

**deCODE genetics, Inc.**

**AUDIT COMMITTEE CHARTER  
APPROVED BY THE BOARD OF DIRECTORS 11 MAY 2004**

**I. PURPOSE**

The primary function of the Audit Committee (the "Committee") is to oversee the accounting and financial reporting processes and the audits of the financial statements of the Company.

**II. MEMBERSHIP**

The Committee shall consist of at least three members of the Board of Directors (the "Board"), each of whom shall: (i) be "independent," as determined in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and the Nasdaq Stock Market ("Nasdaq") or any other applicable exchange or market; (ii) not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; (iii) be able to read and understand fundamental financial statements; and (iv) serve at the pleasure of the Board upon the recommendation of the Nominating Committee. The foregoing notwithstanding, one non-independent director may serve on the Committee pursuant to the "exceptional and limited circumstances" exception under Nasdaq rules, provided, however, that such director may not serve (i) for more than two years, or (ii) as chairperson of the Committee.

At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in such member's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. A member of the Committee who is an "audit committee financial expert" within the meaning of rules adopted by the SEC shall be deemed to satisfy this requirement.

The Board shall appoint a Committee member to serve as the chairperson of the Committee.

To the extent permitted by applicable laws and regulations, the Committee may from time to time delegate to any of its members who are "independent" as determined in accordance with the rules and regulations of the SEC and Nasdaq or any other applicable exchange or market any of its responsibilities and authority, including without limitation its authority to pre-approve all audit and audit related services and non-audit services provided by the independent accountant, provided that the member to whom such authority is delegated must report to the Committee at its next scheduled meeting any actions taken or decisions made pursuant to such delegation.

### III. MEETINGS

The Committee shall meet at least once per fiscal quarter, or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and to provide pertinent information as necessary.

### IV. RESPONSIBILITIES AND AUTHORITY

The Committee shall have the specific responsibilities and authority necessary to comply with Rule 10A-3(b)(2) through (5) of the Securities Exchange Act of 1934 concerning: (i) the appointment, compensation, retention and oversight of the independent accountant, and (ii) complaints relating to accounting, internal accounting controls or auditing matters.

In meeting its responsibilities, the Committee shall:

1. Provide an open avenue of communication between the internal auditors, the independent accountant, and the Board.
2. Review at least annually the effectiveness of the Committee and review and update the Committee's charter as necessary.
3. Be directly responsible for the appointment, compensation, retention and oversight of the work of the independent accountant engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (including resolution of disagreements between management and the independent accountant regarding financial reporting).
4. Review and concur in the appointment, replacement, reassignment, or dismissal of the director of internal auditing.
5. Inquire of management, the director of internal auditing, and the independent accountant about significant risks or exposures and assess the steps management has taken to minimize such risks to the Company.
6. Review and discuss with the independent accountant and the director of internal auditing the audit scope and plan of the internal auditors and the independent accountant.
7. Consider with management and the independent accountant the rationale for employing audit firms other than the principal independent accountant.
8. Review with the director of internal auditing and the independent accountant the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

9. Consider and review with the independent accountant and the director of internal auditing:
  - (a) The adequacy of the Company's internal controls including computerized information system controls and security; and
  - (b) Any related significant findings and recommendations of the independent accountant and internal auditor together with management's responses thereto.
10. Review with management and the independent accountant at the completion of the annual examination:
  - (a) The Company's annual financial statements and related footnotes;
  - (b) The independent accountant's audit of the financial statements and its report thereon;
  - (c) Any significant changes required in the independent accountant's audit plan;
  - (d) Any serious difficulties or disputes with management encountered during the course of the audit;
  - (e) Any deficiency in, or suggested improvements to, the procedures or practices employed by the Company as reported by the independent account in its annual management letter; and
  - (f) Other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards.
11. Consider and review with management and the director of internal auditing:
  - (a) Significant findings during the year and management's responses thereto;
  - (b) Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information;
  - (c) Any changes required in the planned scope of their audit plan;
  - (d) The internal auditing department's budget and staffing;
  - (e) The internal auditing department's responsibilities; and
  - (f) The internal auditing department's compliance with The IIA's Standards for the Professional Practice of Internal Auditing (Standards).
12. Review filings with the SEC and other published documents containing the Company's financial statements and consider whether the information contained in

these documents is consistent with the information contained in the financial statements.

13. Review with management, the independent accountant, and the director of internal auditing each interim financial report before it is filed with the SEC or other regulators.
14. Review policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the internal auditor or the independent accountant.
15. Review with the director of internal auditing and the independent accountant the results of their review of the Company's monitoring compliance with the Company's code of conduct.
16. Review legal and regulatory matters that may have a material impact on the financial statements, related Company compliance policies, and programs and reports received from regulators.
17. Meet with the director of internal auditing, the independent accountant, and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.
18. Report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
19. Prepare and provide a report for inclusion in the Company's annual proxy statement and any other disclosures required by SEC rules and regulations.
20. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities, as circumstances require.
21. Establish procedures for: (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
22. Pre-approve all audit and audit related services and non-audit services provided by the independent accountant, as required under applicable law and the Nasdaq and SEC rules and regulations.
23. Obtain and review, at least annually, a report from the independent accountant describing: (i) its internal quality control procedures; and (ii) any material issues raised by its internal quality control reviews, by peer reviews of the independent accountant, or by any governmental or other inquiry or investigation relating to the audit of the Company.

24. Review with the independent accountants, as required by the rules and regulations of the SEC: (i) all critical accounting policies and practices used by the Company; (ii) all alternative treatments within the generally accepted accounting principles for policies and practices related to material items that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent accountant; and (iii) all material written communications between the independent accountant and management.
25. Review and approve any material off-balance sheet arrangements or other material financial arrangements of the Company that do not appear on the financial statements of the Company.
26. Review the performance of the independent accountant, who shall report directly and be accountable to the Committee.
27. Obtain from the independent accountant assurance that it has complied with SEC rules and regulations.
28. Monitor partner rotation of the independent accountant and the hiring of former employees of the independent accountant in accordance with applicable laws and Nasdaq and SEC rules and regulations.
29. Monitor the independent accountant's compliance with records retention requirements in accordance with applicable laws and Nasdaq and SEC rules and regulations.
30. Review all related party transactions as required by applicable laws and Nasdaq and SEC rules and regulations.
31. Review at least annually the independence of the independent accountant, including a review of the services provided by the independent accountant and related fees, consistent with applicable laws and Nasdaq and SEC rules and regulations.
32. Request from the independent accountant a formal written statement delineating all relationships between the independent accountant and the Company, consistent with Independent Standards Board Standard No. 1, and discuss with the independent accountant any disclosed relationships or services that may impact the objectivity and independence of the independent accountant.
33. Discuss with the independent accountant the matters required to be discussed by Statement on Auditing Standards No. 61, as it may be modified or supplemented.
34. Review and discuss with management the Company's financial results, including a draft of the earnings press releases, prior to the issuance of the Company's quarterly and year-end earnings press release.

35. Review and discuss with management and the independent accountant all significant matters related to the independent accountant's review of the unaudited quarterly financial statements, prior to the Company's issuing the quarterly earnings press release.
36. Review with the independent accountants and management the adequacy and effectiveness of the systems of internal controls (including any significant deficiencies and significant changes in internal controls reported to the Committee by the independent accountants or management), accounting practices, and disclosure controls and procedures (and management reports thereon) of the Company.
37. Review the determinations made by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Company's Forms 10-K and Forms 10-Q about (i) any significant deficiencies in the design or operation of internal controls or material weakness therein, (ii) any fraud involving management or other associates who have a significant role in the Company's internal controls and (iii) any significant changes in internal controls or in other factors that could significantly affect internal controls.
38. Reviewing management's annual report on internal control over financial reporting and the attestation report of the independent accountants thereon.
39. Perform such other functions as assigned by law, the Company's charter or bylaws, or the Board.
40. Be authorized to engage independent counsel, accountants and other advisers, as the Committee determines necessary to carry out its duties.
41. Have the appropriate funding, as determined by the Committee, for payment of: (i) compensation to any independent accountant; (ii) compensation to any advisers employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The duties and responsibilities of a member of the Committee are in addition to those duties set out for a member of the Board.