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Remuneration policies

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In October 2006 important amendments were made to the Icelandic Act on Limited Liability Companies in the field of corporate governance. The amendment requires Icelandic companies that meet certain minimum size standards to adopt a remuneration policy. Following the amendment, the listed Icelandic companies have in 2007 adopted remuneration policies.

The amended Act requires the board of directors of all limited liability companies that are required to elect an auditor under the Act to approve a remuneration policy concerning wages and other payments to chief executive officers and other supreme officers of the company as well as its directors. The remuneration policy shall contain the basic items concerning the remuneration of officers and directors and a company's policy concerning agreements with the same.

It shall also reveal whether, and under which circumstances, and within which framework, it is permissible to pay or compensate officers and directors in addition to basic wages. Such payments may include delivery of shares, performance-linked payments, put and call options, loan agreements, pension agreements and retirement agreements. The policy is binding as regards payments linked to shares or the development of the price of shares in the company. In other respects the policy serves as guidance, unless otherwise approved in the company's Articles of Association.

Before the amendment the Icelandic stock exchanges had, like other stock exchanges, adopted rules for listed companies stipulating that wages and other kinds of remuneration of directors and executives should be revealed in the company's annual accounts.

Better results

The Icelandic market has in recent years, like other European and American markets, been subject to discussions on executive remuneration.

The purpose of the amendment was, among other things, to clarify the provisions of Icelandic law relating to the responsibilities and role of the board of directors and decisions on remuneration for directors and officers. The amendment further aims to reinforce the Icelandic market, as companies complying with such rules and subject to good corporate governance were in general considered to give better results.

The amendments also originate from the European Commission, which adopted Recommendation no 2004/213 in December 2004. The Recommendation aimed to encourage appropriate arrangements regarding remuneration of directors in listed companies. It proposed that member states of the EU and the European Economic Area adopt appropriate measures to ensure that companies comply with the Recommendation.

The scope of the Icelandic amendments is wider than those proposed in the Recommendation. Instead of applying only to listed companies the Icelandic Act also applies to limited liability companies that are of the size that makes them bound to elect an auditor.

According to the Act, the board of directors must approve the company's remuneration policy. The policy must then be approved at the company's annual general meeting. At the annual general meeting the board of directors shall also give an account of the estimated costs relating to the right of share purchase options and explain the implementation of the previously approved policy.

As the amendments apply as of October 1 2006 most of the Icelandic listed companies approved their remuneration policies at their annual general meetings in spring 2007. In 2008 the listed companies will for the first time have to explain the implementation of the policies approved in 2007.

Although the amended Act does not provide for a strict framework as it does not set any limits on amounts, it serves as a guide for good corporate governance as it requires companies to adopt rules, decide on a policy and explain the implementation of the policy to their shareholders.

Capital markets

Recommended firms

Tier 1

BBA Legal
Jonsson & Hall
Lex Law Offices
Logos Legal Services

Tier 2

Landslog Law Offices

Tier 3

AM Praxis
LM Attorneys

Banking

Recommended firms

Tier 1

BBA Legal
Lex Law Offices
Logos Legal Services

Tier 2

Jonsson & Hall
Landslog Law Offices

Tier 3

AM Praxis
LM Attorneys

Mergers and acquisitions

Recommended firms

Tier 1

BBA Legal
Lex Law Offices
Logos Legal Services

Tier 2

Jonsson & Hall
Landslog Law Offices

Tier 3

AM Praxis
Fulltingi Legal Services
LM Attorneys
Reykjavik Law Firm

Icelandic firms are going through a sort of quandary at the moment. They are in a fix about whether to carry on expanding or to focus on specialist services. The market is naturally quite small since the population of the country barely exceeds 300,000. But there is Icelandic outbound investment, especially in Scandinavia, the UK, and a few parts of eastern Europe.

Many domestic companies now have branches in London. Logos Legal Services and BBA Legal have also opened their own London branches to mirror the trend. "I see a steady growth taking place," said one lawyer. "The outlook of Icelandic companies towards financing abroad is changing."

Iceland is peculiar in the sense that there is a large percentage of in-house lawyers in the financial sector compared to those in law firms, leading firms to compete heavily for talent against the law departments of investment banks. Óttar Pálsson, who used to be a partner at Logos Legal Services and was highly respected in the market, now works in the legal department at Straumur Burdardas Investment Bank. Soon after that, Katrin Helga Hallgrímsdóttir left the same bank to join BBA Legal as a partner.

BBA Legal

Landwell Iceland changed its name to BBA Legal on January 1 2007, ending its formal ties with the Landwell network. Soon after that, it opened an office in London, being only the second Icelandic firm with an office in the UK.

The firm consists of four partners and nine associates and the renowned Katrin Helga Hallgrímsdóttir from Straumur Burdardas Investment Bank joined the firm as a partner in 2007. A client called her a "bright lawyer and just the person the firm needed".

Iceland has a thriving shipping industry, and BBA Legal is advising its client, Ker, in a

potential acquisition of a Moroccan shipping company. In 2006, it was involved in the privatization of 50% of the shares of a life assurance company on behalf of the Ministry of Trade and Industry in the Faroe Islands.

Other M&A work saw the firm act as adviser to the Tchenguiz Family Trust in relation to the sale of 9.51% shares in the Finnish corporation Sampo to Exista. The deal was closed on March 2007 and the value was €1 billion.

BBA Legal also worked on the acquisition of Lyfjathroun on behalf of its buyers, the Actavis Group.

The firm's international banking clients include Royal Bank of Scotland, Barclays Capital, Goldman Sachs, Dresdner Bank, Société Générale and Deutsche Bank. In one significant deal, it guided Alefesca in its refinancing by Natixix and Kaupthing Bank for €280 million.

A rival was impressed by BBA's capital markets work and said it was a "good firm despite a limited capacity". The team's recent capital markets work includes advising Kaupthing Bank in connection with upcoming initial public offering (IPO) of Skipti. It is advising the same client in a number of acquisition finance projects in Scandinavia.

Leading lawyers

Einar Arnason
Katrin Helga Hallgrímsdóttir
Baldvin Haraldsson
Asgeir Ragnarsson

Jonsson & Hall

With six partners and four associates, Jonsson & Hall is testament to the old adage – size doesn't matter. The 32-year-old firm is still one of the most active firms in the country, and contains some of the most experienced lawyers in the market. According to its rivals, it is a very strong firm, and tends to cover a wide array of fields. It hasn't let its size hamper its progress, and has worked on a number of transactions with Shell Iceland, Alcoa and Iceland Express. Gunnar Jónsson was mentioned by one market observer as a "focused lawyer with the right attitude".

Leading lawyers

Hordur Felix Hardarson
Gunnar Jónsson

Lex Law Offices

Lex Law Offices is one of the leading firms in Iceland, despite peers saying that it is "losing a little of its ground". "It is still a great firm on corporate matters," said another competitor. The firm still garners a lot of respect from its

peers and with a clientele that boasts of the likes of European Investment Bank, Air Atlanta and Icelandic Alloys, it is still a force to be reckoned with.

Managing partner Helgi Jóhannesson gets a special mention from clients and rivals for his M&A work. He has been the chairman of the Icelandic Bar Association since March 2005, and is one of most respected lawyers in market. One lawyer had only good things to say about the firm: "It is a top-tier firm with and is the main competition in the market." In the last year, Lex has acted for Icelandic companies like Straumur, Ólíufélagid and Hagar.

Leading lawyers

Ólafur Haraldsson
Helgi Jóhannesson

Logos Legal Services

Logos Legal Services maintains its top-tier rankings in all three categories this year. It is highly regarded by both peers and clients alike. One client said: "It is a very competent firm and I would recommend them for Iceland. The lawyers are very precise with their work and are particularly good in the corporate finance sector."

The firm worked for the FL Group to get permission from the Financial Services Authority on qualified holdings in the Glitnir Bank. It worked for the same client in the sale of Icelandair Group to another company for Ikr33.5 billion (€382 million). It was also involved in the sale of the Icelandic Stock Exchange from a number of Icelandic shareholders to OMX Nordic in December 2006.

Logos opened an office in London in early 2006, and since then it has expanded, numbering 13 partners and more than 20 associates. The London office cooperates with three other Nordic firms: Vinge from Sweden, Kromann Reumert from Denmark and Thommessen Krefting Greve Lund from Norway. Partner Guðmundur Oddsson is in charge of the London office and one client called him "a great lawyer to work with".

The firm advised Kaupthing Bank in the financing for Skipti to acquire Iceland Telecom. Other standout partners include Pétur Guðmundarson and managing partner Gunnar Sturluson, who also come highly recommended. "They have managed to maintain the strength in the market despite the departure of Óttar Pálsson," said one of the firm's clients.

Leading lawyers

Pétur Guðmundarson
Guðmundur Oddsson
Helga Óttarsdóttir
Gunnar Sturluson

Other notable firms

“Landslog Law Offices is an excellent law firm; it may be small, but it makes up for that with some high quality work,” said one leading lawyer in the market. Landslog maintains its second-tier position having acted for the Savings Bank of Keflavík over the last couple of years and is highly regarded for its banking and finance practice. It also regularly works for Iceland Prime Contractor, Ossur and Lyyfia and the Invest in Iceland agency.

According to a market commentator LM Attorneys is a firm with a “good future and has a solid corporate practice”. It proved its mettle when it advised Kaupthing Bank as arranger on the Icelandic law aspects of a Ikr200 billion covered bond programme. It also worked along with Allen & Overy in London on this deal, the first of its kind by an Icelandic entity.