



Proposals of the Nomination Committee for the Annual General Meeting of Arion Bank hf. 15 March 2023

On 20 February 2023 the Annual General Meeting for Arion Bank hf, (“Arion” or the “Bank”) was formally called. The meeting will be held on 15 March 2023 at 16:00.

Below is the report of the Bank’s Nomination Committee (“Nomination Committee” or “Committee”) and the proposals of the Committee in accordance with items 4, 6 and 9 of the Agenda for the Annual General Meeting 2023 (the “AGM”).

1. Role of Nomination Committee

The current applicable Rules of Procedure for the Bank’s Nomination Committee were approved at an Annual General Meeting on 17 March 2020. The principal role of the Committee is to ensure that Board members of the Bank have wide and diverse qualifications and experience in order to promote good corporate governance at the Bank. The Committee has an advisory role regarding the election of Board members by putting forth a proposal, at each Annual General Meeting and extraordinary shareholders’ meeting where the Board election is on the agenda, of candidates to serve on the Board of Directors and make a proposal on their remuneration. Based on shareholders’ proposals and submissions of candidacy, the Committee shall propose to the shareholders candidates to serve on the Board of Directors. In its proposal on candidates, the Committee shall propose which candidate shall serve as the Chairman and the Vice Chairman of the Board of Directors of the Bank.

The proposals of the Nomination Committee regarding candidates and their remuneration shall be made available to all shareholders. When performing its tasks, the Committee shall take into consideration the interests of all shareholders of the Bank. The Committee shall further aim to ensure that the proposed candidates collectively possess sufficient knowledge, skill, diversity and experience necessary for the operations of the Bank as a financial undertaking. The Committee shall also propose to the Annual General Meeting the remuneration payable to the members of the Board of Directors. Further information regarding the Committee’s role may be found in its Rules of Procedure, accessible on the Bank’s webpage.

2. Changes to the Rules of Procedure of the Nomination Committee

Every year, the Nomination Committee shall review whether the Committee’s Rules of Procedure are in accordance with applicable legislation and corporate governance standards.

In June 2022 the Icelandic parliament, the Althing, passed a bill amending the Financial Undertakings Act which stipulates the obligation of systemically important financial institutions to operate a nomination committee (Article 53) and specifies the composition and role of the committee. The Act was primarily designed to transpose into law Directive 2013/36/EU. The Act provides for more extensive professional responsibilities of the Nomination Committee than provided for in the current rules of procedure of the Nomination Committee of Arion Bank. This primarily refers to the provisions on assessments and reporting of the Nomination Committee to the Board on: a) organization, size, composition and performance of the Board of Directors and managing directors and on making proposals on improvements to the Board where applicable, b) knowledge, competence and experience of individual Board members and the Board overall and managing directors and c) the company’s policy on hiring managing directors and managers who are directly responsible to a managing director and on making proposals on improvements to the Board where applicable.



In other respects, the Act provides for the same kind of set-up with respect to the creation and key role of nomination committees as set out in the regulations of the Nomination Committee of Arion Bank. This means that two members of the Nomination Committee will continue to be elected by shareholders at the AGM and the Board has to nominate a third committee member from its ranks.

With reference to the above, the Board of Directors has made a proposal on changes to the rules of procedure of the Nomination Committee which will be put to shareholders at the AGM, cf. agenda item 9 in the invitation to the 2023 AGM. It also contains a proposal on how to react in the event a member of the Bank's Nomination Committee leaves their position between an AGM and a shareholders' meeting.

3. Composition of the Nomination Committee of Arion Bank 2022-23

Arion's Nomination Committee consists of three members. In accordance with the current Rules of Procedure for the Committee, two Committee members, Júlíus Þorfinnsson and Auður Bjarnadóttir, were appointed by shareholders at the Annual General Meeting on 16 March 2022. The third member, Sigurbjörg Ásta Jónsdóttir, was nominated by the Board of Directors. Júlíus Þorfinnsson was elected Chair of the Committee.

4. Work of the Nomination Committee for the last operating year

The Committee held nine meetings in the period from December 2022 to February 2023 to organize the nomination process, study the Board's performance evaluation, prepare interviews with the Board of Directors, candidates, management and major shareholders, and analyse the remuneration of the Board, in comparison with work contribution and remuneration of boards in comparable companies, and to work on its proposals.

The Committee published an advertisement via a Nasdaq OMX Iceland press release on 5 January 2023 calling for Arion's Board candidacies, announced the deadline for declaring candidacy, and offered shareholders the chance to meet the Nomination Committee. The Nomination Committee furthermore e-mailed the Bank's 20 largest shareholders holding in excess of 1% in the Bank, inviting shareholders to meet the Committee.

Subsequently, the Nomination Committee interviewed the Board of Directors, candidates and management and subsequently evaluated the work of the Board and the qualifications of the Board. The Committee further requested and reviewed information regarding the salaries cost relating to the Board, the subcommittees of the Board, number of meetings and overall costs related thereto. Furthermore, the Nomination Committee met and corresponded directly with numerous major shareholders, who together own around 54% of the Bank's outstanding share capital, where the work of the Nomination Committee was discussed, and shareholders had the opportunity to express their point of view.

The aim of the Committee is to ensure that the proposed candidates collectively possess sufficient knowledge, skill, diversity and experience necessary for the operations of the Bank as a financial undertaking, taking the interests of all shareholders of the Bank into consideration. To this end, the Committee has assessed candidates based on their qualifications, experience and knowledge, considering statutory qualifications under applicable rules on the qualifications of Board members in financial undertakings, as well as on the basis of the Icelandic Corporate Governance Guidelines, published by the Icelandic Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers, 6th edition February 2021 (the "Guidelines"). Further, the Committee shall ensure that the composition of the Board of Directors complies with the Bank's Articles of Association (the "Articles"), including provisions on gender equality within the Board of Directors.

By means of a notice published via a Nasdaq OMX Iceland press release on 5 January 2023, the Nomination Committee invited those interested to submit their candidacies to the Committee. The deadline for declaring candidacy to the Nomination Committee, for those candidates requesting the assessment of the Committee, expired on 15 February 2023. Eight people submitted notices of their candidacy for election to the Board of Directors and two were subsequently withdrawn.



The following candidacies to the Board of Directors were received:

Brynjólfur Bjarnason (current Chairman of Arion Bank)

Paul Horner (current Vice Chairman of Arion Bank)

Liv Fiksdahl (current Board member of Arion Bank)

Gunnar Sturluson (current Board member of Arion Bank)

Steinunn Kristín Þórðardóttir (current Board member of Arion Bank)

Kristín Pétursdóttir, former CEO of Auður Capital and former chairman of Kvika banki

Two candidacies to the Alternate Board were received:

Sigurbjörg Ásta Jónsdóttir (current Alternate Board member of Arion Bank)

Próstur Ríkharðsson (current Alternate Board member of Arion Bank)

Having reviewed the candidates, the Board's performance for the past year and taking into consideration the views of the Bank's largest shareholders, as well as Board's competency assessment, the Nomination Committee has reached a decision regarding its proposals to be presented at the Annual General Meeting.

5. Proposals of the Nomination Committee on the Board of Directors

Based on the evaluation of the Board of Directors, meetings and other information, as further described above, the Committee has discussed the candidates, the composition of the Board and the work of the Board members.

The Nomination Committee believes, based on the work carried out, that the current Board of Directors of the Bank is composed of ambitious individuals who are highly capable and efficient in their work and that the composition of the Board is good. In the opinion of the Nomination Committee, the current members of the Bank's Board of Directors have a good reputation and possess the necessary experience and knowledge to be able to serve on the Bank's Board of Directors in a satisfactory manner. It is the opinion of the Nomination Committee that current members of the Board, individually and collectively, have the diverse experience and knowledge required when undertaking the duties of directors as necessary for operations of the Bank as a financial undertaking. It is furthermore the opinion of the Nomination Committee that the experience of current board members is important, as they have all served on the Bank's Board of Directors for a minimum of four years (the chairman having served eight years), and accordingly have considerable experience. The efficiency of the Board's work has increased and the experience of members of the Board is likely a key factor.

Arion Bank's Nomination Committee therefore proposes that all five sitting Board members, Brynjólfur Bjarnason, Paul Horner, Liv Fiksdahl, Gunnar Sturluson and Steinunn K. Þórðardóttir, be re-elected as Board members of Arion Bank

The Nomination Committee also proposes that Kristín Pétursdóttir be elected on to the Board of Directors of Arion Bank. Kristín has extensive experience of the financial market which the Nomination Committee believes will be beneficial to the Bank.

The Nomination Committee's proposal means that the Board of Directors will have six members over the coming year, three women and three men. The Bank's articles of association state that the company's Board of Directors shall have five to eight members and that the vote of the chairman is decisive in the event of even votes at a Board meeting.

The Nomination Committee has carried out an evaluation of the independence of the candidates, confirming that the Board overall fulfils the requirements of independence, according to the Guidelines, as well as other applicable requirements, such as legal requirements in respect of gender ratio. Furthermore, the Nomination Committee has studied and assessed the reputation of Board Members.



The Nomination Committee of the Bank proposes that the following six individuals will be elected as Board members at the Annual General Meeting on 15 March 2023:

- 1. Brynjólfur Bjarnason:** Brynjólfur was born in 1946. He was first elected as Director at a shareholders' meeting on 20 November 2014. Brynjólfur is Chairman of the Board, and sits on the Board Remuneration Committee, the Board Credit Committee, the Board Technology Committee and the Board Audit Committee. Brynjólfur graduated with an MBA from the University of Minnesota and possesses a cand. oecon. degree in business studies from the University of Iceland. Brynjólfur has extensive corporate experience and was a managing director of Enterprise Investment Fund, the CEO of Skipti, CEO of Síminn and CEO of Grandi hf. Brynjólfur has broad experience as a director and has served on numerous boards and been chairman of several. It is the conclusion of the Nomination Committee that, according to the Guidelines, Brynjólfur is independent of the Company, its managers and significant shareholders. The Nomination Committee is of the view that Brynjólfur possesses the relevant background and experience for a Board member of the Bank.
- 2. Paul Horner:** Paul was born in 1962. He was first elected as Director at a shareholder's meeting on 8 August 2019. Paul is the Vice-Chairman of the Board, Chairman of the Board Credit Committee and member of the Board Risk Committee, the Board Technology Committee and the Board Audit Committee. Paul graduated with M.A. Honours in music from the University of Oxford and is an associate of the UK Chartered Institute of Bankers. Paul has extensive experience of Risk and General Management in Retail, Commercial, Investment and Private Banking, gained across various international markets. Paul held various Executive Management and Risk Management roles at Barclays PLC, The Royal Bank of Scotland Group, Coutts & Co Ltd. and Ulster Bank DAC, Dublin. Paul has a broad experience as a director of financial undertakings. It is the conclusion of the Nomination Committee that, according to the Guidelines, Paul is independent of the Company, its managers and significant shareholders. The Nomination Committee is of the view that Paul possesses the relevant background and experience for a Board member of the Bank.
- 3. Gunnar Sturluson:** Gunnar was born in 1967. He was first elected Director at a Shareholders' meeting on 9 August 2019. Gunnar is Chairman of the Board Audit Committee and is a member of the Board Credit Committee and the Board Risk Committee. Gunnar graduated as Cand. Jur from the University of Iceland and with an LL.M. degree in Law from the University in Amsterdam. Gunnar has extensive experience as a lawyer and has practiced law since 1992. He joined Logos Legal Services in 2000 as a partner and was managing partner in 2001-2013. Gunnar has held various directorships. It is the conclusion of the Nomination Committee that, according to the Guidelines, Gunnar is independent of the Company, its managers and significant shareholders. The Nomination Committee is of the view that Gunnar possesses the relevant background and experience for a Board member of the Bank.
- 4. Liv Fiksdahl:** Liv was born in 1965. She was first elected as a Director at Arion Bank's Annual General Meeting on 20 March 2019. Liv is chairman of the Board Remuneration Committee and the Board Tech Committee and member of the Board Audit Committee. Liv holds a degree in Finance and Management from Trondheim Business School and has completed programs from Stanford University, INSEAD and MIT. Liv has an extensive work experience within financial institutions as she was an executive member of DNB for 10 years and has previously worked for Danske Bank/Fokus Bank and Svenska Handelsbanken. Liv has furthermore served on numerous boards. It is the conclusion of the Nomination Committee that, according to the Guidelines, Liv is independent of the Company, its managers and significant shareholders. The Nomination Committee is of the view that Liv possesses the relevant background and experience for a Board member of the Bank.



5. **Steinunn Kristín Þórðardóttir:** Steinunn was born in 1972. She was first elected a Director at a Shareholders' meeting on 30th November 2017. Steinunn is the chairman of the Board Risk Committee and a member of the Board Remuneration Committee and the Board Tech Committee. Steinunn holds a master's degree in international management from Thunderbird, Arizona, and a BA in international business and politics from University of South Carolina. Steinunn was previously a partner and CEO of Beringer Finance Norway and founded Akton AS and Acton Capital AS in Norway. Steinunn is CFO of Arundo Analytics AS in Oslo, Norway. Steinunn has served on numerous boards. It is the conclusion of the Nomination Committee that, according to the Guidelines, Steinunn is independent of the Company, its managers and significant shareholders. The Nomination Committee is of the view that Steinunn possesses the relevant background and experience for a Board member of the Bank.
6. **Kristín Pétursdóttir:** Kristín was born in 1965. She has a degree in economics from the University of Iceland and an MBA from the Norwegian School of Economics. Kristín has 25 years of management experience from the financial and technology markets. She was one of two founders of Auður Capital and served as the company's CEO from 2007 to 2013 and later as executive chairman from 2013 to 2017 (the company later becoming Virðing hf.). Kristín was chairman of Kvika banki from 2018 to 2020, CEO of Mentor hf. from 2015 to 2017, managing director of treasury at Kaupthing Bank from 1997 to 2005 and deputy CEO of Singer & Friedlander from 2005 to 2007. Kristín has served on the boards of Ölgerðin, Tal, Yggdrasil, Singer & Friedlander, Eyrir Invest, Grid, the Icelandic Chamber of Commerce, the Confederation of Icelandic Employers and the Icelandic Financial Services Association. Kristín has also been a member of the investment committees of the private equity funds Edda, Freyja and Auður I. It is the opinion of the Nomination Committee, with reference to the Icelandic Corporate Governance Guidelines, that Kristín is independent of the Bank, its management and major shareholders. The Nomination Committee considers Kristín to possess the requisite experience and knowledge for the position as a Director of the Bank.

6. Proposed candidates to serve on the Board of Directors as Alternate Directors

The Nomination Committee proposes that the below individuals will be re-appointed as Alternate Directors of the Board of the Bank at the Annual General Meeting on 15 March 2023:

Sigurbjörg Ásta Jónsdóttir: Sigurbjörg was born in April 1970. She was first elected as an Alternate Director at a Shareholder's meeting on 20 March 2014. Sigurbjörg graduated as Cand. Jur from the University of Iceland in 1996 and has received an LL.M. degree from Cambridge University in 1998. She is a Chief Executive Officer at Risk Medical Solutions. It is the conclusion of the Nomination Committee that, according to the Guidelines, Sigurbjörg is independent of the Company, its managers and significant shareholders. The Nomination Committee is of the view that Sigurbjörg possesses the relevant background and experience for an Alternate Board member of the Bank.

Pröstur Ríkharðsson: Pröstur was born in 1978. He was first elected as an Alternate Director at a Shareholder's meeting on 20 March 2019. Pröstur graduated as a Cand. Jur. Form the University of Iceland in 2003. He is the Head of Legal at Kaupthing ehf. and has been working for Kaupthing from 2009. It is the conclusion of the Nomination Committee that according to the Guidelines that Pröstur is independent of the Company, its managers and significant shareholders. The Nomination Committee is of the view that Pröstur possesses the relevant background and experience for an Alternate Board member of the Bank.

7. Proposal on Chairman of the Board of Directors

Name: **Brynjólfur Bjarnason**



Brynjólfur Bjarnason, the current Chairman of Arion Bank, who has been a Board member since 2014 and chairman since 2019, is an independent director. The Committee is of the view that Brynjólfur, who is the senior member of the Board and well-presented and connected in the Icelandic business community, is ideally suited for the role of the Chairman of the Board of Directors of Arion.

8. Proposal on Vice-Chairman of the Board of Directors

Name: Paul Horner

Paul Horner has been a Board member of Arion Bank since 2019 as an independent director and has been a vice chairman of the Board since 2021. Paul has extensive banking background and brings international experience in risk to the Board. The Committee is of the view that the qualifications of Paul described above make him ideally suited for the role of Vice-Chairman of the Board of Directors of Arion.

9. Proposal on remuneration to the members of the Board of Directors of Arion

In accordance with the rules of procedure of the Nomination Committee it is the role of the Nomination Committee to submit a proposal on remuneration to Board members and compensation to members of Board sub-committees, cf. agenda item 6 in the invitation to the 2023 AGM.

In its review of remuneration to the members of the Board of Directors, the Nomination Committee examined a wide range of information and material, including an overview of all costs relating to the Board during the last few years; an overview of remuneration paid to the boards of comparable listed companies in Iceland and abroad, as well as peer banks in Iceland; a board performance review in regard to workload required of the Board; and a comprehensive summary of activities within Board committees. The Nomination Committee also took into consideration the fact that the average salary at the Group had increased by 6% between years and that salaries on the general labour market had increased by 9% between years. The Nomination Committee also held discussions with the Bank's largest shareholders, during which remuneration to Board members was discussed.

After taking the above information into consideration, the Nomination Committee proposes that salaries to members of the Board be increased by ISK 25,000, or 4.76%, to ISK 550,000 a month (ISK 525,000 in 2022). As before, the salary of the chairman will be double the base salary of Board members and the salary of the vice chairman will be 50% higher than the base salary.

Furthermore, the Nomination Committee proposes that the salary for a position on Board sub-committees will be ISK 225,000 a month (2022: ISK 210,000) and the salary of the chairman of each committee will be ISK 337,500 a month (2022: ISK 315,000). Board members residing abroad receive a travel allowance of ISK 350,000 (2022: 320,000). It is also proposed that Alternate Board members will receive a lump sum payment equal to a base monthly salary of ISK 550,000 at the beginning of the operating year and ISK 275,000 for each Board meeting attended.