

TRANSLATION

STATUTES OF THE ELECTRICITY SOCIETY SEV

§ 1.

ORGANIZATION, NAME, RESIDENCE, OBJECT

- Subsection 1:** The electricity society is an intermunicipal co-operative society with limited liability, cf. section 10, subsections 3-5.
- Subsection 2:** The name of the society is The Intermunicipal Electricity Society SEV.
- Subsection 3:** The registered office of the society is Vestmanna.
- Subsection 4:** The object of the society is to provide electric power and to distribute it among the inhabitants of the member municipalities.
The object shall be performed in accordance with commercial ground rules, on a safe economical basis and in consideration of nature and environment.
According to rules layed down by the board of directors, the society can engage in other activities in connection with the production of electric power, including provision and transport of surplus heat, oil, gas and also other forms of energy.

§ 2.

THE MEMBER MUNICIPALITIES

- Subsection 1:** All municipalities in the Faroes can be admitted membership of SEV.
- Subsection 2:** When a municipality is admitted membership of the society, the general meeting lays down the terms of membership which will have to be approved by the government.

§ 3.

THE GENERAL MEETING

- Subsection 1:** The supreme authority of the society rests with the general meeting.

- Subsection 2:** The member municipalities attend the general meeting.
Each member municipality has one vote for each commenced number of 1,000 inhabitants.
- Subsection 3:** Prior to the general meeting each member municipality hands in a confirmation letter of attorney stating who will represent the member.
A municipality is not allowed to give another member municipality proxy to meet on its behalf.
- Subsection 4:** On proposal from the board of directors the general meeting elects a chairman of the meeting.
- Subsection 5:** The general meetings are public. However, the chairman of the meeting or a majority of votes represented at the meeting can decide that a specific matter shall be heard behind closed doors.
- Subsection 6:** The annual general meeting shall be held each year before the end of April. The board of directors convenes the meeting stating the time, place and agenda. The notice for the meeting is to be given the member municipalities in writing at a fortnight's notice. In the notice of the meeting the agenda of the meeting shall always be stated.
- Subsection 7:** After a municipality election a general meeting is convened for the election of the board of directors according to section 4.
This meeting shall be held at the latest two months after the new village/town councils have taken over.
- Subsection 8:** An extraordinary general meeting will be held when at least 3 members of the board of directors or municipalities with a fourth of the votes demand it and at the same time stating the matters which they want to discuss.
The board of directors calls the meeting in the same way and with the same notice as in subsection 6 and announces simultaneously, which matters are to be discussed.
The notice of the meeting shall be given at the latest 4 weeks after the demand of the extraordinary general meeting has been put forward.
- Subsection 9:** The general meetings will be held in Tórshavn.
On special occasion the board of directors can decide to hold a meeting elsewhere.
- Subsection 10:** The general meeting forms a quorum when at least half of the votes are represented at the meeting. If there is no quorum at the first meeting, the next meeting will form a quorum irrespective of the number of votes represented. The board of directors calls the next meeting in the same way and with the same notice as in subsection 6.

- Subsection 11:** The general meeting is under obligation to see to, that the object of the society is executed according to statutes, agreements and resolutions.
- Subsection 12:** At the annual general meeting the following items shall be on the agenda:
- a. Election of chairman of the meeting according to subsection 4
 - b. Report from the board of directors with respect to the business of the society during the past accounting year.
 - c. Audited income statement and balance sheet for adoption.
 - d. Election of auditor cf. section 8, subsection 2.
- Subsection 13:** At an extraordinary general meeting in the autumn these items shall be on the agenda:
- a. A report from the board of directors with respect to the business of the society since the annual general meeting.
 - b. Orientation from the board of directors with respect to the financial development since the annual general meeting.
 - c. Proposal for a budget for the coming working year for adoption.
- Subsection 14:** The general meeting shall also decide on the following items:
- a. Possibly election of board of directors or of a single board member in the working period of the board of directors, cf. section 4, subsection 2.
 - b. Amendment of the statutes of the society.
 - c. Consent of membership in and resignation from the society.
 - d. Dissolving of the society.
- Subsection 15:** The general meeting shall also treat other matters which the board of directors submits to it.
- To be considered at a general meeting, proposals from others than the board of directors shall be submitted to the board of directors in so good time that the proposals can be included in the agenda at the general meeting.
- Subsection 16:** At the general meeting matters are decided by ordinary majority of votes cast. If the voting is equal, the matter is rejected, however in relation to election this will be decided by drawing lots.
- Subsection 17:** The matters which are covered by the letters b, c and d in subsection 14, and matters regarding permission from the general meeting according to section 7, subsection 1, will not be passed, unless at least half of the votes are represented at the meeting and if there is a quorum of 2/3 of the votes represented at the meeting.
- Subsection 18:** An amendment of the statutes shall be put before the government for approval, and also a resolution to dissolve the society. The same applies to matters regarding permission from the general meeting according to section 7, subsection 1.

- Subsection 19:** The chairman of the meeting organizes that a minute-book is kept stating time and place of the meeting, that the meeting is lawfully convened, those present, as also the matters which are discussed shall be stated including decisions and number of votes regarding each matter.
- The representatives at the general meeting are entitled to demand that their diverging opinions are written in the minute-book as short comment.
- The minutes shall be read out, and all representatives attending the meeting ought to sign it.
- After each meeting a transcript of the minutes shall be sent to all the member municipalities.

§ 4.

THE BOARD OF DIRECTORS

- Subsection 1:** According to subsection 2 there will on the general meeting be elected a board of directors to have the supreme management of the affairs of the Society.
- Subsection 2:** There will be elected 7 members to the board of directors, the districts of Vágur, Streymoy, Eysturoy, Norðuroyar and Sandoy electing one member each, and Suðuroy one and the municipality of Tórshavn one board member. The election takes place in such a manner that the municipalities of each district propose candidates, and then a vote is taken between the candidates.
- If a board member moves from the district where he has been elected, the deputy takes over and a new deputy will be elected.
- Subsection 3:** When a board member is elected, a deputy shall also be elected, and he takes over when the board member is prevented from attending.
- The board member notifies the deputy and SEV when he is prevented from being present.
- Subsection 4:** The board of directors convenes as soon as possible after every election and appoints among its members a chairman and a vice-chairman.
- The vice-chairman takes over the duties of the chairman when the latter is prevented from so doing.
- Subsection 5:** The term of the board is the same as that of the city- and local government; however, the outgoing board shall retain office until a new board has been elected.
- Subsection 6:** The chairman of the board convenes the board as often as he deems necessary, and when the managing director or a board member so wishes, at the same time stating the matters which they want to be taken up.
- The board shall convene at least once in each quarter.

Meetings of the board shall, if possible, be notified at least 4 days in advance. The notice shall state the matters which will be discussed at the meeting.

- Subsection 7:** The board forms a quorum when at least 4 members are present, including the chairman or the vice-chairman. To pass a resolution an ordinary quorum is required. If there is a tie, the proposal is rejected.
- Subsection 8:** If at least 3 board members demand that a matter shall be submitted to the general meeting, the matter shall, even if the board has taken its decision, not be proceeded with until the general meeting has decided in the matter.
- Subsection 9:** The board of directors is answerable to the general meeting in managing the society and disposing of its property, including when purchasing, selling and mortgaging real property of the society.
- Subsection 10:** The chairman of the board and the managing director are entitled to sign for the society either jointly or separately together with two board members. The board can provide power of procuration on recommendation from the chairman.
- Subsection 11:** At the annual general meeting the board shall present:
- a. Report from the board of directors with respect to the business of the society during the past accounting year.
 - b. Audited income statement and balance sheet for adoption.
- The items mentioned in section 3, subsections 14 and 15 are also to be presented to the annual general meeting with a recommendation from the board. The audited accounts are to be sent to the member municipalities together with the notice of the meeting.
- Subsection 12:** At an extraordinary general meeting in the autumn the board shall present:
- a. A report from the board of directors with respect to the business of the society since the annual general meeting.
 - b. Orientation from the board of directors with respect to the financial development since the annual general meeting.
 - c. Proposal for a budget for the coming working year for adoption.
- Subsection 13:** The board shall also:
- a. Appoint a managing director and, on the recommendation of the managing director, head of departments and fix the terms of employment and working regulations of the managing director and the head of departments.
 - b. On the recommendation of the managing director appoint a works manager.
 - c. Fix payment for travelling expenses and daily allowance etc.

- d. On the recommendation of the managing director make decisions regarding the structure of the society including distribution of the tasks among the departments.
- e. On the recommendation of the managing director approve the agreements with trade unions and also approve conditions of appointments for those who according to the salaried employee act are to be considered as salaried staff.
- f. Approve the personnel policy of the society.
- g. Decide on all other matters which the managing director presents to the board.

Subsection 14:

The board shall keep a minute-book showing the time and place of the meeting, names of those present, and the matters which are discussed and what has been decided in each individual case.

When the meeting is closed the minute-book shall be read out, approved and signed by all of board members present.

A board member is entitled to demand that his diverging opinions are entered in the minute-book.

After each meeting a transcript of the minutes shall be sent to all board members.

Subsection 15:

Otherwise the board draws up rules for its own activities.

§ 5.

THE DAY-TO-DAY MANAGEMENT

Subsection 1:

The day-to-day management of the electricity society is in the hands of the managing director.

Subsection 2:

The managing director is entitled to sign for the society according to section 4, subsection 10.

Subsection 3:

The managing director and the head of departments have, within their own field, the duty to see to that the management, maintenance of the plants and constructional works of the society are carried out in the best way possible and is responsible for observing official acts, decrees and regulations.

§ 6.

TERMS OF PAYMENT AND SUPPLY OF POWER

- Subsection 1:** In order to control the sale of power and fixed rates, the society will install meters with all consumers of electricity.
Under special circumstances the board can, however, decide that all supply of energy shall be paid according to fixed rate and estimated use.
- Subsection 2:** The price of the current and the fixed rate shall be equal for all consumers of electricity of the same category.
However, the board can make special agreements with industrial works and the like if this is deemed reasonable.
- Subsection 3:** The board draws up the necessary technical regulations, terms of power supply and rules of payment.

§ 7.

REAL PROPERTY AND FINANCE

- Subsection 1:** The society is the owner of its production and distribution plants reckoned to the junction point. The general meeting may allow that this ownership of the society to production and distribution plants and anything else, which have connections to the production and distribution plants including buildings, plots, working plant and ongoing investment work, instead may be held by public and private limited liability companies wholly or partly owned by the society. Transfer of share capital does also require permission from the general meeting.
- Subsection 2:** Usually the consumer pays, owns and maintains his electric installations, reckoned from the junction point, however, with the exception of the electricity meter. These conditions shall be clearly stated in the terms of power supply as mentioned in section 6, subsection 3.
- Subsection 3:** The part of the individual member municipalities in the electricity society is settled for each financial year and is made up in proportion to the number of inhabitants in the municipalities at the end of the year.

§ 8.

ACCOUNTS

- Subsection 1:** Of the receipts and expenditure of the society a true and specified book-keeping shall be kept. At the end of each accounting year a profit and loss account and balance sheet shall be drawn up.
The accounts are to be in accordance with the rules in the annual accounts act and with those modifications estimated necessary. The rules regarding minimum requirements for bookkeeping and the act on bookkeeping are to be applied for the keeping of accounts.
The board can establish further rules regarding the keeping of accounts.
- Subsection 2:** The general meeting elects a state-authorized public accountant, who shall audit the profit and loss account and the balance sheet. The appointment of the auditor shall be approved by the government.
- Subsection 3:** The accounting year of the society is the calendar year, and the annual accounts shall be wound up and audited at the latest 4 months after the end of the accounting year.
- Subsection 4:** The plants of the society, which shall be insured properly, shall be yearly written off compared to the depreciations.
- Subsection 5:** On the recommendation of the board the general meeting decides on the use of profit or paying of deficits according to the approved annual accounts.

§ 9.

THE BUDGET

- Subsection 1:** Each year the board sees to that a budget for the coming working year shall be drawn up.
- Subsection 2:** The budget for the coming working year shall be submitted for consideration on an extraordinary general meeting, according to section 3, subsection 13, c.
- Subsection 3:** The budget shall, in addition to an estimate of receipts and expenditure, also contain assessments of the society's liquidity, investments and possibly borrowing.
- Subsection 4:** In the budget the rates according to the price schedule shall be fixed, and they shall be adjusted according to the financial situation.

§ 10.

THE LIABILITIES OF THE MEMBER MUNICIPALITIES

- Subsection 1:** Within its municipalities boundary each member municipality hands over to the society free of charge the areas which are necessary for high-voltage and low-voltage lines, transformer substations and for roads to the power plants.
- Subsection 2:** Any member municipality commits itself to pay to the society annually an amount corresponding to local tax and tax on property which are chargeable on the society.
- Subsection 3:** The properties of the society are liable for the duties of the society.
- Subsection 4:** The municipalities are not liable for the duties of the society apart from the invested capital, see however subsection 5.
- Subsection 5:** The municipalities are, however, jointly and severally liable for the duties of the society towards the employees of the society, and inter partes in proportion to number of inhabitants.

§ 11.

THE VALIDITY OF THE CONTRACT

- Subsection 1:** A member municipality cannot resign its membership unless all the other municipalities agree or the society is dissolved.
- Subsection 2:** If a member leaves the society, the member is only entitled to receive a share of the available money of the society (i.e. values which are not tied up in plants or other properties of the society) which are calculated according to the rules in section 7, subsection 3.

§ 12.

BREACH OF CONTRACT

- Subsection 1:** If a member does not fulfill his obligations according to these statutes or if he is found guilty of a real and serious breach of the obligations which he has undertaken, the general meeting can demand that he shall resign from the society. As a real and serious breach is considered inter alia; that the member does not fulfill his obligations according to section 10.

The rules of breach of contract shall, however, not be applied until the society by registered letter has asked the member concerned to fulfill his obligations and a fortnight has passed since the registered letter has been sent without the obligation having been fulfilled.

The letter shall clearly indicate that the society intends to make use of this section if the member does not fulfill his obligations.

Subsection 2:

If a member in this way resigns from the society, the member loses all ownership of the society.

The resignation is to be reckoned from the 1st January at one years' notice at the shortest and two years' notice at the longest after the rules of breach of contract has been claimed.

Subsection 3:

Otherwise, the society is entitled to claim damages from the defaulting or outgoing member for the loss which the society has sustained from the breach of contract or the resignation as also the society is entitled to serve a restrictive injunction or to take other legal steps to protect its rights cf. section 15.

§ 13.

THE POSITION OF THE MEMBER UNDER NOTICE IN OTHER RESPECTS

Subsection 1:

If a member according to the rules in section 11 and 12 resigns from the society, he loses immediately on notice of termination his right to participate in deliberations on building programmes and many other things; but otherwise he is on the other hand bound by these statutes until he leaves the society.

Subsection 2:

When a municipality has lost its right of membership due to breach of contract, it shall first fulfill its obligations according to section 12 before it can rejoin as a member.

Moreover, the rules in section 2 on the admission of a member who has resigned, apply.

§ 14.

DISSOLUTION OF THE SOCIETY

If the general meeting decides by a 2/3 majority or more that the society on an appointed day shall be dissolved and the government approves such a decision, the property of the society shall be realized and all its property to be divided among the member municipalities in proportion to their ownership according to section 7, subsection 3.

§ 15.

COURT OF ARBITRATION

If a disagreement arises between the society and one or several member municipalities or between the members themselves on the interpretation of these statutes or in other respects on questions which may be due to the adoption of these statutes, then the parties shall try to effect reconciliation by negotiations.

If these negotiations come to nothing, the questions which there are disagreement about shall be referred to a court of arbitration which is appointed in the usual way and the court of the Faroe Islands shall appoint the chairman of arbitration.

The award of the court of arbitration is final.

§ 16.

COMMENCEMENT

These statutes, which originally came into force 1 January 2009 after they were adopted by the then existing committee of representatives and approved by the government, have since been amended at the extraordinary general meeting on 19 June 2015, when amendments in section 7, subsection 1, section 3, subsection 17 and 18, and this section 16, were adopted. The amendments mentioned were approved in advance by the government and they came into force immediately when they were adopted at the extraordinary general meeting on 19 June 2015.

Tórshavn, 19 June 2015

The board of directors:

Jákup Suni Lauritsen

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