

**Report of the Nomination Committee of
Tryggingamiðstöðin hf.**

19 February 2019

Introduction

The Nomination Committee of Tryggingamiðstöðin hf. (TM) was elected for the first time at the company's shareholders' meeting on 25 October 2018. The Nomination Committee operates in accordance with the company's rules of procedure (see Annex 1) and with the authorisation granted in Article 26 of the company's Articles of Association. The rules of procedure of the Nomination Committee have been established considering the guidelines on corporate governance issued by the Iceland Chamber of Commerce, the Confederation of Icelandic Employers and the Icelandic Stock Exchange.

The Nomination Committee has the role of nominating candidates to the Board of Directors of the company when elections to the Board are on the agenda of a shareholders' meeting. The role of the Committee is to request candidates, assess the eligibility of the candidates, assess the candidates based on competence, experience and knowledge, evaluate their independence, and assess and submit proposals for the optimal composition of the Board.

The elected Committee members are Jakobína H. Árnadóttir, Consultant at Capacent (Chair), and Ingibjörg Ösp Stefánsdóttir, Project Manager for the Confederation of Icelandic Employers. The Committee member appointed by the Board of TM is Örvar Kjærnsted, Chair of the Board. Ingibjörg and Jakobína are independent of the company, while Örvar is the owner of Riverside Capital ehf., which holds a 1.9% shareholding in TM. Örvar does not have any stakeholder interests in any major customers or competitors.

This report from the Nomination Committee describes the work of the Committee and the proposal to be submitted to the Annual General Meeting on 14 March 2019.

The work of the Nomination Committee

The Nomination Committee began operating in autumn 2018. When the report was signed, the Committee had held three meetings, with a further one or two meetings planned as needed. Alongside its full-member meetings, the Committee has held meetings, in part or in its entirety, with Board members, employees and shareholders.

The Nomination Committee first met on 10 December 2018 to review the rules of procedure of the Committee and prepare its work plan. The work of the Nomination Committee in the run up to this Annual General Meeting involved discussions with major shareholders, current Board members, the company's CEO and its compliance officer. As the company's Nomination Committee is operating for the first time, certain basic work was conducted to define the key competencies that the Board of Directors must have. Other important personal competency criteria for Board members were also defined.

In January, a letter was sent to the representatives of major shareholders explaining the work of the Committee. They were encouraged to contact the Committee to organise meetings or enter into dialogue as regards the wishes of the shareholders and their view of the company's position, its future prospects and the composition of the Board. In total, the representatives of those holding 80% of shares received a letter on 23 January 2019. Meetings with shareholders took place during the period between 31 January and 12 February 2019.

Meetings with Board members were held during the period between 4 and 10 January, and meetings with the CEO and compliance officer were held thereafter (see more detailed work

programme in Annex 2). The purpose of these meetings was to gather information on the company, the work of the Board over the past year, the composition of the Board, what had been a success and what could be done better, and to gain an insight into the challenges facing the company in the near future. The Chair was not present at the meetings with other Board members or during the meeting with the CEO and compliance officer and confidentiality was maintained.

The Nomination Committee called for candidates for the Board on the company website www.tm.is on 30 January 2019. Submitted candidatures were assessed based on eligibility on 13 February, and at the same time, a competency assessment was prepared based on available definitions. Following this work, the self-evaluations of the Board were examined and a proposal for the Annual General Meeting formulated.

Committee's assessment

The Nomination Committee bases its proposal on viewpoints relating to the interests of the company and stated information on the work of the Board over the recent past and the challenges facing the company. In addition, guidelines on good corporate governance are followed. In its proposal to the Annual General Meeting, account is taken both of an assessment of the individuals based on certain competency criteria and of the knowledge, experience and competency that the Board as whole must have. Other viewpoints relating to the provisions of the Public Limited Companies Act on gender balance in the Board and a certain level of diversity in its composition were also used as guidelines, as was the importance of maintaining a certain stability in operations, i.e. that not too many Board members are replaced at any given time.

As regards the aspects listed concerning competency and experience in the assessment of candidates, the following were used as a basis:

- Experience and knowledge of investment and the financial market
- Experience or knowledge of risk analysis
- Experience of company operations
- Experience of marketing or consumer behaviour
- Experience of policy formulation, planning and change management
- Financial management
- Management experience
- Technological experience (Digitalisation) / Knowledge of innovation
- Risk management
- Knowledge of monitoring environment / legal environment
- Good collaboration and communications skills
- Foresight
- Analytical thinking
- Logically minded / bold
- Ability to make difficult decisions
- Focus on the long-term benefits of shareholders

As previously stated, these criteria are used as the basis for assessing both the applicants and the composition of the Board. It is preferable for most of these aspects to be reflected in

the Board as a whole and for individual Board members to have knowledge and experience in some of these fields.

The proposal of the Nomination Committee

The Nomination Committee bases the proposal submitted to the Annual General Meeting on the information available on the operations of the company, the challenges facing it, and the views of shareholders. The Nomination Committee's starting point is that proposals to the Annual General Meeting should be based on ensuring that the Board forms a strong, dynamic whole in the interests of the company and its shareholders.

Conversations with shareholder representatives did not reveal any requests for changes to the Board. It is the assessment of the Committee that the present Board of Directors of TM is well constituted considering the key factors defined. The Committee does feel, however, that there may be opportunities to strengthen the Board even further at a later date with increased technological knowledge or knowledge of digitalisation and innovation.

Five candidatures have been submitted to the Board, all by current members of the Board of Directors. These are Andri Þór Guðmundsson, Einar Örn Ólafsson, Kristín Friðgeirsdóttir, Ragnheiður Elfa Þorsteinsdóttir and Örvar Kærnedst. Two candidatures have also been submitted to the Substitute Board from current substitute board members, Bjarki Már Baxter and Bryndís Hrafnkelsdóttir.

Considering the viewpoints set out above and the candidatures submitted, the Nomination Committee proposes that the following persons be elected to the Board of TM at the Annual General Meeting on 14 March 2019:

Andri Þór Guðmundsson

Andri was appointed to the Board of Directors of TM in August 2013. He has been the CEO of Ölgerð Egils Skallagrímssonar ehf. since 2004. Andri holds a Cand. oecon. degree in economics and business administration from the University of Iceland and completed, in 2002, an MBA degree from the Rotterdam School of Management. Andri is a member of the Boards of Mjöll-Frigg ehf., Býlið okkar ehf., Kolefni ehf., Sól ehf., Danól ehf., Borgar Brugghús ehf. and OA eignarhaldsfélag ehf. He is also a member of Ofanleiti 1 ehf., Verzlunarskóli Íslands ses. and Viðskiptaráð Íslands (Iceland Chamber of Commerce). Andri was born in 1966. His shareholding in the company consists of 120,000 shares. He does not have any stakeholder interests in any major customers or competitors of the company.

Einar Örn Ólafsson

Einar joined the Board of Directors of TM in March 2017. He worked for Fjárfestingarbanki atvinnulífsins and Íslandsbanki 1997–2001 and 2004–2009 and served as CEO of Skeljungur 2009–2014 and Managing Director of Arnarlax 2014–2016. Einar is a mechanical and industrial engineer and holds an MBA degree. Einar is Chair of the Board of Gámaþjónustan hf. and Dælan ehf. He owns Einir ehf., which holds a 2.89% shareholding in TM. He does not have any stakeholder interests in any major customers or competitors of the company. Einar was born in 1973.

Kristín Friðgeirsdóttir

Kristín was appointed to the Board of Directors of TM in August 2013. She is a consultant and Adjunct Professor of Management Sciences and Operations at the London Business School. Kristín has worked as a consultant for McKinsey, Intel, Yahoo and other web-based and financial companies. Kristín holds a BS degree in mechanical and industrial engineering from the University of Iceland in 1995, an MS degree in financial engineering from Stanford University in 1997 and completed, in 2002, her PhD in business engineering from the same university. Kristín is a member of the University Council of Reykjavik University, a member of the Boards of Distica hf. and Valka ehf. Kristin was Chair of the Board of Hagar hf. 2011 – 2019. Kristín was born in 1971. She does not own any shares in TM and has no stakeholder interests in any major customers or competitors of the company.

Ragnheiður Elfa Þorsteinsdóttir

Ragnheiður Elfa first joined the Board of Directors of TM in March 2015. She was born in 1968 and works as a lecturer at the Faculty of Law of the University of Akureyri and as a district court judge. Ragnheiður Elfa graduated from the Faculty of Law of the University of Iceland in 1992, completed an LL.M degree at the University of Edinburgh in 1995 and has a degree in securities transactions. Ragnheiður Elfa was employed as a senior attorney by the Ministry of the Environment 1995–1998 and in the Ministry of Foreign Affairs 1998–2012. She is the Chair of the Board of the publishers Bjartur and Veröld. She owns no shares in the company. She does not have any stakeholder interests in any major customers or competitors of the company.

Örvar Kærnested

Örvar first joined the Board of Directors of TM in March 2012. He was born in 1976 and is a self-employed investor. Örvar holds a BSc degree in business administration from the University of Iceland and a degree in securities transactions. Örvar was employed 1998–2008 by Kaupþing banki and later by Stodir UK Ltd. Örvar is a member of several boards related to his own investments in Iceland and abroad. Örvar is the owner of Riverside Capital ehf., which holds a 1.9% shareholding in TM. He does not have any stakeholder interests in any major customers or competitors of the company.

Proposal for Substitute Board

Bjarki Már Baxter

Bjarki took as seat at the Board of Directors of TM in December 2012. He is a lawyer and works as head of law at WOW air ehf. In 2013 – 2015 he worked as a lawyer at Hilda ehf. and in 2011-2013 he worked as head lawyer for the resolution committee of Frjálsi hf. And SPRON hf. He is a member of the board of Hylja contractors ehf. He owns no shares in the Company and does not have any stakeholder interests in any major customers or competitors of the company.

Bryndís Hrafnkelsdóttir

Bryndís took a seat at the Substitute Board of TM in mars 2011. She has a Cand.Oecon and MS degree in Business Administration. She has worked as a CEO at Happpdrætti Háskóla Íslands since 2010. In 2000-2006 she worked as a CEO of Debenhams Iceland, worked in Finance at Kaupþing Bank hf. from 2007-2008 and as a CFO of Landfestar hf. in 2008-2010. Bryndís is a member of the board of Reginn hf. She is the chairman of Ofanleiti 1 ehf. and a chairman of the school committee of Verzlunarskóli Íslands. She owns no shares in the company. She does not have any stakeholder interests in any major customers or competitors of the company.

Reykjavik, 19 February

Ingibjörg Ösp Stefánsdóttir

Jakobína H. Árnadóttir

Örvar Kærnested

Appendix 1

Rules of procedure of the Nomination Committee of Tryggingamiðstöðin hf.

Version 1, approved at a company shareholders' meeting on 25 October 2018.

Preamble

The Nomination Committee operates in accordance with the authorisation contained in Article 26 of the company's Articles of Association. The shareholders' meeting establishes the following rules for the Committee:

1. Appointment and composition of the Nomination Committee

1.1 The Nomination Committee shall consist of three members, two of whom shall be elected at the Annual General Meeting. The company's Board of Directors shall appoint the third member no later than one month after the Annual General Meeting.

1.2 Board members of the company may stand for election or be appointed to the Nomination Committee but may not form a majority within the Committee. Board members may not chair the Committee.

1.3 Neither the management of the company nor its employees may sit on the Committee.

1.4 The majority of the Committee shall be independent of the company and its day-to-day managers. In addition, at least one member of the Committee must be independent of shareholders owning 10% or more of shares in the company. The Board of TM shall assess the independence of Committee members in accordance with Article 16(2) of the Articles of Association of the company, *mutatis mutandis*.

1.5 Candidatures to the Nomination Committee shall be delivered to the Board of Directors at least five days prior to the Annual General Meeting. In other respects, notifications of candidature are to be made in accordance with Article 16(1) of the Articles of Association, *mutatis mutandis*.

1.6 Elections to the Nomination Committee are to be conducted in accordance with the rules of company law as regards majority votes between individuals.

1.7 The appointment of Committee members shall be announced on the website of the company no later than six months before the Annual General Meeting.

2. Meetings

2.1 The Committee selects a Chair at its first meeting.

2.2 The Committee shall meet at least twice during its operating year and shall hold an extraordinary meeting when the Chair considers such a meeting necessary.

2.3 The Chair of the Committee is responsible for keeping a record of what happens at Committee meetings.

2.4 The Nomination Committee shall ensure that at least one Committee member attends the Annual General Meeting of the company as well as extraordinary shareholders'

meetings when an election to the Board of Directors is on the agenda. If a Committee member is unable to attend a meeting, their participation must be ensured in another manner, e.g. electronically.

3. Role and scope of responsibility

3.1 The Nomination Committee has the role of nominating candidates to the company Board of Directors when elections to the Board are on the agenda of a shareholders' meeting.

3.2 The main tasks of the Nomination Committee are:

- a) to ask for proposals for candidates to the Board from the shareholders in good time before the Annual General Meeting of the company,
- b) to ensure that shareholders are informed of how to submit proposals for candidates to the Nomination Committee,
- c) to prepare candidature nominations and ensure that such information is accessible and that the candidatures are submitted in accordance with the laws and Articles of Association of the company,
- d) to assess prospective Board members based on qualifications, experience and knowledge,
- e) to assess the independence of candidates,
- f) to submit a reasoned proposal for the appointment of candidates for Board membership and report on them and their other tasks to a shareholders' meeting where voting for Board membership is on the agenda,
- g) to submit a proposal for the chair of the shareholders' meeting, and
- h) to review and assess these rules of procedure and prepare proposals for changes to submit to the shareholders' meeting if the Committee considers this necessary.

3.3 When preparing and making proposals for candidates for Board membership, the Committee shall, among other things, ensure that the composition of the Board is as advantageous as possible in relation to the operations and policies of the company; that it has diversity and breadth of competencies, experience and knowledge; and that the gender balance within the Board is as equal as possible. In such work, the Committee shall refer to the results of the performance assessments of the Board as regards the composition of the Board and the competencies of its members.

4. Authorisations of the Nomination Committee, access to data

4.1 The Nomination Committee can request information relating to its work for the company. Access to data and company employees, however, must be subject to the restrictions applicable to the access of Board members in insurance undertakings pursuant to applicable legislation and the rules of procedures of the company's Board of Directors.

4.2 The Nomination Committee may seek the involvement of external consultants in the execution of its duties. Such consultants must be independent of the company, its day-to-day managers and those members of the Board who are not independent. To assess this, the Committee must use the same rules as when assessing the independence of Board members.

5. Confidentiality

5.1 Committee members are bound by professional secrecy as regards the affairs of the company and other issues of which they become aware in their work as Committee members and which must remain confidential according to the company's Articles of Association, laws or by the nature of such issues, unless the matter in question is something that the Board decides to make public or where such disclosure is provided for in legal provisions or the company's Articles of Association.

The obligation of professional secrecy remains in effect after cessation of employment.

6. Entry into effect

6.1 These rules were approved by a TM hf. shareholders' meeting on 25 October 2018.

Interim provisions

Due to the work of the Nomination Committee in connection with elections to the company's Board of Directors during the Annual General Meeting in 2019, and irrespective of the provisions of Article 1(1), (5) and (7), the election and appointment of the members of the Nomination Committee shall be arranged in accordance with interim provisions to the Articles of Association of the company as regards this election to the Board. In addition, candidatures to the Nomination Committee shall have been submitted to the company's Board, in writing, no later than five days prior to the shareholders' meeting on 25 October 2018, and notification of the appointment of Committee members shall be published on the website of the company no later than one day after the meeting.

Appendix 2

Date	Principal tasks	Committee members
5 November 2018	Meeting with CEO: <ul style="list-style-type: none"> • Introduction on the company and its operations. 	IÖS, JHÁ
10 December 2018	First meeting of Nomination Committee: <ul style="list-style-type: none"> • Election of Chairman. • Work programme prepared. 	IÖS, JHÁ, ÖK
January 2019	Meetings with Board members (individually): <ul style="list-style-type: none"> • Information obtained on the work of the Board, communications between Board members, main challenges ahead. Information obtained on interest for continued Board membership. Meetings with CEO and compliance officer: <ul style="list-style-type: none"> • Information obtained on the work of the Board, communications between Board members and challenges within the company looking forward. 	IÖS, JHÁ
14 January 2019	Meeting of the Nomination Committee: <ul style="list-style-type: none"> • Criteria for key competencies, knowledge and experience defined. • Forms for nominations and candidatures to the Board updated and republished on the website of the company. • Letters prepared and sent to the company's shareholders inviting shareholders to meet with the Committee or send their comments to the Committee. 	IÖS, JHÁ
31 January 2019	<ul style="list-style-type: none"> • Meetings with shareholders who requested a meeting. 	IÖS, JHÁ, ÖK
13 February 2019	<ul style="list-style-type: none"> • Assessment of the competency, knowledge and experience of candidates. • Board self-assessment reviewed. • Gender balance examined. • Draft of report prepared. 	IÖS, JHÁ, ÖK (in part)
13–18 February 2019	<ul style="list-style-type: none"> • Independence assessment of candidates. • Committee report prepared and approved. 	IÖS, JHÁ, ÖK
1 March 2019	<ul style="list-style-type: none"> • New candidatures reviewed, if any. • Opinion of new candidates prepared. • Changes made to the proposal of the Committee to be submitted to the Annual General Meeting if necessary. • Presentation for the Annual General Meeting will be prepared. 	IÖS, JHÁ
11 March 2019	<ul style="list-style-type: none"> • Independence assessment of candidates who may submit their candidatures after 28 February. 	IÖS, JHÁ, ÖK