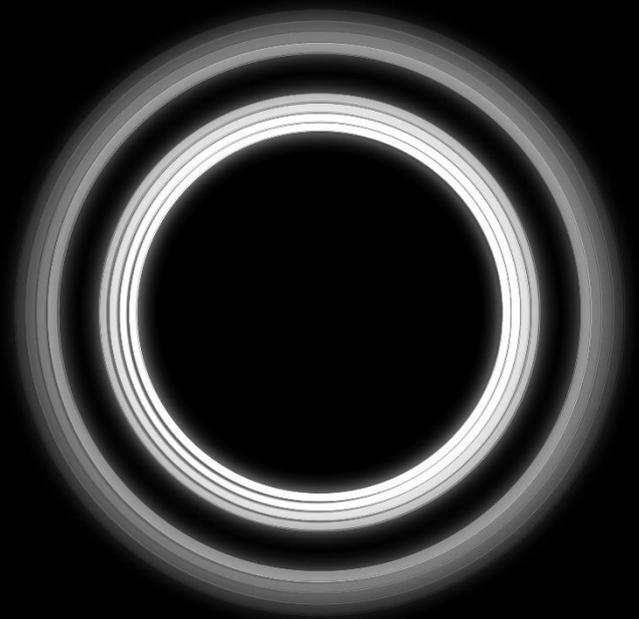
Deloitte Iceland Audit & Assurance leader participate in Deloitte network groups that set and monitor quality standards, and from which a number of audit quality initiatives emanate, in collaboration with the Risk & Reputational department.





Our purpose and commitment: audit quality

At Deloitte Iceland, our purpose is to make an impact that matters. For Audit & Assurance, this means a focus on delivering independent high quality audits and dedication to continuously pursuing opportunities to support auditors' role in the capital markets. This requires us to continuously build capabilities to support the delivery of high quality audits and make leading contributions to shaping the future of the audit profession.





What Deloitte Audit & Assurance brings to capital markets

Audit & Assurance Transformation

Being a relevant profession of the future and a sustainable practice that evolves with the pace of change in technology and society is critical. Driving this goal is the Deloitte Audit & Assurance Transformation initiative, which is currently being developed and deployed across the Deloitte network, including Deloitte Iceland.

Audit & Assurance Transformation is an important shift across the network in the way Deloitte professionals work and includes:

Deloitte Way: standardization of audit processes supported by global technology suite	Real-time audit quality monitoring
Enhanced talent model which includes learning, rewards and recognition, centers of excellence, and delivery centers	Agile deployment of tools and technologies to respond to changing environments

Deloitte Global leadership

The Global Audit & Assurance Leadership Team is led by Panos Kakoullis, Global Managing Director Audit & Assurance. Global Audit & Assurance responsibilities include:

- Developing and driving Audit & Assurance strategy
- Setting audit methodology standards and approving audit policy and methodology changes with the objective of enhancing audit quality across the Deloitte network.
- Driving key audit quality initiatives and policies across the Deloitte network

Audit engagement acceptance and continuance

As a part of Transformation efforts, global initiatives are underway to foster a standard approach to audit engagement acceptance across the Deloitte network, resulting in consistent decisions and consideration of risk.

Deloitte Iceland has detailed policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk. These policies and procedures are designed with the objective that Deloitte Iceland only accepts engagements where it:

- Is able to perform the engagement and has the capabilities, including time and resources, to do so.
- Can comply with all relevant ethical requirements and professional standards, including independence and conflicts of interest assessments and considerations.
- Considered the integrity of the potential client's management team.



Audit innovation⁵

Innovation is an expectation in today’s fast-changing business environment, and this expectation holds true for the audit profession as well. Today’s complex business environment requires that the audit be dynamic, multidimensional, and insightful. There is a demand for real-time, relevant information, and clients expect audits to evolve as they innovate their businesses and processes. While traditional procedures still have a place in auditing, Deloitte Iceland auditors are enhancing procedures by making more use of technology-based analytics, Artificial Intelligence (AI), cognitive & cloud-based technologies, etc. This is due in part to the increased automation and effectiveness such data analytics and other tools may provide, but also the need for Deloitte Iceland to stay in front of technological advances used by the entities that we audit.

Innovation is an integral part of the entire audit delivery process, which is supported through Deloitte’s three leading platforms: Cognia, Illumia, and Magnia.

 COGNIA	How we equip our people portal providing a full suite of tools
 ILLUMIA	How we analyze data approach to audit analytics
 MAGNIA	How we deliver our audits approach to audit delivery

Learning and development initiatives

Central to the Audit & Assurance Transformation initiative are various enhancements to the Deloitte talent model:

- A single, global Audit Learning Curriculum for auditors (supplemented based on local requirements as needed).
- Specific learning opportunities for traditional auditors (e.g. on big data) and specialists (e.g. audit skills). Mixed composition of traditional audits and specialists on engagement teams provides complementary skillsets, but also the need for different learning offerings.
- Enhanced project management, which is viewed as a key capability for the auditor of the future, and as such, is being integrated into talent strategies (e.g. recruitment and learning).

The objective of the Deloitte Iceland professional development program is to help partners and other professionals maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, Deloitte Iceland provides formal continuing professional development programs in relevant subject areas consistent with the Deloitte Global Audit Curriculum.

Deloitte Iceland establishes minimum levels of continuing professional development to be undertaken by Audit & Assurance partners and other professionals within a specific period of time. These levels include a minimum of *40 hours of structured learning per year and 120 hours of structured learning in every three-year period*. To achieve these levels of development, Deloitte Iceland offers structured, formal learning programs, such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies, and competencies in areas of specialization).

⁵ For more information about Deloitte audit innovation, please refer to [Global Impact Report](#).



Deloitte University

Our culture and activities of professionals globally are supported by continuing to invest in Deloitte Universities (DU). These are state-of-the-art learning and development centers focused on Deloitte culture, and rooted in the principles of connectedness and leadership in a highly inclusive learning environment⁶.



Partner remuneration

Execution of high quality audits is expected from all professionals and is embedded across the Deloitte network. Audit quality is built into performance standards at every level, against which professionals' overall evaluations are measured.

In accordance with global policies, Deloitte Iceland's partners are evaluated on a yearly basis, and depending on the outcome of the evaluation, the remuneration of partners may increase or decrease.

Specifically, partner evaluations take into account the following factors:

Quality: Partners act in accordance with Deloitte's quality standards in all professional work.

Clients: Partners manage client relation and contribute to enhancing Deloitte's brand.

Leadership: Partners demonstrate behaviours which reflect Deloitte's culture.

Business: Partners develop Deloitte's long-term financial interest.

Stewardship: Partners work across all functions and assume different roles.

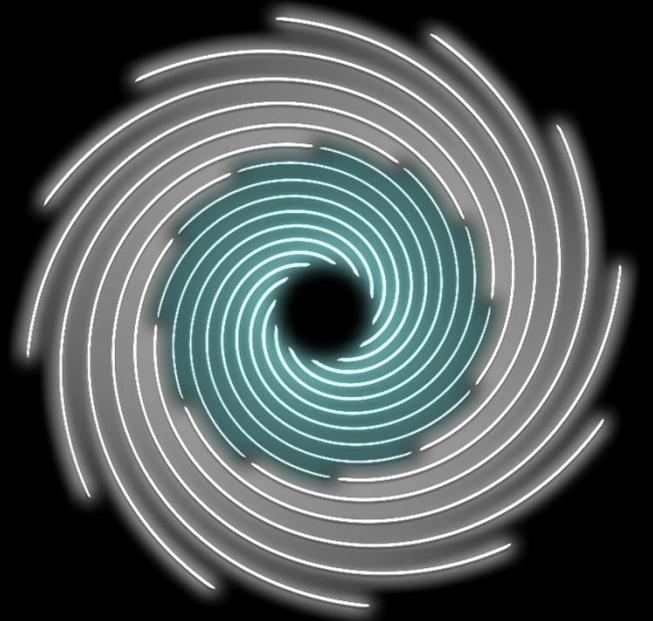
⁶ For more information about Deloitte Universities, please refer to [Global Impact Report](#).



The high quality audits we deliver

The experience of a high-quality audit, delivered well, will provide the audit committees, investors, and other stakeholders of the companies with (but not limited to):

- An audit report that is appropriate to the circumstances.
- Innovation in how we do the audit.
- More insights about their company than they had at the outset of the process.





External and internal audit quality monitoring

Audit Quality Monitoring & Measurement

A continued focus on audit quality is of key importance to the Deloitte brand. It is critical that a Deloitte audit is consistently executed and of high quality, wherever in the world it is performed.

The objectives of the Global Audit Quality Monitoring & Measurement (AQMM) program are to:

- Transform the way audit quality is monitored and measured and audit deficiencies are resolved; and
- Enhance the internal system of quality control which all Deloitte network firms follow

The AQMM program is focused on driving:

- Continuous, consistent, and robust monitoring of completed and in-flight engagements
- Fundamental understanding of deficiencies and timely execution of corrective actions by all member firms consistently
- Greater transparency and consistency in reporting key measures of audit quality

Deloitte Iceland maintains policies and procedures to promote an internal culture based on the recognition that quality is the number one priority. Deloitte Iceland focuses on professional excellence as the foundation for achieving audit quality on a consistent basis.

Multidisciplinary model

Audit is the foundation of the Deloitte brand. In addition to Audit & Assurance, Deloitte NWE, has Consulting, Financial Advisory, Risk Advisory, Business Process Solutions and Tax & Legal practices. The diversity of six different businesses under one umbrella (multidisciplinary model) is one of the key differentiators of high-quality audits.

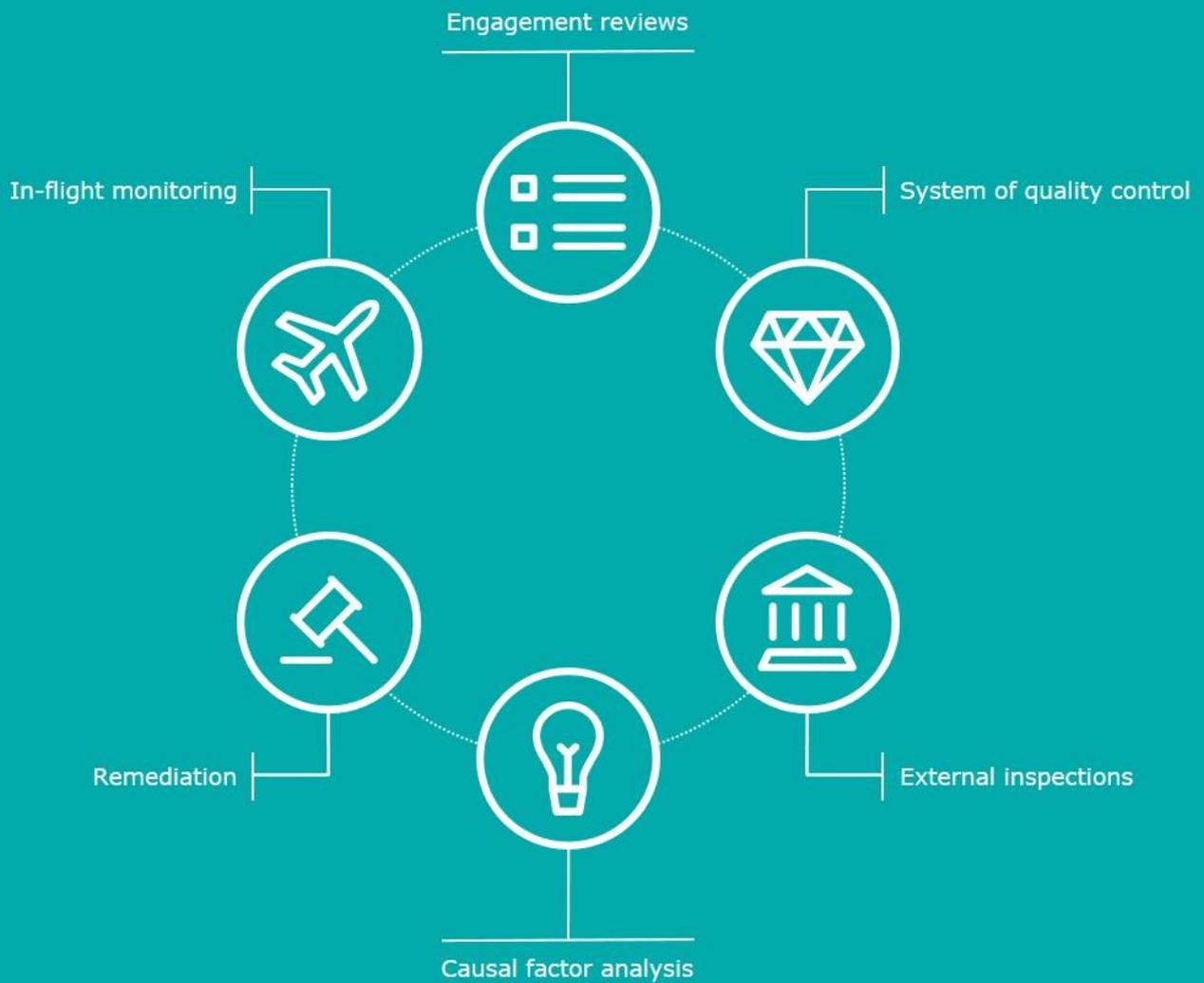
Among the benefits of the multidisciplinary model for audit:

- It is possible to develop industry insights through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits.
- The audit practice has immediate access to specialized resources and expertise in other business lines. It promotes audit quality because auditors can tap the expertise of advisory professionals who are skilled in subjects that often are not native to auditors.
- A diverse organization helps attract and retain premier talent.
- Intellectual capital is available within the network to innovate audit processes, technologies, etc.

Negative quality events have the potential to impact the Deloitte brand as a whole. As such, each non-audit Deloitte business has a shared and vested interest in supporting audit quality initiatives.



Audit Quality Monitoring & Measurement



In-flight monitoring

Continuous audit quality monitoring by Deloitte Iceland drives a faster response to audit issues on “in-flight” engagements, driving identification, timely solutions, and real time corrective actions achieved by:

- Deployment and monitoring of a series of core Diagnostics, enabling engagement partners and teams, as well as Deloitte Iceland audit quality leader(s) to continuously monitor audit quality and take immediate action.
- A program of subject matter specific “health checks” to assist Deloitte Iceland audit quality leader(s) in assessing progress and identifying potential issues on in-flight engagements.

Engagement reviews

Key components of engagement reviews (internal practice reviews) include:

- Risk-based engagement selection and consideration of all major industries served by Deloitte Iceland.
- Mandatory moderation panel to drive consistency in findings and engagement ratings.
- External partners and deputies who oversee practice reviews to increase global consistency.
- Identifying appropriate resources (from within Deloitte Iceland as well as from other Deloitte geographies) with the right experience and industry expertise, including establishing central review teams.

System of quality control (SQC)

SQC includes numerous elements such as documenting key areas of the SQC processes and controls and performing procedures for testing the operating effectiveness of the SQC, including execution of a comprehensive SQC review program.

Used in conjunction with other metrics, Audit Quality Indicators (AQIs) further assist Deloitte Iceland in developing and monitoring audit quality action plans and reporting on the progress in its audit quality journey. AQIs are integrated with ongoing AQMM activities.

In addition, proper timing and sequencing of audit activities, including timely reviews of work

performed and the resolution of matters identified, are closely associated with high quality audits. Audit Quality Milestones are intended to drive consistency of engagement teams in project management, timing of when work is done, and necessary focus on engagement staffing, including sufficiency and expertise of assigned resources.

Causal factor analysis and remediation

Focusing on continuous improvement is essential to driving improvements in audit quality. Understanding why audit deficiencies occur is essential to the design of effective actions to remediate findings. Further, actions are taken when audit deficiencies in the performance of an audit engagement are identified. An Audit Quality Plan is prepared by Deloitte Iceland and provides for effective implementation and monitoring of key audit quality priorities.

External inspections

In addition to Deloitte Iceland own monitoring of audit quality, we as well as our individual auditors are subject to external reviews by the Icelandic Certified Public Accountants and Auditing Oversight Board (ICPAAOB) at least every three years.

The latest finalized inspection by the ICPAAOB was performed in October-December 2017 and the results were good. There were only insignificant suggestions and comments regarding individual engagements from the quality inspectors.

Statement on the effectiveness of the functioning of the internal quality control system

We confirm that we are satisfied that our internal quality controls and systems are robust, operate effectively, and allow us to readily identify any areas of potential enhancement. We continually seek to refine all aspects of our business and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our system of quality control.



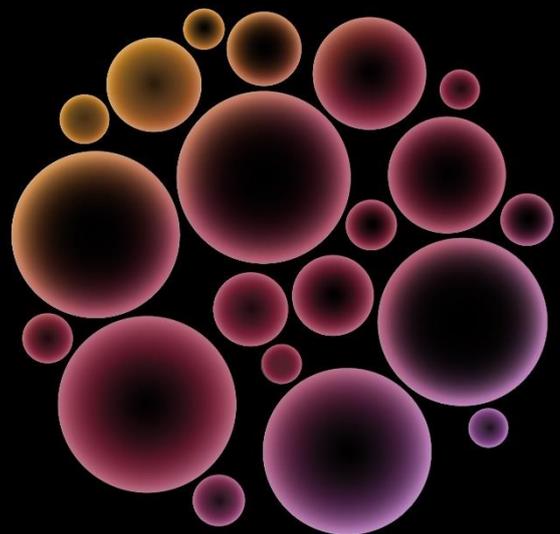


The organizational capabilities we build

Deloitte culture and the design of our learning programs place our people at the forefront. Deloitte professionals are technically proficient with high level of ethics, integrity, professional skepticism, and objectivity, and continuously enhancing.

In addition, operational discipline, effective management of our business, and the development of a singular approach to doing audits provide the foundation for our commitment to bring consistency to our audits.

We are driving a sustainable audit and assurance business that compensates its people fairly and funds ongoing investment in our business.





Independence, ethics, and additional disclosures

Deloitte Global Independence



Sets **independence policies and procedures** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and the independence standards of the US Securities and Exchange Commission and the Public Company Accounting Oversight Board. Performs full reviews of independence quality controls on a three-year cycle; annual focused reviews for the off-cycle years; and in-depth follow-up reviews as needed.



Performs **on-going monitoring** activities of firms—enabling continuous enhancements to global policies, quality controls, tools, and practice support activities.



Delivers **global systems** to provide professionals with entity information to support compliance with personal and professional independence requirements, including financial interests and scope of service approvals.



Supports **independence awareness** across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts, and development of guidance, learning and instructions.

Deloitte Iceland Independence

Deloitte Iceland has policies and procedures designed to address compliance with applicable professional standards that relate to independence. These policies and procedures are based on the Deloitte Global Independence policy, and are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than Deloitte Global policies. Deloitte Iceland leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate tone at the top and instilling its importance into the professional values and culture of Deloitte Iceland. Strategies and procedures to communicate the importance of independence to partners, other professionals and support staff have been adopted, emphasizing each individual's responsibility to understand and meet the independence requirements.

The key elements of the system of quality control that Deloitte Iceland implemented in accordance with global policies include the following:

- Engagement acceptance and monitoring
- Monitoring of rotation requirements
- Business relationship assessments and monitoring
- Use of independence business process tools, including the Deloitte Entity Search and Compliance (DESC) system, the Global Independence Monitoring System (GIMS), annual independence confirmations, and consultation procedures, to monitor compliance with independence requirements
- Procedures to identify and analyze non-compliance with independence requirements and apply related disciplinary measures and actions
- Independence-related learning and communications
- Assignment of responsibility for independence systems and controls
- A yearly internal review of independence compliance. This review is conducted and report is issued in July every year.



DESC

Deloitte Entity Search and Compliance

Global, searchable database containing specific entity information relevant in determining personal and professional independence restrictions



GIMS

Global Independence Monitoring System

Application that contains financial relationship data with relevant independence compliance indicators

Rotation of key audit partners and professionals

The rotation requirements according to Law on State Authorized Auditors state that the same individual auditor is not allowed to sign the auditor's report for a public interest entity for more than seven years. After those seven years the cooling off period is two years. As to the Financial Act and Insurance Act in Iceland those company have to change audit firm every five years.

In Deloitte Iceland, a leadership group monitors the staffing of the firm's public interest entities and ensures rotation of key members of the audit team in compliance with the requirements and without loss of important knowledge and experience.

Rotation of key audit partners and professionals

We confirm that an internal review of our independence practices has been properly conducted in the year as part of 2017 practice review.

Our internal and global practice reviews and other monitoring processes provide us with assurance that these policies are, in general appropriately observed and, where exceptions are noted, identify where further action is required. In addition, the practice review includes an assessment of compliance with Deloitte Global and Iceland independence policies. The results of these internal reviews are reported to the Executive.

Deloitte Iceland Ethics

Deloitte Iceland maintains policies and procedures that are designed to provide reasonable assurance that its professionals comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by Deloitte Iceland are in accordance with "Siðareglur Félags löggiltra endurskoðenda" (Code of ethics for auditors as to Félags löggildra endusskoðenda (FLE). Deloitte Iceland also complies with Deloitte Global policies and procedures, which align with the requirements and guidance set out in the Code of Ethics for Professional Accountants (the "Code") issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants (IFAC). When "Siðareglur fyrir endurskoðendur" are more restrictive than the Deloitte Global policies and procedures, Deloitte Iceland follows the applicable "Siðareglur fyrir endurskoðendur".

Deloitte Iceland has appointed an Ethics Officer who is an experienced partner with direct access to the CEO and the member firm's governing body. In addition, Deloitte Iceland has implemented a code of conduct, which incorporates the Deloitte Global Principles of Business Conduct and describes critical professional behavior that reflects local customs, regulations, and legal requirements.

Deloitte Iceland provides communication channels through which partners, other professionals and support staff can consult on and report ethical issues and situations. Deloitte Iceland reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems. In addition, Deloitte Iceland requires all partners, other professionals and support staff to confirm annually that they read and comprehend the code of conduct, and understand that it is their responsibility to comply with it.



Deloitte Global Ethics and Integrity Imperative

Deloitte is committed to conducting business with honesty, distinctive quality, and high standards of professional behavior.

Deloitte's Global Principles of Business Conduct ("Global Code") outlines Deloitte's ethical commitments as a network and expectations for Deloitte's approximately 264,000 people, giving a strong, principled foundation. The Deloitte Integrity Imperative amplifies the Global Code across the network by empowering leaders to set a strong tone from the top; encouraging people to speak up when they witness anything that runs counter to the Global Code; and helping Deloitte act quickly and appropriately in the face of misconduct.

The Deloitte Global Ethics team and member firm ethics officers work closely with senior Deloitte leaders to build and enhance the foundations of the network's ethics program, which is comprised of the following elements:

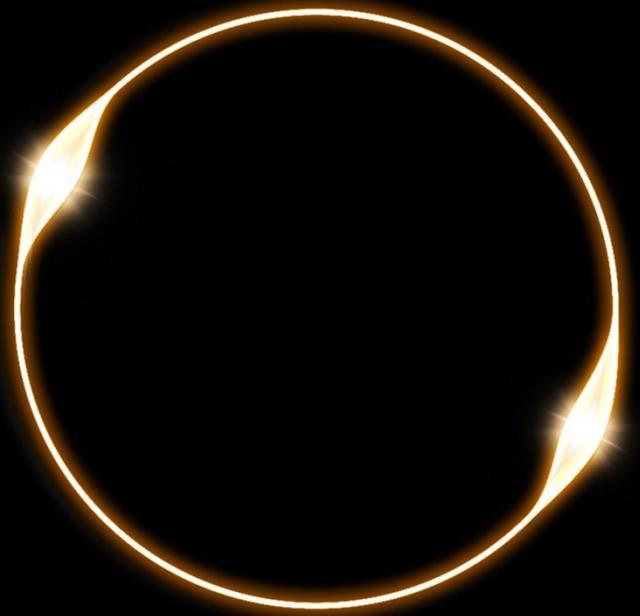
Elements of the Deloitte ethics program





Shaping the future of the audit profession

Management teams, audit committees, investors, regulators, and standard setters all play critical roles in shaping the environment in which audits are performed. We strive to engage with these parties, both formally and informally, to share, offer and debate ideas with the objective of ensuring the relevance of audit and assurance to the capital markets.





Appendices



Appendix A | Financial information

Disclosure in accordance with Article 29 of Law on State Authorized Auditors no. 79/2008

The breakdown of Deloitte Iceland's Financial Year 2017/2018 turnover:

Turnover	ISK
Statutory audit	2.669.069.497
Non-audit services	1.512.226.739
Total revenue	4.181.296.236



Appendix B | Public interest entities

Disclosure in accordance with Article 29 of the EU Audit Regulation

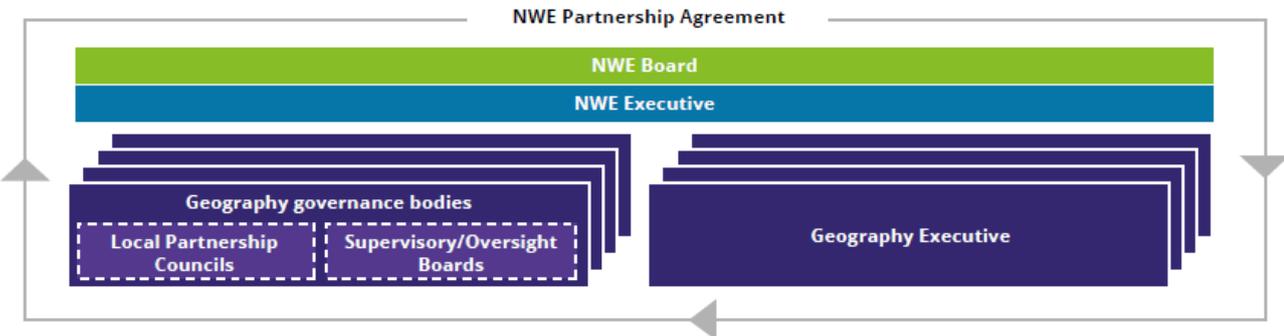
Public Interest Entities Audited for Statutory Purposes by Deloitte Iceland in the Financial Year 2017/2018:

Arion banki hf.	Sjóvá-Almennar tryggingar hf
Fjarskipti hf.	Sjóvá – Almennar líftryggingar hf.
Frjálsi lífeyrissjóðurinn	Snæfellsbær
Gildi - lífeyrissjóður	Sparisjóður Höfðhverfinga ses.
HB Grandi hf.	Sparisjóður Strandamanna
HS veitur hf.	Sparisjóður Suður-Þingeyinga
Jeratún ehf.	Stapi lífeyrissjóður
Kvika banki hf.	Valitor hf.
Landsnet hf.	Vörður líftryggingar hf.
Landsvirkjun	Vörður tryggingar hf.
Lífeyrissjóður bankamanna	Össur hf
Lífeyrissjóður Rangæinga	
Lífeyrissjóður Vestmannaeyja	
Norðurþing	



Appendix C | NWE governance

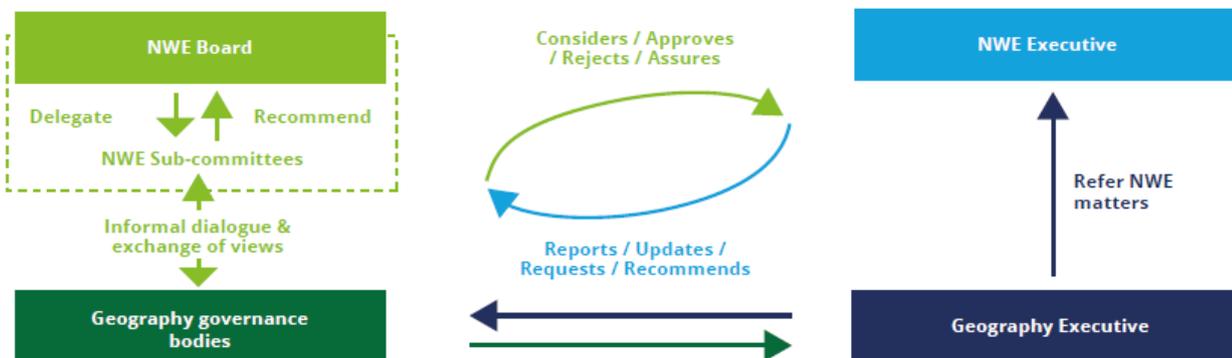
Deloitte NWE's governance structure consists of the NWE Board, NWE Executive, Geography Governance Bodies and Geography Executive, underpinned by the NWE Partnership Agreement as set out below.



- The **Partnership Agreement** underpins the governance of NEW
- The **NWE Board** is the primary governance body of NWE, responsible for ensuring high-quality governance and stewardship of NWE.
- The NWE Board works with the NWE Executive to set and approve the long-term strategic objectives of NWE and the markets in which it operates.
- The NWE Board also oversees the risk appetite in each area of Business; is responsible for the oversight of the executive function, ensuring alignment with DTTL obligations; and is responsible for the promotion and protection of Equity Partner interest generally.
- The **NWE Executive** is responsible for developing the NWE strategy and vision as well as NWE policies, and overseeing their implementation and execution.
- **Geography Governance Bodies** exist where this is required for legal and/or regulatory purposes and to oversee local Partner matters.
- **The Geography Executive** works with the NWE Executive to reflect the Connected + Autonomy principles, including the development and delivery of approved plans, in line with the NWE strategy, tailored to reflect local market conditions.

Governance Structure

The NWE governance and leadership structure provides clear paths of communication from Geography to NWE level.





Appendix D | Board declaration

Deloitte Iceland transparency report is compiled in accordance with art. 29 of Law on State Authorized Auditors no. 79/2008, whereas it states that auditors and audit firms who are involved in auditing public-interest entities shall annually publish on their website a transparency report.

The board and CEO of Deloitte Iceland confirm, based on their knowledge, that this transparency report entails the information required in art. 29. In addition, the board and CEO of Deloitte Iceland confirm that Deloitte Iceland's internal quality control system, as it is described in this report, is effective and that applicable independence rules, as described in this report, have been adhered to.

Reykjavik, 30 January 2019.

A handwritten signature in blue ink, appearing to read 'Halldór Arason'.

Halldór Arason, stjórnarformaður

A handwritten signature in blue ink, appearing to read 'Sigurður Páll Hauksson'.

Sigurður Páll Hauksson, forstjóri

A handwritten signature in blue ink, appearing to read 'Páll Grétar Steingrímsson'.

Páll Grétar Steingrímsson

A handwritten signature in blue ink, appearing to read 'Anna Birgitta Geirfinnsdóttir'.

Anna Birgitta Geirfinnsdóttir

Deloitte offices in Iceland

Höfuðborgarsvæðið

Smáratorgi
201 Kópavogi
Tel. +354 580 3000

Egilsstaðir

Kaupvangi 3b
700 Egilsstöðum
Tel. +354 580 3400

Neskaupstaður

Egilsbraut 21
Pósthólf 161
740 Neskaupstað
Tel. +354 580 3410

Snæfellsbær

Ólafsbraut 21
355 Snæfellsbæ
Tel. +354 580 3430

Vestmannaeyjar

Vesturvegi 5
900 Vestmannaeyjum
Tel. +354 580 3370

Höfn í Hornafirði

Krosseyjarvegi 17
780 Höfn í Hornafirði
Tel. +354 580 3000

Akureyri

Glerárgötu 28
600 Akureyri
Tel. +354 580 3380

Grundarfjörður

Grundargötu 30
350 Grundarfirði
Tel. +354 580 3440

Reykjanesbær

Hafnargötu 91
230 Reykjanesbæ
Tel. +354 580 3460

Húsavík

Garðarsbraut 5
640 Húsavík
Tel. +354 580 3388

Hveragerði

Austurmörk 4, 2.hæð
810 Hveragerði
Tel. +354 580 3000

Partner companies:

Endurskoðun Vestfjarða ehf.

Aðalgötu 19, 415 Bolungarvík
Tel. +354 450 7900

Endurskoðun Vestfjarða ehf.

Hafnarstræti 9-13, 400 Ísafirði
Tel. +354 450 7910

NUMO – Løggilt

grannskoðanarvirki Sp/f
Klaksvíksvegur 77, 710
Klaksvík, Færeyjar
Tel.+298 20 13 13
www.numo.fo

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