



## **Proposals of the Nomination Committee at the AGM of Arion Bank hf. 13 March 2024**

The Annual General Meeting of Arion Bank hf. (“Arion” or the “Bank”) was formally called on 20 February 2024. The meeting will be held on 13 March 2024 at 16:00 at the Bank’s headquarters in Borgartún 19, 105 Reykjavík.

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 and 6 of the Agenda for the Annual General Meeting 2024 (the “AGM”).

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### **1. Role of the Nomination Committee**

The current applicable Rules of Procedure for the Bank’s Nomination Committee were approved at an Annual General Meeting on 15 March 2023. Shareholders elect two of the three committee members at a shareholders’ meeting and the Board of Directors appoints the third member. 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.

Pursuant to the Committee’s rules of procedure and with reference to Article 53 of Act No. 161/2002 on Financial Undertakings, which came into force on 1 July 2023, the Nomination Committee shall present to the shareholders its reasoned proposals on the candidates which the Committee deems best to serve on the Bank’s Board of Directors. 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 institution.

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 Committee shall also propose to the Annual General Meeting the remuneration payable to the members of the Board of Directors. The Nomination Committee shall also assess the Bank’s policy on hiring management and shall submit a report to the Board.

Further information regarding the Committee’s role may be found in its Rules of Procedure, accessible on the Bank’s website.



## **2. Composition of the Nomination Committee of Arion Bank 2023-24**

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 15 March 2023. The third member, Sigurbjörg Ásta Jónsdóttir, Alternate Director of Arion Bank, was nominated by the Board of Directors. Júlíus Þorfinnsson was elected Chair of the Committee. Auður Bjarnadóttir was elected Secretary.

## **3. Work of the Nomination Committee for the last operating year**

The Committee held numerous meetings in the period from December 2023 to the end of February 2024 to organize the nomination process, study the Board's performance evaluation, prepare interviews with the Board of Directors, candidates, management and major shareholders, and analyze the remuneration of the Board, in comparison with work contribution and remuneration of boards in comparable companies, assess the Bank's policy for hiring management and to work on reports and proposals.

The Committee published an advertisement via a Nasdaq OMX Iceland press release on 4 January 2024 calling for Arion's Board candidacies, announced the deadline for declaring candidacy, and offered shareholders the chance to meet with the Nomination Committee. The Nomination Committee furthermore e-mailed the Bank's 20 largest shareholders which collectively hold 2/3 of the Bank's share capital, inviting shareholders to meet with the Committee. On 7 February 2024, the Nomination Committee published an announcement via a Nasdaq OMX Iceland press release extending the deadline for declaring candidacy to 21 February 2024. The extended deadline resulted in a minor delay of this report, which originally was scheduled to be published on 28 February 2024.

During the last weeks, the Nomination Committee has 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 reviewed information regarding the salaries cost relating to the Board, the sub-committees of the Board, number of meetings and overall costs related thereto. The Nomination Committee performed an assessment of the Bank's policy on hiring management and submitted a report of its results to the Board of Directors. Furthermore, the Nomination Committee met and corresponded directly with the largest shareholders of the bank, where the work and proposals of the Nomination Committee were 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 institution, 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 July 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.

In the advertisements via a Nasdaq OMX Iceland press release on 4 January 2024 and 7 February 2024 the Committee asked for candidacies to Arion Bank's Board of Directors. The deadline for declaring candidacy to the Nomination Committee, for those candidates requesting the assessment of the Committee, expired on 21 February 2024. Fourteen people submitted notices of their candidacy for election to the Board of Directors, including five from present Board Members. Two candidacies for Alternate Board Directorship were also received.

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.



#### 4. Proposals of the Nomination Committee on the Board of Directors

The Nomination Committee has come to the conclusion, based on the work carried out, that the current Board of Directors of the Bank is composed of highly qualified and ambitious individuals who are highly capable and efficient in their work and that the composition of the Board is of high quality.

In the opinion of the Nomination Committee, the current members of the Bank's Board of Directors who have announced their candidacy are qualified to continue serving on the Bank's Board of Directors. The Committee bases its conclusion on interviews with Board Members and the Committee's assessment of factors concerning the abilities of Board with respect to key aspects of Arion Bank's business, such as lending activities, risk management, funding, IT and fintech, and legal issues, as well as their knowledge of the domestic and international financial markets. 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 and they, 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 institution.

It is furthermore the opinion of the Nomination Committee that the experience current board members have accumulated over the last years is an important factor, as they have all served on the Bank's Board of Directors for several years and accordingly have considerable experience. The efficiency of the Board's work has increased and the experience of members of the Board is a key factor.

The Nomination Committee believes that the suitable number of Board Members for the next operating year is five. During the last operating year six people served on the Board of Directors, but this was only a temporary arrangement. Five present Board Members have asked to stand for re-election to the Board of Directors of the Bank.

**Arion Bank's Nomination Committee therefore proposes that five present Board members, Paul Horner, Kristín Pétursdóttir, Liv Fiksdahl, Steinunn K. Þórðardóttir and Gunnar Sturluson be re-elected as Board members of Arion Bank.**

The Nomination Committee's proposal means that the Board of Directors will have five members over the coming year, three women and two men. The Bank's articles of association state that the company's Board of Directors shall have five to eight members.

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 five individuals will be elected as Board members at the Annual General Meeting on 13 March 2024.

- 1. Paul Horner:** Paul was born in 1962. He was first elected as a Director at a shareholders' meeting on 8 August 2019. Paul is Vice Chairman of the Board, Chairman of the Board Credit Committee and member of the Board Risk Committee, the Board Audit Committee and the Board Tech Committee.

Paul graduated with M.A. Honours in music from the University of Oxford in 1983 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 and risk management roles e.g., at Barclays PLC, The Royal Bank of Scotland PLC Group and served as an executive and senior manager of Royal Bank of Scotland PLC, Coutts & Co Ltd. In Zurich, and Ulster Bank DAC in Dublin. Paul has also extensive knowledge and experience as a Board member in financial institutions and today Paul serves on three boards in addition to the Board of Arion bank. Paul serves at the board of AIB (UK) P.L.C., chairs its risk committee and is member of its audit and operational resilience committees.



He also serves on the Board of LHV (UK) Ltd. and chairs its risk committee, as well as sitting as a member of its audit, remuneration and nomination committees. Finally, he serves on the Board of the UK subsidiary of The National Bank of Kuwait, chairs its Risk Committee and serves on its Audit Committee.

Paul has extensive knowledge and experience of international banking and is an expert in risk management, lending and funding. It is the conclusion of the Nomination Committee that according to the Icelandic Corporate Governance Guidelines Paul is independent of the Company, its managers and significant shareholders. The Nomination Committee is of the view that Paul possesses the requisite experience and knowledge for the position as a Director of the Bank.

- 2. Kristín Pétursdóttir:** Kristín was born in 1965. She was first elected as a Director at Arion Bank's Annual General Meeting on 15 March 2023. Kristín is a member of the Board Risk Committee, the Board Remuneration Committee and the Board Tech Committee. Kristín graduated as an economist from the University of Iceland in 1991 and with an MBA from Handelshøyskole in Norway in 1993. Kristín was a co-founder of Audur Capital and served as chief executive officer of the company from 2007 to 2013 and as Chairman of the Board of Directors from 2013 to 2017 (later Virðing hf.). Kristín was also a Chairman of the Board of Directors at Kvika hf. from 2018 to 2020, CEO at Mentor hf. from 2015 to 2017, Managing Director of Treasury at Kaupthing Bank from 1997 to 2005, and Deputy CEO at Singer & Friedlander from 2005-2007. Kristín has also served as a board member at Ölgerdin, Tal, Yggdrasil, Singer & Friedlander, Vidskiptarád, Eyri Invest, Samtök atvinnulífsins and Samtök fjármálafyrirtækja. Kristín has also served as a member of investment committees of Edda, Freyja, and Audur I initiative funds. Today Kristín is a self-employed Leadership Consultant and Coach and serves as a member of the Board of Directors of Grid ehf. and Miðeind ehf.

Kristín has extensive management experience in the banking, financial and tech markets, knows the Icelandic business sector well and has specialized in the fields of strategy and sustainability. It is the opinion of the Nomination Committee that according to the Icelandic Corporate Governance Guidelines Kristín is independent of the Bank, its management and major shareholders. The Nomination Committee is of the view that Kristín possesses the requisite experience and knowledge for the position as a Director of the Bank.

- 3. Gunnar Sturluson:** Gunnar was born in 1967. He was first elected as a Director at a shareholders' meeting on 8 August 2019. Gunnar chairs 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 in 1992, gained an LL.M. degree in Law from the University in Amsterdam in 1995. Gunnar has practiced law at LOGOS legal services since 1992 and became a partner in 1995. He was the managing partner of LOGOS from 2001-2013.

Gunnar has extensive experience of the legal profession and of experience of diverse board directorships and comprehensive knowledge of the Icelandic business sector. It is the conclusion of the Nomination Committee that, according to the Icelandic Corporate Governance Guidelines, Paul is independent of the Company, its managers and significant shareholders. The Nomination Committee is of the view that Gunnar possesses the requisite experience and knowledge for the position as a Director 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 (today NTNU) and has completed programs at Stanford University, INSEAD og MIT. Liv has held various senior roles at DNB and was part of the executive management team for 10 years and before DNB she had key account roles for corporate clients within Danske Bank/Fokus Bank, and Svenska Handelsbanken. Liv has served on numerous boards, including Scandinavian Airlines SAS AB, Intrum AB, Sparebankforeningen and Finans Norge. Today, Liv is a Vice President within Financial Services at Capgemini Invent, Norway, and serves on the boards of Posten Norge AS and Hexagon Purus ASA.



Liv has many years of professional experience of Nordic financial institutions and diverse experience of board directorships. Liv's main area of expertise is IT, sustainability, remuneration and customer experience. It is the opinion of the Nomination Committee, according to the Icelandic Corporate Governance Guidelines, that Kristín is independent of the Bank, its management and major shareholders. The Nomination Committee is of the view that Liv possesses the requisite experience and knowledge for the position as a Director of the Bank.

- 5. Steinunn Kristín Þórðardóttir:** Steinunn was born in 1972. She was first elected as a Director at a shareholders' meeting on 30 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 international management from Thunderbird, Arizona, and a BA in international business and politics from University of South Carolina. Steinunn worked at Íslandsbanki (later Glitnir) as the managing director and head of the bank's UK operation and interim CEO of Beringer Finance in Iceland. Steinunn also worked at Arundo Analytics AS as a CFO in Oslo, Norway. Today Steinunn works actively with tech companies in Norway both as an investor and advisor in regard to strategy. Steinunn has 12,000 shares in the Bank.

Steinunn has extensive experience of board directorships and banking and finance. Steinunn's strengths are in the fields of risk management, strategy, fintech and lending. It is the opinion of the Nomination Committee, according to the Icelandic Corporate Governance Guidelines, that Steinunn is independent of the Bank, its management and major shareholders. The Nomination Committee is of the view that Steinunn possesses the requisite experience and knowledge for the position as a Director of the Bank.

## **5. Proposals of the Nomination Committee on the Chairman of the Board of Directors**

**Name: Paul Horner**

Paul Horner, the current Vice Chairman, has been an member of the Board of Arion Bank since 2019 and Vice Chairman since 2021. Paul has an extensive background in the banking sector and considerable international experience in the field of risk management. As Vice Chairman over the last three years Paul has represented the Bank in dealings with domestic and international supervisory and ratings entities. The Committee is of the view that Paul's aforementioned experience and professional background make him ideally suited for the role of Chairman of the Board of Directors of Arion.

## **6. Proposals of the Nomination Committee on the Vice Chairman of the Board of Directors**

**Name: Kristín Pétursdóttir**

Kristín Pétursdóttir, current Board Member, has been an member of the Board since 2023. Kristín has a wide range of experience from the banking sector, which has included positions as the CEO and chairwoman of several financial institutions and she has a thorough knowledge of the Icelandic business sector. The Committee is of the view that Kristín's aforementioned experience and professional background make her ideally suited for the role of Vice Chairman of the Board of Directors of Arion.

## **7. Proposals of the Nomination Committee on candidates to serve on the Board of Directors as Alternate Directors**

The Nomination Committee of the Bank proposes that the following two individuals will be elected as Alternate Directors at the Annual General Meeting on 13 March 2024.

**Sigurbjörg Ásta Jónsdóttir:** Sigurbjörg was born in 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. Sigurbjörg worked for Landvirkjun but was previously CEO of Risk Medical Solutions, held a position at Nato between 1999-2018 and was a lawyer at the Icelandic Ministry for Home Affairs from 2014 to 2015. 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 requisite experience and knowledge for the position as an Alternate Director of the Bank.

**Einar Hugi Bjarnason:** Einar Hugi was born in 1977. He qualified as a supreme court attorney in 2021, as a district court attorney in 2006 and received a degree in law from the University of Iceland in 2005. Einar Hugi has worked as a lawyer at Reykjavík Law Firm since 2017, and was previously at Atlas lögmenn, Íslenska lögræðistofan and Mörkin lögmansstofa. Einar Hugi was an alternate director at Júpiter rekstrarfélag hf. (now Kvika eignarstýring hf.), chairman of the board of Inkasso ehf. and chairman of the board of Gamma Capital Management since 2020. He was a member of a government debt-relief committee, was in the Constitution committee from 2013 to 2017 and is now chairman of the Media Committee. Einar Hugi owns 32,000 shares in the Bank.

It is the opinion of the Nomination Committee, with reference to the Icelandic Corporate Governance Guidelines, that Einar Hugi is independent of the Bank, its management and major shareholders. The Nomination Committee is of the view that Einar Hugi possesses the requisite experience and knowledge for the position as an Alternate Director of the Bank.

## **8. Information about other candidates for the Board of Directors**

As noted above, fourteen candidacies to the Board of Directors were received, five of which were from present Board Members. Seven of the nine candidates who were not nominated withdrew their candidacies upon being informed they had not been nominated.

The two candidates, who were not nominated but have informed the Committee that they wish to continue to stand for election to the Board at the AGM of Arion Bank on 13 March 2024, are Peter Franks and Guðrún Johnsen.

**Guðrún Johnsen** Guðrún was born in 1973. She has a doctorate in economics from École Normale Supérieure in France in 2019. She holds a master's in applied economics from Ann Arbor University in Michigan and a BA in economics from the University of Iceland. Since the beginning of 2023 she was worked as an economic advisor at Danmarks Nationalbank. Between 2021 and 2023 she was a lecturer in corporate governance at the Copenhagen Business School. Guðrún was a lecturer in finance at the University of Iceland from 2013 to 2018 and at Reykjavík University from 2006 to 2016. Guðrún was on the board of Lífeyrissjóður verzlunarmanna from 2019 to 2023. She worked for the Parliamentary Special Investigation Commission 2009-2010, served on the board of the Icelandic section of Transparency International from 2013 to 2021 and was chairwoman from 2014 to 2016. Guðrún was an economic advisor to VR in 2020-2021. Guðrún was on the Board of Arion Bank from 2010-2017, serving as Vice-Chairman.

**Peter Franks:** Peter was born in 1970 and is a Swedish and Australian citizen. He has a master's in economics from Macquarie University in Australia in 1994 and qualified as a chartered accountant in Australia in 2003. Peter is currently interim CFO of AVIDA Finans AB in Sweden and has since 2019 worked for his own advisory and financial management company, Nordic Directorship & Interim Management AB in Sweden. From 2016 to 2019 Peter was CFO of NREP (Nordic Real Estate Partners). Prior to that, Peter worked for the accountancy firm EY for more than 20 years around the world, where he was part of the audit work for Arion Bank as an employee of EY EMEIA between 2008 and 2014.

The Nomination Committee would like to inform shareholders of the reasoning applied in nomination process which resulted in nine of the candidates not being nominated for the election to the Board. It should be noted here that the Committee is unable to provide the names or detailed information on the candidates who withdrew their candidacies.

Of the nine candidates who were not nominated, the Nomination Committee considered two of them to have the education, experience and knowledge of the Icelandic business sector and financial markets required to be able to perform on the Board for Arion Bank to a satisfactory degree. Nonetheless, the Nomination



Committee determined that existing board members already held comparable or superior expertise and experience in these domains. Consequently, the Committee deemed it unjustifiable to recommend to shareholders to elect for one or both of these candidates instead of any of the present board members.

The remaining seven candidates lacked, in the opinion of the Nomination Committee, the sufficient background, education and/or experience to qualify a nomination to the Board of Directors of Arion Bank.

Two of them are lawyers with good experience in the field, some knowledge of the financial markets and some experience of board directorships. Given that an experienced lawyer already sits in the Board of the Bank, the Nomination Committee concluded that there was adequate knowledge of this field already within the Board and therefore there was no reason for nominating these candidates.

Of other two candidates who were not nominated, one is an economist and the other one is an engineer, one of them with professional experience in the public sector and the other in fintech, but with limited experience of financial markets or of serving on boards of financial institutions. Consequently, the Nomination Committee did not nominate these candidates due to their lack of relevant knowledge of financial markets.

Three candidates are foreign nationals, two of them have extensive experience of working for international banks or financial institutions, and the third comes from field of accounting and advisory, but all were considered to have limited experience of board directorships and limited knowledge of local markets. Since nearly all of Arion Bank's business is in Iceland and the Bank already has two foreign nationals on its Board with extensive international banking background, it was the conclusion of the Committee not to nominate these individuals.

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

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 AGM 2024 meeting announcement.

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 4% between years. The Nomination Committee also considered the plea that has been made in the business sector for moderate pay rises in connection with the collective wage negotiations. The Nomination Committee also held discussions with the Bank's largest shareholders, where 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 15,000, or approximately 2.7%, to ISK 565,000 a month (ISK 550,000 in 2023). The salary of the chairman will remain double the base salary of Board members and the salary of the vice chairman will remain 50% higher than the base salary.

Furthermore, the Nomination Committee proposes that the salary for a position on Board sub-committees will be increase by ISK 10,000 to ISK 235,000 a month (2023: ISK 225,000) and the salary of the chairman of each committee will be ISK 352,500 a month (2023: ISK 337,500). Board members residing abroad shall receive a travel allowance of ISK 365,000 (2023: 350,000). It is proposed that Alternate Board members will receive a payment equal to a base monthly salary of ISK 565,000 at the beginning of the operating year and ISK 282,500 for each Board meeting attended but their salaries are not to exceed ISK 565.000 per month.

## **10. Views about activities of nomination committees in general**

Recently, institutional investors, who are among the largest shareholders of Arion Bank, have publicly expressed their views about the activities and work processes of nomination committees in general. The



Nomination Committee of Arion Bank therefore thinks it is worthwhile for the Committee to share its view on some of the issues raised.

The opinion has been expressed that nomination committees have too far-reaching powers as it commonly happens that candidates who are not nominated by nomination committees withdraw their candidacies, which results in the shareholders not knowing who candidates were, and as a result, nominated board directors are automatically voted onto the boards and that therefore shareholders have in fact transferred their voting power to nomination committees. The opinion has been expressed that it would be more suitable if nomination committees would not nominate board members but instead provide shareholders with reasoned assessments of all the candidates which the Nomination Committee considers to be qualified, and shareholders would get the opportunity to choose from qualified candidates.

The Nomination Committee of Arion Bank agrees that it is unfortunate that candidates who are not nominated withdraw their candidacies. However, this is the right of each candidate and for them to decide and this cannot be restricted. The Committee also understands that shareholders, who have not been close to a nomination process, might experience a lack of transparency when boards are automatically elected according to the proposals of nomination committees despite the fact that many more candidacies have been submitted in the early stages of the nomination process, only to be withdrawn at a later date.

It should be noted that the rules of procedure of the Nomination Committee of Arion Bank, which are based on Article 53 of Act No. 161/2002 on Financial Undertakings, state the Committee must nominate persons to serve on the board of directors, and then not just on account of their qualifications, but also on the basis that the board must have diverse experience and knowledge, and the gender balance must also be secured.

If the Nomination Committee only performed a suitability assessment, without looking at the overall composition of the Board, it would not ensure that an election would result in the requisite diversity and knowledge within the Board. It is particularly important in the case of a complex financial institutions such as Arion Bank, where it needs to be ensured that the Board encompasses knowledge and experience in many fields, covering different areas of the Bank's operations, such as lending, risk management, funding, IT, knowledge of retail and corporate markets, legal services and knowledge of the domestic and international financial markets. There is a risk that an election carried out solely on the basis of a suitability assessment could result monotonous board of directors and the gender balance might be at risk, which would result in a re-election in accordance with the Bank's articles of association.

In the opinion of the Nomination Committee of Arion Bank it is crucial that Nomination Committees have good communication with shareholders while the nomination process is in progress. The majority of Arion Bank's Nomination Committee is elected by shareholders and shareholders are in a position to have direct and effective communications with the Committee. However, the Bank has almost 11,000 shareholders and communication between the Nomination Committee and shareholders is bound to be limited to the Bank's largest shareholders.

At the start of the nomination process, the Nomination Committee of Arion Bank releases an announcement to the stock market in which shareholders are invited to contact the Committee, and it also sends the 20 largest shareholders, which own 2/3 of the Bank's share capital, an e-mail to this effect. In recent weeks the Committee has had numerous meetings with the Bank's largest shareholders, where the nomination process has been discussed and shareholders have shared their opinions, and the Committee has explained its nomination proposals. It is the opinion of the Committee that effective communications between the Nomination Committee and shareholders is conducive in increasing shareholder confidence in the nomination process.

In the discussion about nomination committees in general, it has been argued that it would be better if board members did not sit on the nomination committees. The Nomination Committee of Arion Bank agrees with this view but points out that in Arion Bank's case, it is stipulated in Article 53 of Act No, 161/2002 on Financial Undertakings that at least one board member shall be a member of the Bank's Nomination Committee.

Finally, it has been argued that it would be preferred to have a direct election of the Chairman of the Board, instead of Board Members delegating duties after the election. In Arion Bank's case, this is enacted



accordingly, as a direct election of the Chairman is on the agenda of the AGM subsequent to the Board election, where shareholders have the opportunity to elect a Chairman from among the Board Members. This arrangement has remained in place since the Bank's listing on the stock market in 2018.